Mid-Year Economic Analysis
2013-2014

Outcome of the review of the trends in receipts and expenditure
in relation to the budget at the end of the second quarter
of the financial year 2013-2014

and

Statement explaining deviations in meeting the obligations
of the Government under the Fiscal Responsibility
and Budget Management Act, 2003

(vide Section 7(1) and 7(3)(b) of the said Act)

Ministry of Finance
Department of Economic Affairs
Economic Division

MID-YEAR ECONOMIC ANALYSIS

CONTENTS

CHAPTER I

OVERVIEW OF THE ECONOMY

ECONOMIC GROWTH

1.1 The Indian economy recovered in the second quarter (Q2) of 2013-14 recording a growth of 4.8 per cent. This follows a growth rate of 4.4 per cent in the first quarter (Q1) of the current financial yearð the lowest in 16 quarters. Particularly encouraging is the fact that the recovery in Q2 is noticed on the face of significant fiscal consolidation by the Government and tighter liquidity conditions to moderate aggregate demand. The economy went through challenging times since the crisis in the Euro area in 2011-12 with a cyclical down turn with growth slowdown, elevated current account deficit, persistent inflation, and the need to restore fiscal policy to a sustainable path. While the Government delivered on the announced fiscal targets in 2012-13, current account deficit (CAD) continued to remain elevated in Q1 of 2013-14 and in tandem with market misperception of an imminence of the rollback of quantitative easing in US, assumed a serious dimension with the sharp depreciation of the rupee. The Government put in place a series of measures and there has been a significant let-up in the challenges on the trade and balance of payments front, particularly in the Q2 2013-14. Domestic impediments like elevated levels of food and retail inflation, high input costs and pressure on profit margins and infrastructural bottlenecks continued, with the Government addressing them through appropriate calibration of fiscal policy, administrative measures and institutional mechanisms like Cabinet Committee on Investment to fast track projects.

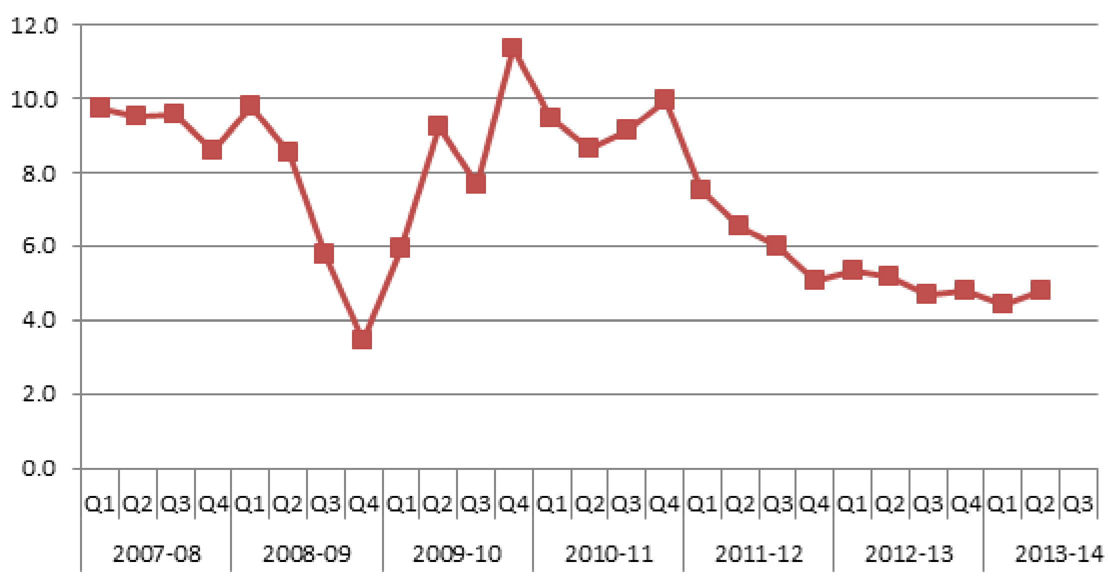
1.2 The recovery in growth, although weak, is expected to gather pace in the coming quarters. Broadly summarised, the indications to this effect are a sharp moderation in CAD composed of both a moderation in imports and pickup in exports; a moderation on year-on-year WPI inflation in the first half over that in the previous year; fiscal consolidation that is broadly on track; and accelerated growth in agriculture and a mild recovery in manufacturing. While there are some concerns about renewed price pressure in October 2013 and the services sector, the driver of growth, is still to pick up, there are indications to the effect that these could be reversed going forward. The analyses in various sections of this chapter would provide the analytical basis for the above assessment. With recent improvements in growth of some sectors, better performance of exports and measures taken by the Government, the year 2013-14 can be expected to end with a growth of 5 per cent.

1.3 The Indian economy weathered the global financial crisis rather well and quickly recovered from the decline in growth rate in 2008-09 to a healthy growth that averaged around 9 per cent annually in 2009-10 and 2010-11. However, this recovery was short-lived and growth rate declined to 6.2 per cent in 2011-12 and 5.0 per cent in 2012-13, on account of both domestic and external factors. Despite some recovery in the growth of agriculture and industry sector, particularly in Q2 of the current financial year, the overall growth of the economy has been a modest 4.6 per cent in the first half of the year. The growth rate of the economy improved from 4.4 per cent in Q1 2013-14 to 4.8 per cent in Q2. Compared to Q1 2013-14, Q2 has evidenced a robust pick-up in the growth of the agricultural sector and a gradual recovery in the industrial sector. The growth in economic services also got strengthened, while the community, social and personal services- a sector with substantial public sector presence - exhibited a significant fall in growth, pointing towards efforts at fiscal consolidation. The demand side impetus to growth is gradually gaining momentum with the strengthening of private consumption and investment and with exports making an impressive turnaround in Q2 2013-14. The confluence of these factors has resulted in a growth of 4.6 per cent during the first half (H1) of 2013-14, roughly the same level of 4.7 per cent achieved during the second half (H2) of 2012-13.

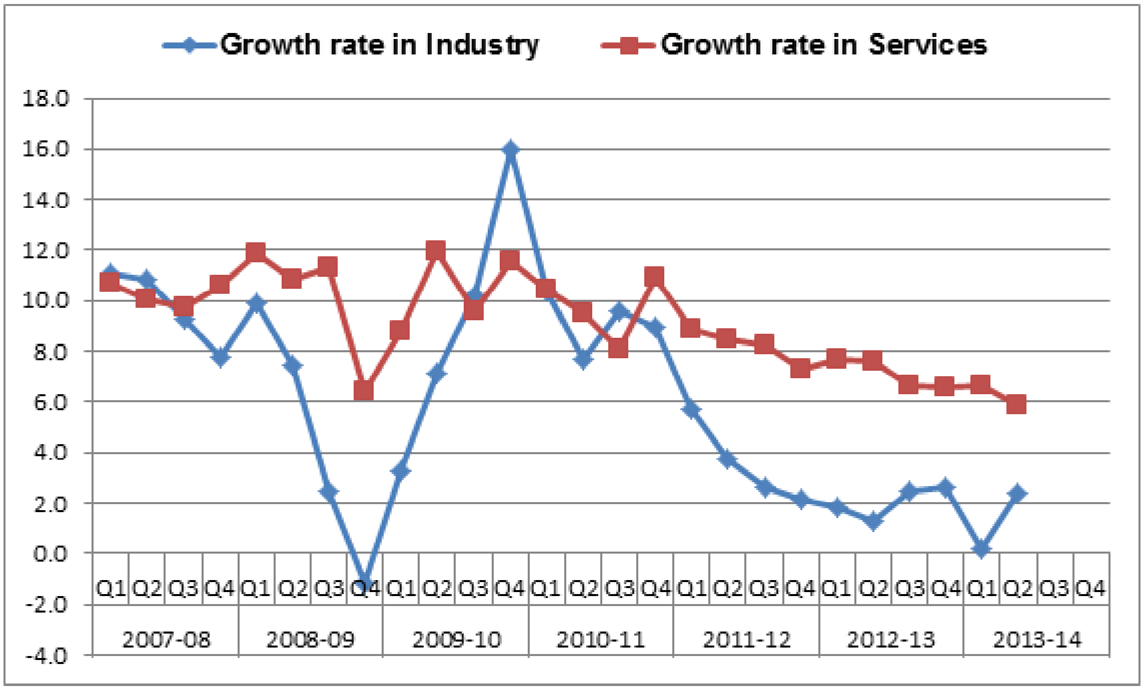
1.4 On the external front, the crisis of 2008, the subsequent sovereign debt crisis and the recession in the Euro-area had moderated the average growth rate of the global economy to less than 3 per cent over the period 2008-2012 as compared to 5 per cent during 2004-2007. Data from IMF indicate that several emerging market economies including China and India quickly rebounded to high growth in the aftermath of the crisis. In fact, in terms of market price GDP, India's growth exceeded that of China in 2010. Apart from emerging economies, advanced economies also experienced significant recovery in 2010 with both the US and the Euro-area registered distinctly higher growth rates. A series of subsequent events, including the uncertainty surrounding Euro-area sovereign debt crisis, hampered sustained economic recovery in advanced economies with adverse consequences for growth and challenges for macroeconomic management in emerging market economies. With the intensification of the sovereign debt crisis, the decline in real GDP growth rates starting 2011 has been witnessed across advanced and emerging market economies. Economic growth has again started looking up in advanced economies, especially in the US, alleviating the external constraint on India's recovery to some extent.

1.5 The slowdown in real GDP growth in India during 2011-12 and 2012-13 is in sync with trends in similar emerging economies. The downturn has been more pronounced in the Indian case, owing to domestic and structural factors. The growth of real GDP has generally shown a declining trend since the first quarter of 2011-12. An upward movement in some of the quarters in between raised the hope for a turnaround that was belied (Figure 1.1, Panel I). Corresponding to this, the industrial sector witnessed a long, steep decline. The service sector also witnessed growth moderation, which has been gradual and less steep than the industrial sector, and its growth remained more or less constant during Q3 2012-13 to Q1 2013-14. As panel 1 of Figure 1.1 shows, the declining trend in GDP growth has reversed in Q2 2013-14, on the back of higher growth in agriculture and industry vis-à-vis Q1 2013-14.

Figure 1.1: Growth rate in GDP at factor cost
Panel I



Panel II



1.6 Despite higher growth in agriculture and improvement in the power sector in Q1 2013-14 vis-à-vis Q4 2012-13, recovery in GDP growth proved to be moderate because of continued poor performance of mining and manufacturing and the steep downturn in the ‘trade, hotels, transport and communications’ segment of the service sector, which constitutes more than a fourth of the GDP and is largely dependent on the activity levels in the commodity producing sectors (Table 1.1). As per Q2 GDP figures, the ‘trade, hotels, transport and communications’ sector has still not picked up momentum. The fiscal impetus to growth has also more or less tapered off. However, farm sector growth and the revival in the industrial sector has more than offset such effects.

Table 1.1: Quarterly Growth Rate of GDP (Per cent)

	Sector	2012-13 Q1	2012-13 Q2	2012-13 Q3	2012-13 Q4	2013-14 Q1	2013-14 Q2	2012-13 H1	2013-14 H1
1	**Agriculture, forestry & fishing**	**2.9**	**1.7**	**1.8**	**1.4**	**2.7**	**4.6**	**2.3**	**3.6**
2	**Industry**	**1.8**	**1.3**	**2.5**	**2.7**	**0.2**	**2.4**	**1.5**	**1.3**
a	Mining & quarrying	0.4	1.7	-0.7	-3.1	-2.8	-0.4	1.0	-1.6
b	Manufacturing	-1.0	0.1	2.5	2.6	-1.2	1.0	-0.5	-0.1
c	Electricity, gas & water supply	6.2	3.2	4.5	2.8	3.7	7.7	4.7	5.7
d	Construction	7.0	3.1	2.9	4.4	2.8	4.3	5.1	3.5
3	**Services**	**7.7**	**7.6**	**6.7**	**6.6**	**6.6**	**5.9**	**7.7**	**6.3**
a	Trade, hotels, transport & communication	6.1	6.8	6.4	6.2	3.9	4.0	6.4	4.0
b	Financing , insurance, real estate & business services	9.3	8.3	7.8	9.1	8.9	10.0	8.8	9.5
c	Community, social & personal services	8.9	8.4	5.6	4.0	9.4	4.2	8.6	6.6
4	**GDP at factor cost**	**5.4**	**5.2**	**4.7**	**4.8**	**4.4**	**4.8**	**5.3**	**4.6**

Source: Central Statistics Office (CSO)

1.7 All major components of aggregate demand, except Government final consumption, slowed in Q1 2013-14 (Table 1.2). Government consumption, which acted as the bulwark in Q1 2013-14, has steeply moderated in Q2. The slack in private consumption, coupled with significant increase in the possession of valuables, indicate postponement of current consumption and greater resort by individuals to invest in items like gold and silver that act as store of value. More than the mild pick-up in private consumption, the turnaround in exports has revived aggregate demand. An encouraging sign in Q2 2013-14 is the moderate revival in fixed investment vis-à-vis a decline in Q1 2013-14. Apart from the above, the decline in major subsidies by 10.5 per cent, coupled with a reasonable growth in indirect taxes (6.1 per cent), define the turnaround in the growth of GDP at market prices during Q2 2013-14.

Table 1.2: Growth of GDP at constant 2004-05 prices- Major component wise (per cent)

	2012-13				2013-14	
	Q1	Q2	Q3	Q4	Q1	Q2
I. GDP at market prices	3.4	2.5	4.1	3.0	2.4	5.6
IIa. Government Final Consumption Expenditure	7.2	6.9	2.2	0.6	10.5	-1.1
IIb. Private Final Consumption Expenditure	4.3	3.5	4.2	3.8	1.6	2.2
III. Gross Fixed Capital Formation	-2.2	1.1	4.5	3.4	-1.2	2.6
IV. Valuables	-20.9	4.3	-6.9	-20.2	92.5	23.9
V.Exports	12.2	5.0	-3.5	-0.6	-1.2	16.3
VI. Imports	10.7	9.5	4.2	3.3	0.7	0.4

Source: CSO.

1.8 With a slowdown in aggregate demand during 2011-12 and 2012-13, the investment rate had slowed to 35.0 per cent in 2011-12 (the latest period up to which annual data on savings and investment rates are available) from 38.1 per cent in 2007-08. The slowdown in capital formation which continued through Q1 2013-14 reflected the subdued sentiments that prevailed in the industrial sectors. Despite the volatilities shown by the capital goods sector, the Q2 GDP numbers point to the revival of investment cycle, led by construction activities.

AGRICULTURE

Abundant rainfall boosts agricultural output:

1.9 While the Indian agriculture has become resilient to monsoons for about a decade now, still it has a bearing on the level of output as well as output growth. The south west monsoon (June-September) accounts for 75 per cent of total annual rainfall. During 2013, south west monsoon season, for the country as a whole, the rainfall received was 106 per cent of its long period average (LPA). Seasonal rainfall was 109 per cent of its LPA over Northwest India, 123 per cent of its LPA over Central India, 115 per cent of its LPA over south Peninsula and 72 per cent of its LPA over Northeast (NE) India. Out of the total 36 meteorological subdivisions, 14 subdivisions constituting 48 per cent of the total area of the country received excess season rainfall, 16 subdivisions (38 per cent of the total area of the country) received normal season rainfall and the remaining 6 subdivisions (14 per cent of the total area of the country) received deficient season rainfall.

1.10 The cumulative post-monsoon rainfall (1st October to 31st October) for the year 2013, for the country as whole was 61 per cent more than LPA. Rainfall in the four broad geographical divisions of the country during the period was higher than LPA by 33 per cent in North West India, 136 per cent in Central India, 24 per cent in South Peninsula and 57 per cent in East & North East India. Out of a total of 36 met sub-divisions, 26 met sub-divisions constituting 78 per cent of the total area of the country received excess / normal rainfall. The remaining 10 met sub-divisions constituting 22 per cent of the total area received deficient rainfall.

Kharif Sowing: Higher acreage overall

1.11 The good south west monsoon, which was fairly well distributed, led to higher acreage in kharif 2013-14. As compared to kharif 2012-13, the area under food grains and oilseeds during kharif 2013-14 increased by 7.15 lakh hectares and 12.05 lakh hectares respectively (Table 1.3).

Table 1.3: Area under different crops for kharif (lakh hectares)			
Crops	**Area Sown (Kharif)**		**Increase/ decrease over last year(+/-)**
	2013	**2012**	
Major cereals			
Paddy	387.12	388.54	-1.42
Coarse cereals			
Jowar	21.53	23.64	-2.11
Bajra	74.60	71.97	2.64
Maize	75.57	71.47	4.10
Ragi	10.23	11.12	-0.89
Small millets	7.25	7.47	-0.22
Total coarse cereals	189.18	185.66	3.52
Pulses			
Arhar	38.57	38.06	0.51
Urad	22.17	24.15	-1.98
Moong	22.45	19.45	3.00
Others	19.84	16.31	3.53
Total pulses	103.03	97.97	5.06
Total food grains	679.33	672.17	7.15
Oilseeds			
Groundnut	42.28	38.56	3.72
Soyabean	121.04	108.43	12.62
Sunflower	2.27	2.72	-0.45
Sesamum	15.15	16.73	-1.58
Nigerseed	2.85	3.01	-0.16
Castorseed	11.08	13.17	-2.10
Total oilseeds	194.67	182.62	12.05
Other crops			
Cotton	115.61	119.78	-4.17
Sugarcane	49.21	50.64	-1.43
Jute	7.57	7.82	-0.25
Source: Department of Agriculture & Cooperation			

Agriculture Production: Estimated second highest ever Kharif output

1.12 Good monsoon coupled with better acreage paved the way for achieving the second highest ever production of kharif food grains in 2013-14. The prospects for rabi crops are expected to be good. As per the 1st advance estimates(AE), 2013-14, released by Department of Agriculture and Cooperation, production of rice is set to rise to 92.32 million tonnes, compared to the production figures of 85.59 million tonnes in 2012-13 (1st AE). Similarly, coarse cereals and kharif pulses also are estimated to have registered higher production. Table 1.4 brings out a comparison of the 4th AE of 2012-13 and the 1st AE of 2013-14 kharif output. The higher levels of output partly reflect the price support policy.

Table 1.4: Kharif production in 2012-13 and 2013-14 (Million Tonnes)				
Crop	2012-13 (4th advance estimates)	2013-14 (1st advance estimates)	Absolute difference	Percentage
Foodgrains	128.20	129.32	1.12	0.87
Oilseeds	20.86	23.96	3.10	14.86
Sugarcane	338.96	341.77	2.81	0.83
Cotton@	34.00	35.30	1.30	3.82
@Production in million bales of 170 kg each.				
Source: Directorate of Economics & Statistics, Department of Agriculture & Cooperation				

Price Policy of Agricultural Produce: supportive of output growth as well as distribution

1.13 Given the size of Indian food market, domestic availability/production can be augmented by appropriate price policies for agricultural commodities with a view to encourage higher investment and production, as well as to safeguard the interest of consumers by making available supplies at reasonable prices. Towards this end, the Government announces Minimum Support Prices (MSPs), each season, for major agricultural commodities and organizes purchase operations through public and cooperative agencies with the objective that the market prices do not fall below MSPs.

1.14 The MSPs for major crops has been raised substantially by the Government for the last few years (Table 1.5) in line with the above mentioned objective. This policy also results in higher procurement by the Food Corporation of India (FCI), particularly of cereals for distribution under the food distribution schemes, which entail subsidization to end-consumers.

Table 1.5: MSP of Major Crops (Per quintal)

Kharif crops	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage Increase in 2013-14 /2012-13
Paddy (common)	1000	1000	1080	1250	1310	4.80
Paddy (Gr.A)	1030	1030	1110	1280	1345	5.08
Jowar (Hybrid)	840	880	980	1500	1500	0.00
Jowar (Maldandi)	860	900	1000	1520	1520	0.00
Bajra	840	880	980	1175	1310	11.49
Maize	840	880	980	1175	1310	11.49
Ragi	915	965	1050	1500	1500	0.00
Arhar (Tur)	2300	3500	3700	3850	4300	11.69
Moong	2760	3670	4000	4400	4500	2.27
Urad	2520	3400	3800	4300	4300	0.00
Groundnut in shell	2100	2300	2700	3700	4000	8.11
Sunflower	2215	2350	2800	3700	3700	0.00
Soyabean (black)	1350	1400	1650	2200	2500	13.64
Sesamum	2850	2900	3400	4200	4500	7.14
Nigerseed	2405	2450	2900	3500	3500	0.00
Cotton (medium staple)	2500	2500	2800	3600	3700	2.78

***Note**: Inclusive of bonus wherever applicable. **Source**: Department of Agriculture and Cooperation.*

1.15 The procurement level of rice stood at 102.24 lakh tonnes as on 13.11.2013, compared to 98.70 lakh tonnes as on 7.11.2012, while procurement of wheat stood at 250.91 lakh tonnes as on 1.8.2013, compared to 381.48 lakh tonnes as on 2.8.2012. As part of the price policy to protect consumers, the Central Issue Prices of rice and wheat have been kept unchanged since 1.7.2002.

1.16 Besides meeting the requirements of distribution of food grains under Targeted Public Distribution System (TPDS) and other welfare schemes, the central pool of food stocks is required to have sufficient quantities of rice and wheat in order to meet emergencies like drought/failure of crop and to enable open market intervention in case of sharp price increases. The minimum buffer norms (Table 1.6) for the central pool have been fixed by taking into consideration, among other factors, the seasonality in the arrival of the grains and distribution requirements. Food stocks have remained significantly higher than the buffer norms which entail higher carrying cost. Keeping in view the comfortable stock position, a liberalised approach has been adopted towards allocation of additional food grains under different schemes and exports. The enhanced coverage envisaged under the National Food Security Act would not only help to achieve objectives of access to food at affordable prices; but would also help lower carrying cost of buffer, besides modulating open market prices.

Table 1.6: Details of buffer norms and actual stock position (in lakh tonnes)						
Date	Rice		Wheat		Total	
	Actual Stock	Buffer norms	Actual Stock	Buffer norms	Actual Stock	Buffer norms
1.01.2011	255.80	138	215.40	112	471.20	250
1.04.2011	288.20	142	153.64	70	441.84	212
1.07.2011	268.57	118	371.49	201	640.06	319
1.10.2011	203.59	72	314.26	140	517.85	212
1.01.2012	297.18	138	256.76	112	553.94	250
1.04.2012	333.50	142	199.52	70	533.02	212
1.07.2012	307.08	118	498.08	201	805.16	319
1.10.2012	233.73	72	431.53	140	665.26	212
1.01.2013	322.21	138	343.83	112	666.04	250
1.04.2013	354.68	142	242.07	70	596.75	212
1.07.2013	315.08	118	423.97	201	739.05	319
1.10.2013	190.33*	72	361.00	140	551.33	212

** Format of stock position in Central Pool has been revised w.e.f. 1.9.2013.*
***Source** : Department of Food and Public Distribution*

Agriculture Credit - enabling farmers to deliver higher output

1.17 Agriculture credit flow since 2003-04 has consistently exceeded the target and indicates the success of the concerted efforts of Government. Agriculture credit flow increased from ₹ 86981crore in 2003-04 to ₹ 5,11,029 crore in 2011-12. For 2013-14, agriculture credit flow target has been enhanced to ₹ 7,00,000 crore. The target and achievement of credit flow during 2011-12 and 2012-13 is given in Table 1.7.The Kisan Credit Card (KCC) Scheme introduced in 1998 has since stabilized, with a major share of crop loans being routed through it. As on 31.3.2013, a total of 12.03 crore KCCs have been issued by the commercial banks, cooperative banks and regional rural banks and the amount of loans sanctioned is ₹ 6,17, 232.33 crore.

Table 1.7: Target and Achievement of Credit Flow to Agriculture Sector during 2011-12 and 2012-13 (` crore)						
	2011-12			2012-13		
Agency	Target	Achievement	Percent Achieved	Target	Achievement (Provisional)	Percent Achieved
Commercial Banks	355000	368616	103.84	420000	432491	102.97
Cooperative Banks	69500	87962	126.56	84000	111203	132.38
Regional Rural Banks	50500	54450	107.82	71000	63681	89.69
Total	**475000**	**511029**	**107.59**	**575000**	**607375**	**105.63**

***Source**: Commercial Banks' data from IBA; Cooperative & RRBs data from NABARD Regional Offices.*

1.18 While the agriculture sector is expected to perform better in 2013-14, compared to its long-term trend, the same cannot be said about the industrial sector.

INDUSTRY AND INFRASTRUCTURE

Industrial sector showing signs of mild recovery

1.19 The growth in industrial output based on the index of industrial production (IIP) turned positive in the second quarter of the current financial year. This uptick in growth was broad-based (Table 1.8).Overall performance of the industrial sector during the first half of the current financial year has been mixed. Growth rebound in ready-made garments and electrical machinery & equipment industries has been the highlight of the first half of this financial year. Following the steps taken by the Government to boost investment and business confidence, growth rates in some of the core sectors, such as, power, cement, steel and coal have surged during the second quarter. The industrial output growth increased marginally to 0.3 per cent during April-September 2013 as compared to the 0.1 per cent growth during the corresponding period of the previous financial year. The cumulative growth in the manufacturing and electricity sectors during April-September 2013-14 over the corresponding period of 2012-13 had been 0.03 per cent and 5.9 per cent respectively. Because of structural constraints, mining sector continued to be a drag on the overall industrial growth, with a contraction of 2.6 per cent during April-September 2013-14. Nevertheless in the second quarter, there is a pickup in activity in this sector too, which augers well for the outcome in the next half.

Table 1.8 : Growth in broad industrial groups based on IIP(Base 2004-05=100)

Year	**Quarter**	**Mining**	**Manufacturing**	**Electricity**	**General**
	Weight	141.57	755.27	103.16	1000
2011-12	Q1	0.7	7.7	8.3	7.0
	Q2	-4.1	3.4	10.5	3.2
	Q3	-4.2	1.1	9.6	1.2
	Q4	-0.4	0.3	4.5	0.6
2012-13	Q1	-1.5	-0.8	6.4	-0.3
	Q2	-0.7	0.2	2.8	0.4
	Q3	-3.0	2.5	4.4	2.1
	Q4	-3.8	3.1	2.3	2.2
2013-14	Q1	-4.7	-1.1	3.5	-1.0
	Q2	-0.1	1.2	8.4	1.7
April-September					
2012-13		-1.1	-0.3	4.6	0.1
2013-14		**-2.6**	**0.0**	**5.9**	**0.3**

***Source**: CSO.*

1.20 Being the dominant segment of Indian industry, performance of manufacturing sector has a significant bearing on the overall growth of the industrial sector. This sector registered a growth of 1.2 per cent in the second quarter showing a modest recovery from the decline of 1.1 per cent in the first quarter of the current financial year. During 2012-13, manufacturing output had increased by 1.3 per cent. The reasons for sluggishness in the manufacturing sector are multiple. The rise in the policy rates coupled with the bottlenecks facing large projects took its toll on the investments. The growth rate of gross fixed capital formation (GFCF) has been generally on the decline from around the first quarter of 2010-11. Furthermore, Indian manufacturing sector has not moved up the value chain overtime. Due to low level of investment in R & D, India has not seized the opportunities available in the growing sectors such as chemicals, machinery & equipment, electrical machinery, electronic goods, etc. Overall, growth in manufacturing sector also suffered on account of the negative spillover from the mining and capital goods segment, lower demand for consumer goods including durables, structural constraints of some sectors such as fertilisers, etc.

1.21 As per the use-based classification, intermediate goods and consumer non-durable goods segments performed comparatively better during April-September 2013-14 as compared to the corresponding period of previous year. While the output of consumer non-durable goods increased by 11.6 per cent during September 2013, its cumulative growth during April-September 2013 was 7.5 per cent. Overall consumer goods output declined by 1.2 per cent during April-

September 2013 mainly due to decline of 11.1 per cent in the consumer durables segment. Basic goods segment registered a growth of 1.1 per cent during the first half of 2013-14. Capital goods segment contracted by 0.6 per cent during April-September 2013 as compared to the 14.2 per cent decline during the same period of the previous year.

1.22 In terms of 2-digit National Industrial Classification (NIC)-2004, eleven (11) out of twenty two (22) industry sub-sectors registered positive growth during April-September 2013-14. The industry sub-group ówearing apparel; dressing and dyeing of furô has shown the highest growth of 39.2 per cent, followed by 26.5 per cent increase in óelectrical machinery and apparatusô sub-group, 9.3 per cent in ócoke, refined petroleum products & nuclear fuelô and 8.9 per cent in óchemicals and chemical productsô. On the other hand, the industry sub-groups with deceleration in growth rate are óradio, TV and communication equipment & apparatusô, óoffice, accounting & computing machineryô, ófurniture manufacturingô, ómachinery and equipmentô and ómotor vehicles, trailers & semi-trailersô. Most of these sub-sectors are part of the capital goods sector.

Major infrastructure sectors and universal intermediaries

1.23 The eight core infrastructure supportive industries, with an overall weight of 37.9 per cent in IIP, registered a year on year (y-o-y) growth of 3.2 per cent during the first half of the current financial year as against the growth of 6.6 per cent during the corresponding period of the previous financial year. Over the same period, while electricity, steel, and fertilizers sectors achieved comparatively higher growth, coal, refinery products and cement sectors registered a decline. Crude oil and natural gas production contracted during the first half of the current financial year (Table 1.9).

Table 1.9 :Trends in Growth of Infrastructure and Universal Intermediaries (per cent)

Industry				April-September	
	2010-11	2011-12	2012-13	2012-13	2013-14
i Electricity	5.6	8.1	4.0	**4.8**	**5.4**
ii Coal	-0.2	1.3	3.7	**9.4**	**2.3**
iii Steel	13.2	10.3	2.5	**2.6**	**4.5**
iv Crude oil	11.9	1.0	-0.6	**-0.8**	**-1.3**
v Refinery products	3.0	3.1	17.6	**27.0**	**5.3**
vi Cement	4.5	6.7	8.0	**9.1**	**4.5**
vii. Natural Gas	10.0	-8.9	-14.5	**-12.5**	**-16.5**
viii. Fertilizers	0.0	0.4	-3.4	**-5.6**	**2.5**
Overall index	**6.6**	**5.0**	**4.4**	**6.6**	**3.2**

Source: Office of the Economic Adviser, DIPP, Ministry of Commerce &Industry.

Corporate sector performance

1.24 The overall performance in terms of output had its impact on corporate sector performance and a negative feedback loop of lower profit cycle feeding into lower investment (capital goods output) is discernible in the abridged results of non-government non-financial listed companies. At the aggregate level, sales growth decelerated on a y-o-y basis throughout 2012-13 and reached a low of 2.6 per cent in first quarter of 2013-14 (Table 1.10). The deceleration in first quarter was most prominent for the manufacturing sector (0.8 per cent) followed by the non-IT services sector (10.8 per cent). While operating profits registered marginal growth, net profits contracted for the second successive quarter and the net profit margin reached the lowest level in first quarter. However, results of 1,284 listed non-government non-financial companies for the second quarter of 2013-14 indicate that y-o-y sales growth and operating profits recorded a turnaround in this quarter. Despite higher growth in interest expenses, net profit margin improved.

Table 1.10 : Performance of Non-Government Non-Financial Listed Companies

	Growth Rates[1] (in Per cent)					
	2012-13				2013-14	
Item(s)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
No. of Companies	**2,790**	**2,749**	**2,745**	**2,686**	**2,768**	**1,284(P)**
Sales	13.4	11.3	9.2	4.2	2.6	10.8
Expenditure, of which	15.8	12.1	8.0	4.7	2.2	10.4
Raw Material	13.4	14.1	9.4	2.6	-2.7	8.1
Staff Cost	17.3	14.7	13.1	13.5	13.9	19.2
Operating Profits(EBITDA)	-3.7	10.8	7.5	-0.1	1.1	5.8
Other Income*	29.5	49.0	0.7	-1.4	28.0	-6.5
Depreciation	10.3	10.4	10.4	8.4	9.4	12.7
Gross Profits(EBIT)	-2.5	18.3	5.3	-2.6	3.9	1.0
Interest	37.9	11.5	17.2	10.9	12.1	22.5
Tax Provision	-3.6	11.3	4.7	-2.5	0.8	6.3
Net Profits	-10.7	23.0	23.0	-16.0	-10.9	-8.6

**: Other income excludes extraordinary income/expenditure if reported explicitly*

- Å *Growth rates are percentage changes in the level for the period under reference over the corresponding period of the previous year for common set of companies*
- Å *P; Provisional*

***Source**: RBI*

Industry and infrastructure financing

1.25 Bank credit flow to industry has been picking up on a y-o-y basis with 17.6 per cent growth in September 2013 as compared to 17.0 per cent in September 2012. On cumulative basis, the credit growth to industry during April-September 2013 has been 15.6 per cent as against 17.9 per cent achieved during the corresponding period of previous year. Acceleration in credit growth to industry was observed in textiles, food processing, cement, chemical products and basic metals sub-sectors of industry. Credit flow to transport equipment sub- sector has declined and significant contraction in credit flow to petroleum sector is observed.

Table 1.11 :Growth of Credit by Scheduled Commercial Banks (per cent)

			2012-13	2013-14
Sectors	2011-12	2012-13	Apr-Sep	Apr-Sep
Industries	22.2	16.6	17.9	15.6
Manufacturing	21.1	16.8	19.3	13.8
Mining	42.5	29.6	34.7	-11.2
Electricity	31.5	20.8	16.6	31.9
Construction	15.5	8.8	17.5	-8.2
Other Infrastructure	17.4	11.2	11.9	12.7
Manufacturing sub-sectors				
Food Processing	23.7	18.4	18.2	20.9
Textiles	16.4	9.6	8.0	17.8
Petroleum & Nuclear Fuel	1.4	4.4	8.3	-15.6
Cement & Cement Products	16.8	21.3	20.1	27.6
Chemicals & Chemical Products	12.1	24.7	19.9	36.6
Basic Metal & Metal Products	27.6	21.3	19.7	22.3
All Engineering	23.4	20.6	25.3	10.2
Transport Equipment	22.3	18.4	22.5	6.7
Other Industries	26.4	14.7	25.1	2.8

Source : RBI

PRICES

1.26 The average headline WPI inflation after remaining persistent around 8-9 per cent during 2010-12 moderated to 7.35 per cent in 2012-13 and further to 5.64 per cent in 2013-14 (Apr-Sep) on the back of lower international commodity prices leading to lower non-food manufacturing (core) inflation (Table 1.12). In terms of quarterly development, headline inflation in the first quarter of 2013-14 was at 4.84 per cent. However, a spike in vegetable prices and higher inflation in fuel group on account of depreciation of rupee led to a rebound in headline WPI inflation with second quarter inflation at 6.44 per cent and as per the latest available data at 7.00 per cent in October, 2013. Non-food manufacturing inflation or core inflation has been ruling below 3 per cent mark for 7 months now.

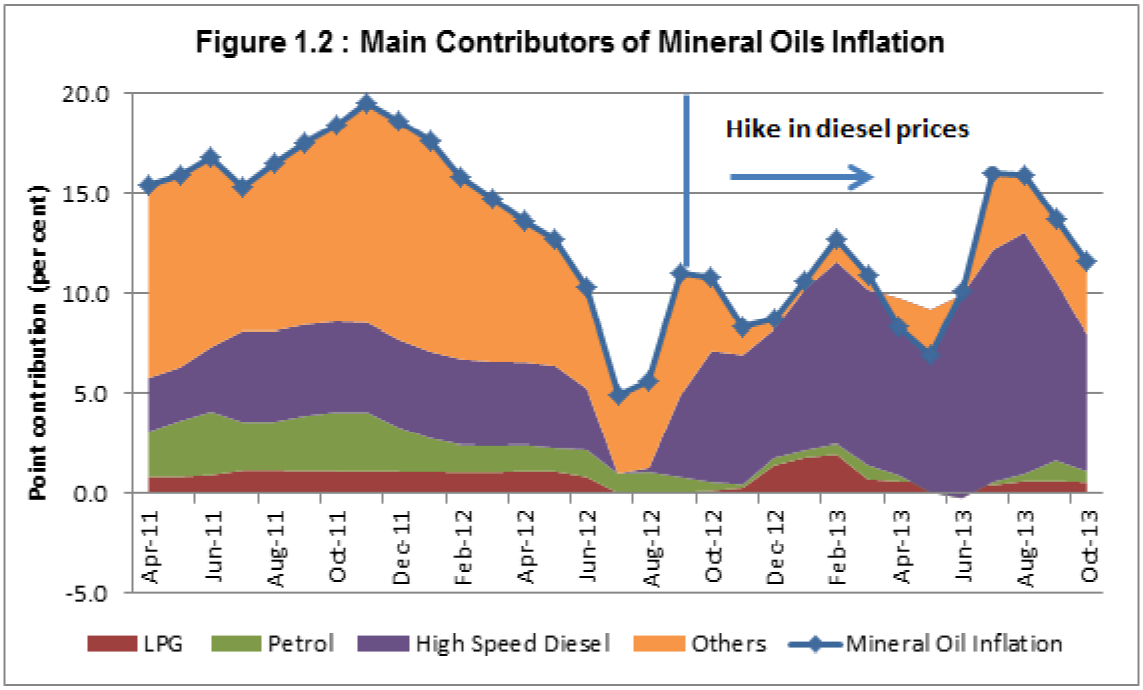
1.27 While food inflation remained elevated, its drivers have been changing over time. In 2012-13, inflation remained elevated across the board for all major subgroups of food including cereals, pulses, vegetables, eggs, meat & fish, sugar and edible oils etc. However, during 2013-14 (H1), it has been mainly in cereals, vegetables and eggs, meat & fish. In the current year, higher year-on-year inflation in vegetables was mainly driven by onion. Onion inflation reached a peak of 322.94 per cent in September 2013 on account of lower stocks particularly in major producing states, decline in arrivals of stored onion, estimated lower production in 2012-13 as compared to 2011-12, rise in consumption and exports. However, it has moderated to 278.21 per cent in October 2013 in the wake of arrival of fresh kharif onion in the market (Box 1.1). The inflation in manufactured food segment remained benign in the current financial year.

Table 1.12: Year-on-year inflation in major subgroups of WPI (Per cent)

	All Commo-dities	Food Comb-ined	Primary Food						Manufactured food			Non-Food Manufa-ctured Product	Fuel & power
			Food Articles	Cereals	Pulses	Vege-tables	Milk	Eggs, meat& fish	Food Product	Sugar	Edible oils		
Weights	**100.00**	**24.31**	**14.34**	**3.37**	**0.72**	**1.74**	**3.24**	**2.41**	**9.97**	**1.74**	**3.04**	**55.00**	**14.91**
2010-11	**9.56**	**11.10**	15.60	5.26	3.20	12.99	20.13	25.51	3.73	-1.06	5.43	**6.11**	**12.28**
2011-12	**8.94**	**7.24**	7.30	3.87	2.52	-1.95	10.31	12.73	7.12	5.11	12.55	**7.29**	**13.96**
2012-13	**7.35**	**9.28**	9.90	13.42	19.57	17.20	7.24	14.08	8.13	11.33	9.13	**4.87**	**10.33**
2013-14 H1 (P)	**5.64**	**9.77**	12.46	15.91	-3.70	36.73	4.56	13.34	4.71	1.74	-0.81	**2.40**	**9.55**
Oct-13 (P)	**7.00**	**12.43**	18.19	12.00	-11.19	78.38	5.30	17.47	1.86	-8.50	-0.74	**2.64**	**10.33**

P: Provisional

1.28 Inflation in fuel group, after remaining around 14 per cent in 2011-12, declined to around 10 per cent from 2012-13. High Speed Diesel (HSD) which accounts for roughly 50 per cent of the weight in mineral oil basket of ‘fuel & power’ was the main contributor to elevated level of inflation in this group (Figure 1.2). Government’s decision to partially deregulate the diesel prices in September 2012 in order to reduce the subsidy burden and fiscal deficit led to this development. While headline inflation in fuel group remains high, it is instructive to note that this mitigates the dangers of suppressed inflation in terms of engendering of inflation in the economy.



Box 1.1

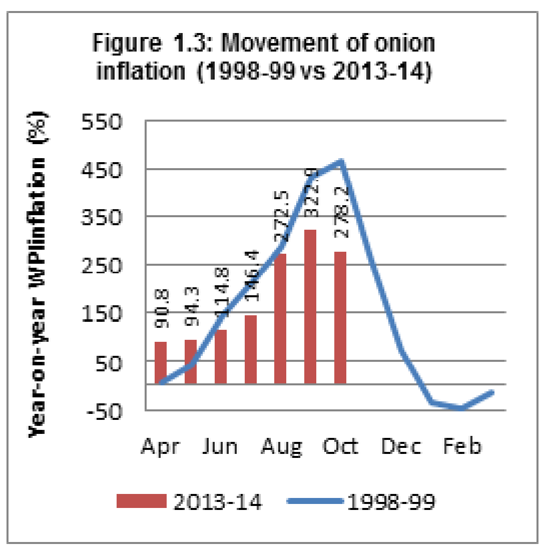
The price index of onion declined to 795.0 in October 2013 from a peak of 820.5 in September 2013 and is expected to decline further. WPI inflation in onion was 322.94 per cent in September 2013 which was the highest in last 15 years due to a sharp decline in market arrivals by 31 per cent and production by 12 lakh tonnes (7.4 per cent) in 2012-13 compared to last year. Onion inflation declined to 278.21 per cent in October 2013 and may follow the declining trend in the coming months. It might be recalled that during 1998-99 onion inflation was 431.73 per cent in September 1998 and reached a peak of 464.72 per cent in October 1998. Thereafter, it declined significantly and reached negative zone in the end of fiscal year (Figure 1.3). Typically, there is a spike in onion prices in September & October months of the year when production in the onions in the previous year was low and when stored rabi onion stocks deplete. As and when, Kharif onion starts arriving in the market, this price spikes get reversed.

India consumes on an average 89 per cent of its annual onion production and exports constitute around 11 per cent. As per the balance sheet of onion for 2012-13, the supply shortage is met by the beginning stocks and imports. This short supply was the main reason for sharp rise of onion prices in current year. The estimated supply demand balances of onion for 2012-13 are summarised in Table 1.13 below:

Table 1.13: Onion Balances for 2012–13 (000' tonnes)

A. Supply side	
Beginning stocks	750
Production	16309
Imports	**0.45**
Total supply	**17059.5**
B. Demand side	
Domestic consumption	14700
Exports	1823
Utilisation	**16523.0**
C. Ending stocks	536.5

Source: Agricultural Outlook And Situation Analysis Reports, NCAER



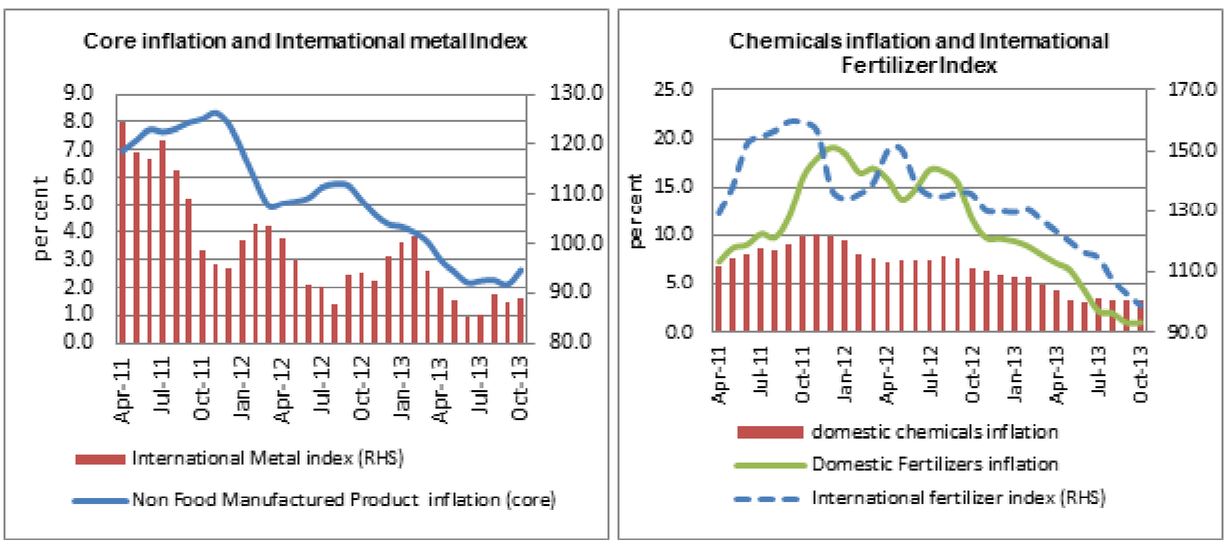
Roughly around 75 per cent of the production of onion is concentrated in 6 States viz. Maharashtra (29%), Karnataka (15%), Madhya Pradesh (13%), Andhra Pradesh (9%), Gujarat (4%), and Rajasthan (4%).

The declining trend is discernible in the prices of onion in the last couple of weeks. The inflation in onion may decline in coming months in the wake of arrival of fresh kharif onion and the steps taken by the Government.

Non Food Manufactured Product Inflation (Core)

1.29 Inflation in non-food manufactured segment declined from a peak of 8.13 per cent in Q3 of 2011-12 to 2.22 per cent in Q2 of 2013-14 mainly backed by lower inflation in metals, chemicals and machinery & machine tools (Figure 1.4). Moderation in metals, organic chemicals and fertilizers inflation was in line with the fall in international prices of these commodities. However, inflation in textiles and raw cotton in primary segment is exhibiting a rising trend, which may put pressure on inflation in the coming months.

Figure 1.4: Impact of International commodity Prices on Core Inflation



Commodities under price pressure

1.30 As indicated earlier, a few commodities have contributed disproportionately to inflation. In Q2 of 2013-14, 22 commodities/commodity groups with a weight of 18.4 per cent in WPI contributed 72.2 per cent to headline WPI inflation (Table 1.14). Contribution of most of these commodities to inflation in Q2 of 2013-14 exceeded 2 times of their weight.

Table 1.14: Weighted Contribution to WPI Inflation: Items to be watched											
	Weight (%)	2011-12				2012-13				2013-14	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 P
High Speed Diesel	4.67	2.99	4.86	5.11	5.96	5.29	2.02	9.98	14.43	21.45	18.48
Onion	0.18	0.20	0.76	-2.09	-3.40	-0.24	-0.65	0.76	3.22	3.28	7.82
Fish	1.30	2.29	2.96	4.12	6.79	5.64	4.70	4.17	3.56	5.46	6.43
Rice	1.79	0.66	0.84	0.68	0.68	1.61	2.77	4.32	5.11	7.56	6.49
Cabbage	0.19	-0.30	-0.02	-0.01	0.19	4.74	0.65	-0.74	-0.81	-4.24	3.69
Brinjal	0.30	-0.61	0.75	-0.23	0.76	1.80	-0.13	0.14	-0.24	1.43	3.34
Tomatoes	0.27	0.00	-0.68	0.85	-0.54	0.00	0.74	-1.56	0.02	0.00	2.33
Crude Petroleum	0.90	5.39	5.61	6.43	8.74	2.79	2.79	1.31	0.42	-0.42	2.46
Raw Cotton	0.70	5.86	3.04	0.63	-4.97	-3.89	-0.25	-0.90	0.38	1.47	2.14
Naptha	0.79	3.16	2.62	3.86	3.78	2.51	2.75	1.45	0.21	-1.94	2.15
Tea (primary+mfg)	0.80	0.94	0.31	-0.39	0.48	0.17	0.37	0.93	1.77	2.00	2.03
Elec.(Industry)	1.30	-0.33	-0.41	-0.25	0.28	0.71	1.42	1.31	1.39	3.97	2.46
Elec.(Agricultural)	0.85	0.31	0.23	0.62	0.58	1.31	2.52	2.26	2.41	4.15	1.93
Fodder (Straw & Stalks)	0.25	0.24	0.12	0.08	0.00	0.35	0.63	0.91	1.07	1.48	1.13
Banana	0.34	0.73	0.11	-0.11	0.40	0.45	1.06	1.37	1.59	1.33	1.11
Wheat	1.12	-0.01	-0.14	-0.52	-0.47	1.06	1.96	3.52	3.71	3.35	1.88
Bitumen	0.16	0.40	0.42	0.91	1.01	0.42	0.50	-0.34	0.24	0.71	0.91
Wheat flour (atta)	0.39	0.27	0.26	0.15	-0.12	-0.21	-0.01	0.45	0.90	1.51	1.14
Elec.(Domestic)	0.91	0.07	0.05	0.31	0.39	0.65	1.04	0.83	0.88	2.88	1.64
Furnace Oil	0.47	2.22	2.29	3.42	4.04	3.01	2.08	0.47	-0.34	-1.48	1.00
Mutton	0.35	0.19	0.29	0.43	0.52	0.68	0.49	0.63	0.64	1.11	0.81
Poultry Chicken	0.41	0.04	-0.14	-0.51	0.04	0.45	0.43	0.53	1.56	1.13	0.82
P: Provisional											

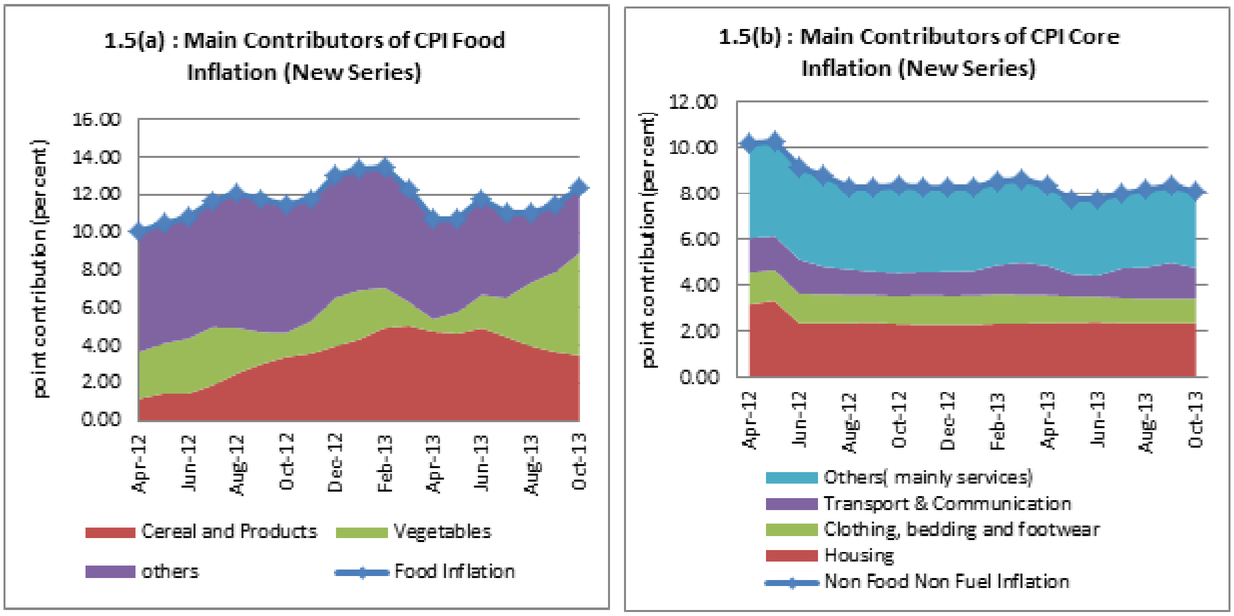
Inflation based on Consumer Price Index (CPI)

1.31 At retail level, all the inflation measures averaged above the 10 percent mark in 2012-13; and continued to be around double digits during the first quarter of 2013-14, except for CPI-new series. Inflation based on CPI new series generally remained higher in urban areas than in rural areas. Like WPI, persistent double digit inflation in cereals and meat & fish is also reflected in the CPI, which captures economy-wide retail inflation (Table 1.15). Cereals, milk, meat, fish and vegetables contributed roughly around 86 to 88 per cent of food inflation between August and October 2013. Vegetables were the main contributor to food inflation in Septemeber and October 2013 (Fig.1.5(a))

Table 1.15 : Inflation based on Consumer Price Index-New Series (Per cent)						
	Weight (%)	**2012-13**	**2013-14 H1**	**Aug-13**	**Sep-13**	**Oct-13 P**
General inflation	**100.0**	**10.21**	**9.60**	**9.52**	**9.84**	**10.09**
Food	*47.57*	*11.88*	*11.15*	*11.06*	*11.44*	*12.44*
Cereal and Products	14.59	10.54	15.49	14.09	12.77	12.01
Pulses and Pulse Products	2.65	12.28	6.07	1.66	0.69	0.60
Oils and Fats	3.9	16.63	3.57	0.71	0.07	0.35
Meat, Fish, etc.	2.89	12.19	13.07	13.65	11.99	11.78
Milk and Milk Products	7.73	10.45	7.68	8.01	8.00	7.78
Vegetables	5.44	20.62	18.49	26.62	35.00	45.67
Non Alcoholic Beverages	2.03	9.76	10.18	10.05	9.18	8.76
Prepared Meals	2.83	9.43	10.06	9.76	9.57	9.24
Non-food	*52.43*	*8.71*	*8.17*	*8.08*	*8.34*	*7.89*
Fuel and Lighting	9.49	8.54	8.12	7.50	7.67	6.97
Housing	9.77	11.27	10.59	10.54	10.45	10.44
Clothing, bedding and footwear	4.73	10.88	9.51	8.91	9.28	9.18
Miscellaneous	26.31	7.29	6.76	7.13	7.40	6.93
P: Provisional						

1.32 Stickiness has been observed in the non-food segment of CPI as well, especially in the miscellaneous category that includes services (education, medical care, transport, etc.) (Figure 1.5(b)).

Figure 1.5: Main drivers of food and non-food inflation in CPI new series



Global Commodity Prices

1.33 Slowdown in emerging and developing economies was one of the factors behind lower international commodity prices during 2013. International commodity prices for metals, and food declined, while energy prices have edged up. The recent bout of depreciation of the rupee has slightly offset the impact of moderation in global commodities prices on domestic headline WPI inflation in the second quarter. Metals prices have declined mainly on account of continuing rise in metals mine supplies coupled with some signs of slowdown in the real estate sector in China (WEO, October 2013). Crude oil spot prices (Brent) remained above US$ 105 per barrel, reflecting various supply disruptions and renewed geo political concerns in Middle East and North Africa. As per IMF's projection, average petroleum spot prices are expected to be US$ 104.5 per barrel in 2013 and US$101.4 per barrel in 2014. Metals prices are expected to decline by 4 and 5 per cent in 2013 and 2014 respectively.

Measures to contain Inflation

1.34 The persistent high levels of food inflation in the WPI and other measures of retail inflation and the need to compress demand through tight monetary policy has impacted the macroeconomic outcome in recent years. Government continuously monitors the emerging price situation and has taken several measures to contain inflation. These include:

Å Reduced import duties to zero - for wheat, onion and pulses and to 7.5 per cent for refined edible oils.

Å Banned export of edible oils (except coconut oil, forest based oil and edible oils in blended consumer packs up to 5 kg with a Minimum Export Price of USD 1500 per MT) and pulses (except Kabuli chana and organic pulses and lentils up to a maximum of 10000 tonnes per annum).

Å Imposed stock limits from time to time in the case of select essential commodities such as pulses, edible oil, and edible oilseeds for a period up to 30.9.2014 and in respect of paddy and rice up to 30.11.2013.

Å Maintained the Central Issue Price (CIP) for rice (at ₹ 5.65 per kg for BPL and ₹ 3 per kg for AAY) and wheat (at ₹ 4.15 per kg for BPL and ₹ 2 per kg for AAY) since 2002.

Å Suspended Futures trading in rice, urad and tur.

Å Fixed the Minimum Export Price (MEP) of onion at USD 1150 per MT w.e.f. 1.11.2013. Import of onion is being contracted to meet the present deficit. States/UTs have been addressed at intervals to ensure steady supply of onion into the market to take other measures to control price rise.

Å Government allocated 195000 tonnes of rice and 327000 tonnes of wheat for distribution to retail consumer under Open Market Sales Scheme (Domestic).

Å The Government is also implementing "the Essential Commodities Act 1955" and "the Prevention of Black marketing and Maintenance of Supplies of Essential Commodities Act, 1980" with the objective of preventing hoarding and black marketing of essential commodities. The State Governments/UT Administrations have been repeatedly requested to strictly enforce both the Acts and also monitor enforcement of these Acts.

1.35 Besides the above, monetary tightening by the RBI has enabled demand compression and to contain inflationary expectations.

MONEY AND BANKING

Monetary Policy Stance

1.36 During 2012-13, the monetary policy of the Reserve Bank of India (RBI) attempted to address growth concerns with a 100 basis points (bps) reduction in the repo rate, supported by policies to ease credit and liquidity conditions through a 75 bps reduction in the Cash Reserve Ratio (CRR), 100 bps reduction in the Statutory Liquidity Ratio (SLR) and open market operation (OMO) purchases of the order of ₹1.5 trillion. In the Annual Monetary Policy announced in May 2013, monetary easing was continued with a reduction in the policy repo rate by a further 25 bps to support growth in the face of gradual moderation of headline inflation. Compelled by the need to await a durable receding of inflation and in face of growing uncertainties in global financial conditions, policy easing was paused in June 2013. Beginning late May, apprehensions of likely tapering of quantitative easing by the US triggered outflows of portfolio investment. Several measures were instituted to contain the ensuing exchange market volatility and to modulate gold demand (Ref: Trade section). In face of continuing volatility, additional measures -some of which unconventional- were taken to restore stability in July 2013. These included raising the marginal standing facility (MSF) rate by 200 bps to 10.25 per cent, restricting the overall access by way of repos under the LAF to ₹750 billion and undertaking open market sales of government securities of ₹ 25 billion. As a contingency measure, a dedicated Special Repo window was opened for a notified amount of ₹ 250 billion for liquidity support to mutual funds.

Table 1.16: Revision in Policy Rates

Effective date	Bank Rate	Repo	Reverse Repo	CRR	SLR
2011					
As on 01.01.2011 *	6.00	6.25	5.25	6.00	24.00
Revisions during 2011	-	From 6.25 to 8.50 in multiple revisions	From 5.25 to 7.50 in multiple revisions	-	-
2012	**Bank Rate/MSF Rate**				
28.01.2012				5.50	
13.02.2012	9.50				
10.03.2012				4.75	
17.04.2012	9.00	8.00	7.00		
11.08.2012					23.00
22.09.2012				4.50	
03.11.2012				4.25	
2013					
29.01.2013	8.75	7.75	6.75		
09.02.2013				4.00	
19.03.2013	8.50	7.50	6.50		
03.05.2013	8.25	7.25	6.25		
15.07.2013	10.25				
20.09.2013	9.50	7.50	6.50		
07.10.2013	9.00				
29.10.2013	8.75	7.75	6.75		

***Prevailing rates as on January 1, 2011.**
Note: Bank Rate was aligned to MSF rate with effect from February 13, 2012.
Source: Reserve Bank of India.

1.37 The liquidity tightening measures were modified, with effect from July 24, 2013, by regulating access to LAF by way of repos at each individual bank level and restricting it to 0.5 per cent of the bank's own net demand and time liabilities (NDTL). The CRR, to be maintained on a fortnightly average basis subject to a daily minimum requirement of 70 per cent, was raised to a daily minimum of 99 per cent of the requirement.

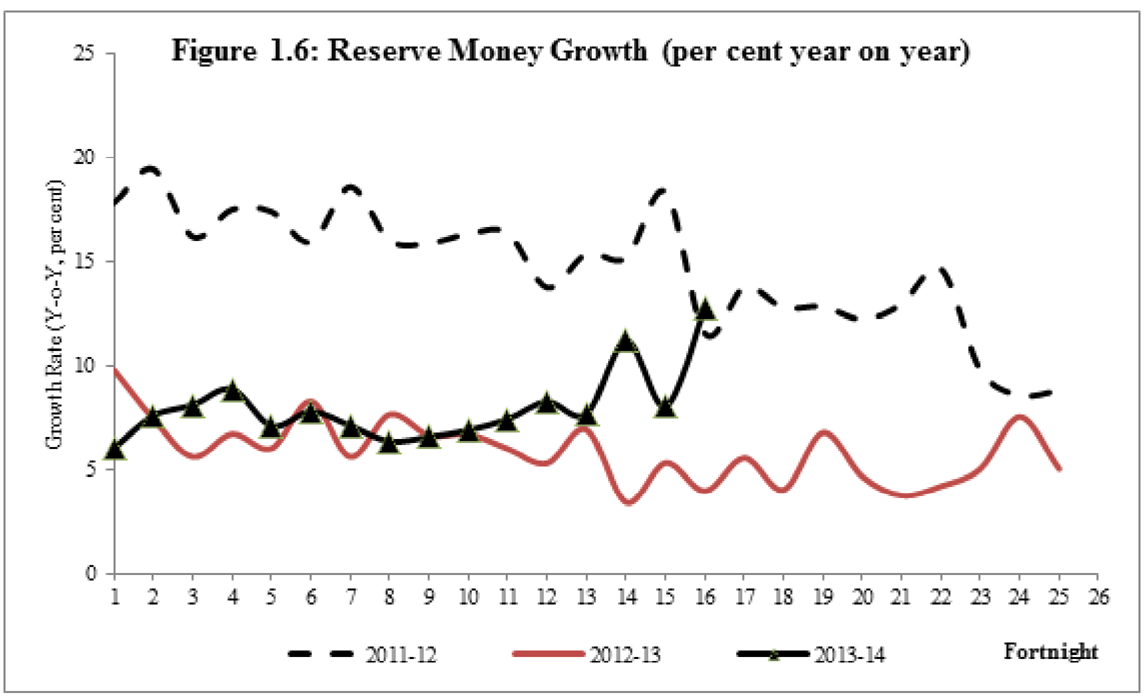
1.38 On August 28, 2013, RBI opened a forex swap window to meet the entire daily dollar requirements of three public sector oil marketing companies. To attract more dollar inflows, a special concessional window was opened on September 4, 2013 for swapping fresh foreign currency non-resident (banks) {FCNR(B)} dollar deposits, mobilised for a minimum tenor of three years and above at a fixed rate of 3.5 per cent per annum for the tenor of the deposit. The existing overseas borrowing limit of 50 per cent of the unimpaired Tier I capital was also raised to 100 per cent and the borrowings mobilised under this provision were given the provision to be swapped with RBI at the option of the Bank at a concessional rate of 100 basis points below the ongoing swap rate prevailing in the market.

1.39 Noting the improvement in the external environment and the current account, calibrated withdrawal of the exceptional liquidity measures was begun in the Mid-Quarter Review on September 20, 2013. In this direction, the MSF rate was reduced by 75 basis points from 10.25 per cent to 9.5 per cent and the minimum daily maintenance of the CRR was reduced from 99 per cent of the requirement to 95 per cent effective from the fortnight beginning September 21, 2013. However, taking cognizance of the mounting inflationary pressures and to provide a nominal anchor that would help preserve the internal value of the rupee and create a conducive environment for the revitalisation of growth, the repo rate was increased by 25 basis points to 7.5 per cent.

1.40 On October 7, 2013, considering the evolving liquidity conditions and in continuation of this calibrated unwinding, the MSF rate was reduced by a further 50 basis points from 9.5 per cent to 9.0 per cent and further by 25 bps to 8.75 per cent in the Second Quarter Review of October 29, 2013. The special repo window for mutual funds instituted in July 2013 to enable banks to meet the liquidity requirements of mutual funds was also wound up. With indications that inflation is likely to remain elevated in the months ahead, the key policy repo rate was increased by 25 basis points to 7.75 per cent (Table 1.16).

Reserve money (M_0) & Broad money (M_3):

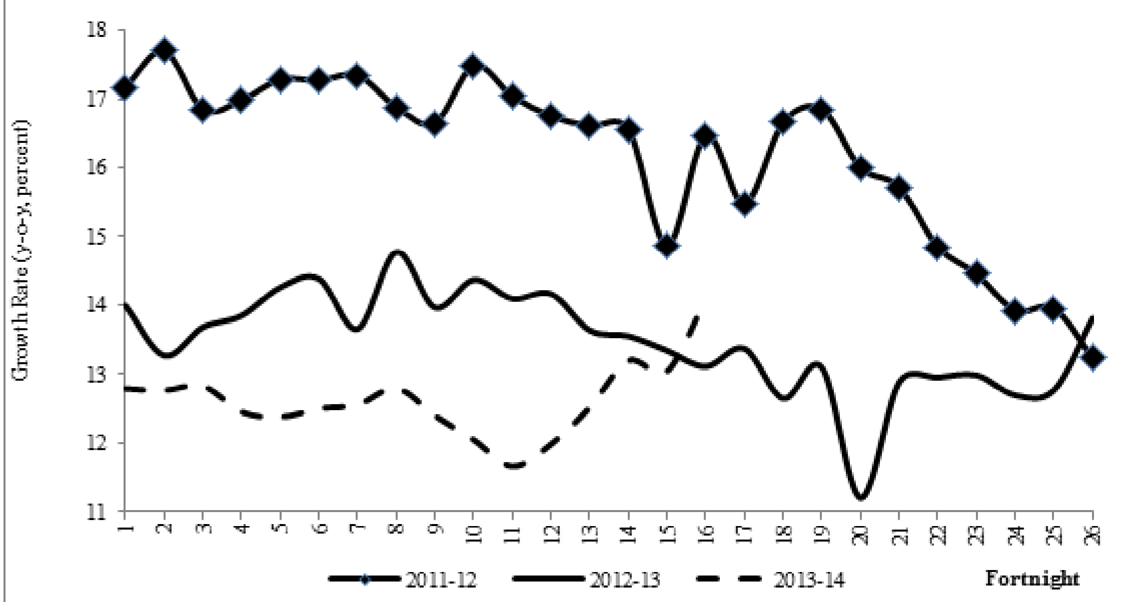
1.41 Growth in reserve money in 2013-14 so far has mostly been higher than in 2012-13. During the first quarter of 2013-14, M0 increased by 7.1 per cent on a year on year basis as against an increase of 5.6 per cent in the corresponding quarter of 2012-13. In the second quarter, growth in M0 was 7.6 per cent as against growth of 6.9 per cent recorded during the second quarter of 2012-13.



1.42 On a financial year basis, M0 increased by 2.9 per cent during the period April to end September 2013, as against an increase of 1.5 per cent a year ago. During the financial year so far (up to November 08, 2013), M0 increased by 6.8 per cent compared with an increase of 1.4 per cent for the corresponding period of the previous financial year. The year-on-year growth in M0 stood at 11.9 per cent on November 08, 2013.

1.43 In the first quarters of 2013-14, the M3 growth remained broadly in line with the RBI's indicative trajectory of 13.0 per cent. At the end of the first quarter of 2013-14, year-on-year growth in M3 was 12.6 percent as against an increase of 13.7 per cent in the first quarter of 2012-13. At the end of the second quarter, growth in M3 on year-on-year basis was 12.5 per cent as against 13.6 percent recorded in the second quarter of 2012-13 (Figure 1.7).

Figure 1.7: Broad money growth



1.44 As on November 01, 2013, the M3 growth on financial year basis was 8.3 per cent as against 8.1 per cent in the corresponding period of the previous year. The year-on-year M3 growth as on November 01, 2013 was at 14.1 per cent as against 13.1 per cent on the corresponding date last year. The money multiplier has averaged 5.6 during 2013-14 so far and stood also at 5.6 for the fortnight ended November 01, 2013. Much of the moderation in M3 during the first half of the financial year 2013-14 resulted from the slow paced deposit mobilization following low real interest rates.

Deposit and Lending Rates

1.45 During April-October, the modal term deposit rates of Scheduled Commercial Banks (SCBs) increased by 25 bps (Table 1.17). The rise in the deposit rates mainly in respect of maturity up to one year reflects the tightening of liquidity conditions, arising largely on account of the exceptional monetary tightening measures taken by the RBI since July 15, 2013. Although the modal base rate remained unchanged at 10.25 per cent during the period under review, the weighted average lending rate (WALR) on the outstanding loans of banks increased marginally by 5 bps to 12.21 per cent in September 2013 over end-March 2013. The WALR on fresh rupee loans sanctioned by the banks increased sharply.

Table 1.17:Average Deposit and Lending Rates of Scheduled Commercial Banks (Per cent)					
Items	Average Interest Rates				Variations (Percentage points)
	Mar-13	Jun-13	Sept-13	Oct-13	March-October #
A. Domestic Deposit Rates					
(i) Public Sector Banks					
Up to 1 Year	6.74	6.54	7.02	7.00	0.26
1 - 3 Years	8.93	8.88	8.89	8.95	0.02
Above 3 Years	8.85	8.80	8.78	8.83	-0.02
All Maturities	**7.63**	**7.50**	**7.77**	**7.78**	**0.15**
(ii) Private Sector Banks					
Up to 1 Year	6.24	6.31	6.84	6.78	0.54
1 - 3 Years	9.05	9.00	9.07	9.09	0.04
Above 3 Years	8.82	8.78	8.84	8.85	0.03
All Maturities	**7.35**	**7.37**	**7.72**	**7.68**	**0.33**
(iii) Foreign Banks					
Up to 1 Year	6.35	6.00	7.34	7.26	0.91
1 - 3 Years	7.50	7.35	8.48	8.34	0.84
Above 3 Years	7.69	7.50	8.71	8.53	0.84
All Maturities	**6.87**	**6.60**	**7.92**	**7.76**	**0.89**
Scheduled Commercial Banks					
Up to 1 Year	6.45	6.26	7.12	7.04	0.59
1 - 3 Years	8.38	8.28	8.77	8.74	0.36
Above 3 Years	8.44	8.34	8.77	8.72	0.28
All Maturities	**7.27**	**7.12**	**7.81**	**7.74**	**0.47**
Median Deposit Rate	**7.42**	**7.35**	**7.80**	**7.77**	**0.35**
Modal deposit Rate	**7.31**	**7.26**	**7.46**	**7.56**	**0.25**
B. Base Rate					
(i) Public Sector Banks	10.21	10.21	10.20	10.21	0.00
(ii) Private Sector Banks	10.48	10.46	10.60	10.62	0.14
(iii) Foreign Banks	9.54	9.51	9.89	9.89	0.35
Scheduled Commercial Banks	**9.99**	**9.97**	**10.17**	**10.17**	**0.18**
Median Base Rate	**10.20**	**10.20**	**10.25**	**10.25**	**0.05**
Modal Base Rate	**10.25**	**10.25**	**10.25**	**10.25**	**0.00**
C. Weighted Average Lending Rate*					
(i) Public Sector Banks	12.18	12.10	12.10	-	-0.08
(ii) Private Sector Banks	12.13	12.10	12.47	-	0.34
(iii) Foreign Banks	12.10	12.24	12.86	-	0.76
Scheduled Commercial Banks	**12.16**	**12.11**	**12.21**	**-**	**0.05**

**: Based on loan outstanding as at end-month. #: Variation for WALR pertains to March-September. Note: Data on WALR are provisional.-: Not available.*
***Source**: RBI*

Bank Credit

1.46 The year-on-year growth in bank credit at the end of the first half of 2013-14 (September 20, 2013) was 17.9 per cent as against 16.3 per cent on the corresponding date of the previous year. Non-food credit recorded growth of 18.2 per cent as on September 20, 2013 as compared to an increase of 16.0 per cent recorded in the corresponding date of the last year. Deposit growth accelerated with increase in interest rates as well as inflows under NRI deposits. The year-on-year deposit growth increased to 14.1 per cent as on September 20, 2013 from 13.7 per cent a year ago.

1.47 SCBs investment in SLR securities as per cent of NDTL decreased to 27.3 per cent from 28.3 per cent a year ago, but still was higher than the stipulated SLR level of 23 per cent of NDTL. Disaggregated data on sectoral deployment of gross bank credit available up to September 20, 2013 show that barring agriculture, all other major sectors recorded acceleration in growth of credit (Table 1.18).

Table 1.18: Growth in Sectoral Deployment of Gross Bank Credit Year –On-Year (per cent)

Sr. No.	Sector	YEAR –ON-YEAR VARIATION	
		September 21, 2012	September 20, 2013
	Non-food credit (1 to 4)	**15.9**	**18.2**
1	**Agriculture & allied activities**	**19.6**	**13.2**
2	**Industry (Micro & Small, Medium and Large)**	**17.0**	**17.6**
3	**Personal loans (A to E)**	**13.0**	**17.9**
A	Housing	11.3	20.0
B	Advances against Fixed Deposits	0.0	17.6
C	Credit Card outstanding	21.8	2.1
D	Education	11.8	8.7
E	Consumer Durables	10.6	37.9
4.	**Services (F to J)**	**14.4**	**22.1**
F	Transport Operators	10.8	7.7
G	Professional Services	11.8	28.8
H	Trade	24.2	25.2
I	Real Estate	8.6	17.5
J	Non-Banking Financial Companies	28.4	26.6
5	**Priority sector**	**11.7**	**17.6**

***Source**: RBI*

Liquidity Conditions

1.48 During 2013-14 so far, net average borrowings under the LAF (including term repos) have declined gradually from ₹1.2 trillion in March 2013 to ₹0.9 trillion in October and November 2013 (up to November 13, 2013). Liquidity conditions eased gradually during Q1 of 2013-14. In addition, the RBI conducted two OMO purchase auctions during the quarter, thereby injecting liquidity to the tune of ₹165 billion. The average net borrowings under LAF declined to ₹526 billion in July 2013 from ₹827 billion in the first quarter of 2013-14.

1.49 The overall LAF deficit remained below 1 per cent of NDTL and money market rates also fell below the MSF rate. The RBI conducted weekly auctions of Cash Management Bills to drain out liquidity. These measures moved up the call money rate to the MSF rate, making the latter the effective policy rate in line with the policy intent.

1.50 With these measures, as also due to the increase in government cash balances with the RBI and advance tax outflows, the average daily liquidity injection under the LAF (including MSF) increased from ₹526 billion in July 2013 to ₹1,131 billion in September 2013. The liquidity tightening measures shifted the entire yield curve upwards with inversion visible at the short-end, in line with the policy objective. In order to avoid excessive hardening of long-term yield while keeping the money market conditions tight, RBI conducted two OMO purchase auctions in August 2013 injecting primary liquidity of ₹ 125 billion into the banking system.

1.51 With signs of easing of exchange market pressures since September 2013 and taking into account the evolving macroeconomic conditions, the liquidity tightening measures began to be reversed from the Mid-Quarter Review of September 20, 2013 and consequently the liquidity situation eased in October 2013. Despite significant improvement in liquidity, the banking system continued to use MSF at the margin, and as a result money market rates hovered around the MSF rate. To ease liquidity conditions, the RBI announced on November 13, 2013 an OMO purchase auction of ₹80 billion to be conducted on November 20, 2013.

Government securities market

1.52 Gross borrowings raised by the Central Government during April-November 2013 (up to November 19) constituted 75.0 per cent of budgeted gross borrowings, lower than 78.7 per cent in the corresponding period of the previous year. The borrowing programme of the Government, though continued to be front-loaded in line with repayment schedule of dated securities, was more evenly distributed across the year in view of the cash flow projections. Yields on government securities began on a positive note this year due to policy easing by the RBI and a benign inflation outlook. The yields, however, began to rise in end-May due to apprehensions of tapering of quantitative easing by the US Federal Reserve which triggered exit of FIIs from the Indian debt market. The resulting exchange rate pressure on Rupee and monetary tightening by the RBI drove yields further up. The maturity of issuance during the year was elongated further in view of the flat/inverted yield curve, better appetite for longer term debt and debt management considerations. The weighted average maturity of securities issued (excluding inflation indexed bonds) during 2013-14 (up to 19 November 2013) was 14.37 years as compared to 13.49 years in the corresponding period of the previous year. The weighted average yield during the same period was 8.31 per cent as compared to 8.42 per cent in the corresponding period of the previous year.

Treasury Bills

1.53 The cut off yields in the auctions of 91-Day, 182-Day and 364-Day Treasury Bills (TBs) in 2013-14 eased during the first quarter due to monetary policy easing by RBI. Yields, however, rose sharply in the second quarter in the wake of monetary tightening by RBI and liquidity deficit in the system. Hardening of yields was more pronounced at shorter ends resulting in inversion of yield curve during the year (Table 1.19).

Table 1.19: Average Implicit Yield of Treasury Bills in the Primary Market (per cent)

Month-end	91-Day	182-Day	364-Day
2010-11	6.14	6.47	6.66
2011-12	8.45	8.43	8.38
2012-13	8.22	8.17	8.05
2013-14 (up to Nov 19)	**8.98**	**8.83**	**8.51**
Apr-13	7.77	7.72	7.66
May-13	7.40	7.39	7.33
Jun-13	7.44	7.36	7.46
Jul-13	8.81	7.60	9.01
Aug-13	11.37	11.26	9.91
Sep-13	10.44	9.82	9.68
Oct-13	8.96	8.73	8.74
Nov -13 (up to Nov 19)	8.76	8.77	8.99

***Source**: RBI*

CAPITAL MARKET

Market Developments

1.54 Indian equity markets, in line with global trends, were affected by the expectation of market participants in May, 2013 regarding the "tapering" of the monthly bond purchase programme of US. The US Fed as a part of its policy stance has been buying US$ 85 billion of bonds every month. However, with the US Federal Reserve deciding to wait for more evidence on the progress to be sustainable before adjusting its bond buying programme and a slew of investor-friendly measures taken by RBI and the government over the last six months, the investors' sentiment have got a fillip. As a result, Indian markets have emerged as one of the better performing markets in the world in the year 2013 especially when compared to the other emerging markets as shown in the Table 1.20 below. During the current financial year till October 2013, Indian markets have been the best performing markets vis-a-vis other major markets in the world, next only to Nikkei (Japan), DAX (Germany) and CAC (France). On a longer horizon, the Indian equity market has given a compounded annual growth rate of 15.8 per cent over the 10-year period which may be regarded as a comparable return vis-à-vis other global markets.

Table 1.20: Comparative pictures of Stock markets-level & growth *

	31-Oct-12	31-Dec-12	28-Mar-13	31-Oct-13	Oct 2013 over March 2013	Oct 2013 over Dec 2012	Oct 2013 over Oct 2012
	Level				Per cent change		
BSE, India	18505.38	19426.71	18835.77	21164.52	12.4	8.9	14.4
NSE, India	5619.70	5905.10	5682.55	6299.15	10.9	6.7	12.1
S&P 500, US	1412.16	1426.19	1569.19	1756.54	11.9	23.2	24.4
DAX, Germany	7260.63	7612.39	7795.31	9033.92	15.9	18.7	24.4
FTSE 100, UK	5782.70	5897.81	6411.74	6731.43	5.0	14.1	16.4
NIKKEI 225, Japan	8928.29	10395.18	12335.96	14327.94	16.1	37.8	60.5
HANG SENG, Hong Kong	21641.82	22656.92	22299.63	23206.37	4.1	2.4	7.2
KOSPI, Korea	1912.06	1997.05	1993.52	2030.09	1.8	1.7	6.2
DJIA, USA	13096.46	13104.14	14578.54	15545.75	6.6	18.6	18.7
Straits Times, Singapore	3038.37	3167.08	3308.10	3210.67	-2.9	1.4	5.7
TAIWAN TAIEX, Taiwan	7166.05	7699.50	7866.88	8450.06	7.4	9.7	17.9
SHANGHAI, China	2068.88	2269.13	2236.30	2141.61	-4.2	-5.6	3.5
CAC 40, France	3429.27	3641.07	3731.42	4299.89	15.2	18.1	25.4
IBOVESPA Brazil	57068.18	60952.08	56352.09	54256.20	-3.72	-10.99	-4.93
RTS, Russia	1433.96	1526.98	1454.72	1480.42	1.77	-3.05	3.24

**Data pertaining to some of the indices were not available on the above mentioned specific dates, in those cases the last trading day of the month has been taken.*

Source: Bloomberg.

1.55 Price Earning (PE) Ratio of the benchmark index in the Indian markets (Nifty) suggests that equities are moderately priced and at present are prevailing below the historical average. Nifty PE at 17.85 as on 19th November 2013 was way below the historical average of 19.03 (computed since January 2005).

1.56 The Foreign Institutional Investors (FIIs) make investments in markets on the basis of their perceptions of the returns that such markets can yield. Their perceptions are among other things influenced by many factors including the prevailing macro-economic environment, the growth potential of the economy and corporate performance in different countries. The total net FII flows to India in 2009 stood at US $ 18.51 billion and were largely composed of equity investment (Table 1.21). These flows grew remarkably in 2010 and India received net FII investment worth US $ 39.47 billion in 2010 which has been highest during the last one decade and was composed of robust flows in both equity and debt segments. The net FII equity inflow in the year 2012 and 2013 (till October 2013) has also been impressive with an inflow of US$ 24.37 billion and US$ 16.19 billion, respectively. The outflows in the FII debt segments during 2013 owe to global clues, particularly the yields in US.

Table 1.21 : Net FII Investment in India during 2007-2013 (in US $ Million)							
Segments	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***
Equity	17655.8	-11974.3	17457.5	29361.83	-357.8	24372.2	16198.9
Debt	2340.1	2636.4	1050.0	10112.16	8654.6	6642.8	-7871.2
Total	19995.9	-9337.9	18507.5	39473.99	8296.8	31015.0	8327.7

Investments up to October 31, 2013:
***Source**: SEBI.*

POLICY MEASURES

External Market

1.57 Keeping in view the evolving macro-economic situation including high CAD and its financing, volatile financial market conditions particularly excessive volatility in USD-INR exchange rate, withdrawal of portfolio investments due to indications of US Fed QE tapering etc., over the last few months, Government in consultation with RBI & Securities and Exchange Board of India (SEBI) has made concerted efforts & instituted several measures to attract off-shore portfolio investment and improving investors' appetite. Some of the measures include enhancement of FII debt limits to 81 billion US$ (Corporate Bonds US$ 51 billion & G-Secs US$ 30 billion) from the earlier limit of US$ 66 billion (Corporate Bonds US$ 46 billion & G-Secs US$ 20 billion); integration and simplification of FII investments in Indian debt securities by merging various sub- debt limits and removing lock-in & residual maturity restrictions; adoption of 'On-Tap System' for both Corporate Bonds & G-Secs, allowing unlisted Indian companies to get listed abroad without the condition of prior or simultaneous domestic listing, etc.

1.58 The International Finance Corporation (IFC), a member of the World Bank Group, launched a $1 billion offshore bond program-the largest of its kind in the offshore rupee market-to strengthen India's capital markets. Under the program, IFC will issue rupee-linked bonds and use the proceeds to finance private sector investment in the country. IFC's offshore bond program will help bring depth and diversity to the offshore rupee market and pave the way for an alternative source of funding for Indian companies.

1.59 **Liberalisation/rationalization of External Commercial Borrowings (ECB) Policy:** There has been progressive liberalization and rationalization of the key components of ECB regulations such as amount and maturity, all-in-cost, and permissible end uses, etc. to facilitate availability of long term low cost funds with special thrust on infrastructure development. ECB has been permitted for refinancing of the Rupee loans for infrastructure sector to the extent of 25 per cent of fresh ECBs. ECB has been allowed for low cost/affordable housing projects. Further, National Housing Bank/ housing finance companies have been permitted to avail ECBs for financing prospective owners of low cost / affordable housing units. Rate of withholding tax has been reduced from 20 per cent to 5 per cent on interest payment on ECBs.

Primary Market

1.60 **The Securities Laws (Amendment) Second Ordinance, 2013 (no. 9 of 2013):** The Government promulgated the Securities Laws (Amendment) Second Ordinance, 2013 (No. 9 of 2013) under clause (1) of the Article 123 of the Constitution on September 16, 2013 with a view to keep in force the amendments to the SEBI Act and related Acts that came into effect by the promulgation of the Securities Laws (Amendment) Ordinance, 2013 (No 8 of 2013) on July 18, 2013. The promulgation of this Ordinance would ensure the continuance of the actions already initiated by SEBI, including framing of regulations; appointment of Recovery Officers; organizing capacity building programmes; and taking action against irregularities and frauds in the securities market. This, inter alia, include wider power to call for information regarding securities transactions, power to conduct search and seizure, strengthen the powers to regulate Collective Investment Schemes (CIS), etc.

1.61 As announced in the Budget 2013-14, vide SEBI (Mutual Funds)(Third Amendment) Regulations, 2013 dated August 19, 2013, mutual fund distributors have been allowed to become members in the Mutual Fund segment of stock exchanges so that they can leverage the stock exchange network to improve their reach and distribution.

1.62 As announced in the Budget 2013-14, Securitisation Trust has been exempted from income tax. Tax shall be levied only at the time of distribution of income by the Securitisation Trust at the rate of 30 percent in the case of companies and at the rate of 25 percent in the case of an individual or HUF. No further tax will be levied on the income received by the investors from the Securitisation Trust.

1.63 As announced in the Budget 2013-14, subject to certain conditions, pass through status has been extended to category I Alternative Investment Funds (AIFs) registered with SEBI as venture capital funds. Angel Investors who are recognised as category I AIF venture capital funds are also allowed to get pass through status. Further, SEBI vide its notification dated 16th September 2013 have prescribed requirements for angel investor pools by which they can be recognised as Category I AIF-Venture Capital Funds.

Development of Corporate Debt Market

1.64 Several measures have been taken by Government in consultation with RBI, SEBI, Ministry of Corporate Affairs and Insurance Regulatory & Development Authority (IRDA) to improve the regulatory regime and to stimulate the growth of Corporate Bond Market. Some of the measures are listed below:

Å Reduction in Debenture Redemption Reserve for bond issuances to 25 per cent by amending Circular issued in accordance with section 117(C) of Companies Act 1956;

Å Amendment in definition of deposit in Companies (Acceptance of Deposits) Rules 1975 to expand the categories of assets against which a charge could be created to secure the debentures;

Å Relaxation of investment norms of insurance / pension funds to encourage such funds to increase their participation in corporate bonds by effectively permitting life Insurers to invest 12.5 per cent more funds in the 'AA' rated corporate bonds;

Å RBI has reduced the minimum haircut requirement in corporate debt repo from existing 10 per cent/12 per cent/15 per cent to 7.5 per cent/8.5 per cent /10 per cent for AAA/AA+/AA rated corporate bonds respectively;

Å Insurance companies and mutual funds allowed to participate as market makers in Credit Default Swap (CDS) market to improve trading in this product.

Secondary Market

1.65 **Rajiv Gandhi Equity Savings Scheme (RGESS):** The Scheme was launched on February 9, 2013 and is implemented through depositories. RGESS has been further liberalized in the Union Budget 2013-14 to enable the first time investor to invest in listed mutual funds and equity for three successive years, instead of the present provision of one year. The income limit applicable for RGESS beneficiaries has been raised from ₹ 10 lakh to ₹ 12 lakh. Notification in this regard is to be issued by the Department of Revenue shortly.

1.66 Listing of specified securities of small and medium enterprises permitted on the institutional trading platform in a SME Exchange without making an initial public offer.

1.67 **Securities Transaction Tax and Commodity Transactions Tax:** With effect from June 2013, Securities Transaction Tax (STT) has been reduced for equity futures from 0.017 per cent to 0.01 per cent and for Exchange Traded Funds (ETFs) and MFs on the exchange platform from 0.1 per cent to 0.001 per cent and those at fund counters from 0.25 per cent to 0.001 per cent.

A commodity transaction tax (CTT), similar to STT has been imposed, with effect from 1 July 2013 on non-agricultural commodities futures contracts at the same rate as on equity futures, i.e., at 0.01 percent of the price of the trade. In addition, the trading in commodity derivatives will not be considered as a 'speculative transaction' and CTT will be allowed as deduction if the income from such transaction forms part of business income.

1.68 **Investment Advisors Regulation:** In consultation with various sectoral regulators and Ministry, the SEBI (Investment Advisors) Regulations 2013 has been issued by SEBI on January 21, 2013, thereby providing a framework for registration and regulation of Investment Advisors. The regulation would result in better investor protection and seeks to enhance qualified investment advice for investors.

Financial Sector Legislative Reforms Commission (FSLRC)

1.69 The FSLRC was set up on March 24, 2011 with a view to rewriting and cleaning up the financial sector laws to bring them in tune with current requirements. The Commission submitted its Report to the Government on March 22, 2013.

1.70 Looking at the enormity of the implications of the recommendations of the Commission, broadly, these recommendations can be divided into two parts, legislative and non-legislative. The non-legislative recommendations mostly relate to improvement of regulatory governance, transparency, predictable method of regulatory intervention, regulatory cost benefit analysis etc., which can mostly be implemented in the existing regulatory framework. However, the legislative recommendations may require a longer horizon and wider consultation with all the stakeholders that would lead to finalization of the proposed Indian Financial Code and enactment of the same by the legislature.

1.71 The Government is committed to examine the recommendations of FSLRC and acting on the same so that Indian financial sector stands on sound legal foundations and remains well-regulated, efficient and internationally competitive. The report of the FSLRC has been put in public domain since April 2, 2013 for inviting comments. Consultation with Regulators/Ministries/State Govt./UTs/Stakeholders are on.

1.72 In the meeting of the Financial Stability and Development Council (FSDC), the apex financial sector body of the country, held in October 2013, the recommendations of the FSLRC were discussed. FSLRC recommendations which are in the nature of governance enhancing, have been identified for being considered for adoption voluntarily by the financial sector regulators. A task force based approach is being adopted to further pursue the legislative recommendations of FSLRC.

Commodity Derivatives

1.73 By way of an amendment in the Government of India (Allocation of Business) Rules, 1961 with effect from 06.09.2013 the work relating to the Forward Contracts and Forward Markets Commission has been transferred from the Department of Consumer Affairs to the Department of Economic Affairs.

TRADE

Global scenario

1.74 As per IMF's World Economic Outlook (WEO), October, 2013, world trade volume (goods and services) is projected to grow by 2.9 per cent in 2013 and 4.9 per cent in 2014 as compared to the actuals of 2.7 per cent in 2012 and 6.1 per cent in 2011. Imports of advanced economies are projected to grow at 1.5 per cent in 2013 and 4.0 per cent in 2014. Imports of emerging and developing economies are expected to grow by 5.0 per cent in 2013 and 5.9 per cent in 2014. Exports are projected to grow at 2.7 per cent in 2013 and 4.7 per cent in 2014 for advanced economies and 3.5 per cent in 2013 and 5.8 per cent in 2014 for emerging and developing economies.

Improved growth in exports and moderation in imports

1.75 After a high growth of 40.5 per cent in 2010-11, growth for exports (custom basis) decelerated to 21.8 per cent in 2011-12 and further to (-) 1.8 per cent in 2012-13 primarily as a result of adverse global economic conditions. However, in 2013-14 (April-October), value of India's exports was US $ 179.4 billion, registering a growth of 6.3 per cent over corresponding period of the previous year. Imports (custom basis) grew by 0.3 per cent to US$ 490.7 billion in 2012-13. In 2013-14(April-October), imports at US$ 280.7 billion declined by 3.8 per cent compared to 2012-13 (April-October). In 2013-14 (April-October), POL imports at US$ 98.1 billion were 3.3 percent higher, while non-POL imports at US$ 172 billion were lower by 7.4 percent over the corresponding period of the previous year.

1.76 In 2012-13, trade deficit increased to US$ 190.3 billion which was 3.8 per cent higher than the level of US$ 183.4 billion in 2011-12. However, in 2013-14 (April-October), trade deficit was 90.7 billion as against US$ 112 billion in 2012-13 (April-October). There was a growing concern over growing trade and current account deficit which has its ramifications, among others, on the exchange rate of Indian rupee. To reduce trade and current account deficit, government announced many measures which include measures to control gold and silver imports (Box 1.2) and other non-essential imports, like the removal of flat panel (LCD/ LED/Plasma) television from the list of items under the free baggage allowance, resulting in a reduction in trade deficit.

Box 1.2 : Measures taken to modulate the import of gold and silver

The value of imports of gold and silver increased from US$ 42.6 billion in 2010-11 to US $ 61.6 billion in 2011-12. However, this declined to US$ 55.8 billion in 2012-13. Gold and silver imports accounted for 11.4 per cent of India's total imports in 2012-13. In the first quarter of 2013-14, import of gold and silver was US$ 18.2 billion (provisional). As a result of the measures taken in 2013-14, the value of gold and silver imports declined to US$ 4.8 billion in the second quarter of 2013-14, compared to US$ 11.7 billion in the second quarter of 2012-13.

Several measures have been taken by the government, to restrict gold imports as it was adversely affecting India's balance of payments. In Budget 2012-13, import duty on standard gold and platinum was raised from 2 per cent to 4 per cent and non-standard gold from 5 per cent to 10 per cent.

Å On 21 January 2013, the import duty on gold and platinum was increased from 4 per cent to 6 per cent.

Å In Budget 2013-14, there was a proposal to introduce "Inflation Indexed Bonds or Inflation Indexed National Savings Certificate" to protect savings from inflation, especially the savings of the poor and middle class. These inflation linked bonds are likely to wean away investors from gold, which may facilitate moderation in gold demand. The issuance of bonds began on June 04, 2013.

Å Further, Reserve Bank of India has stipulated that all gold loan NBFCs shall maintain loan to value (LTV) ratio, not exceeding 60 per cent for loans granted against the collateral of gold jewellery. This would ensure that these NBFCs maintain reasonable risk cover against such loans.

Å In the Annual Policy Statement for 2013-14, the Reserve Bank had also proposed to restrict the facility of advances against the security of gold coins per customer to gold coins weighing up to 50 gms.

Å On 22nd July 2013, government has linked the gold imports with the gold exports, whereby 20 per cent of the imported gold has to be channelized for gold exporters. Nominated banks/ agencies have to ensure that at least one fifth of every lot of import of gold is exclusively made available for the purpose of export with some exceptions.

- On 13th August 2013, the customs duty on gold and platinum was increased from 8 per cent to 10 per cent and on silver from 6 per cent to 10 per cent. Thus, additional duty of customs (CVD) on gold dore bars and on gold ore/concentrate was increased from 6 per cent to 8 per cent and on silver dore bar from 3 per cent to 7 per cent.
- On 17th September 2013, to protect the interests of small artisans, the customs duty on articles of jewellery and of goldsmiths' or silversmiths' wares and parts thereof were increased from 10 per cent to 15 per cent.

1.77 In the H1 of 2013-14, while overall exports grew by 5.0 per cent, compositionally some sectors registered robust growth. These include marine products (40.4 per cent), petroleum and oil products (16.5 per cent), textiles (13.2 per cent) and leather and leather products (13.3 per cent). Moderate growth was observed in chemicals and related products (5.7 per cent) and growth in engineering goods (1 per cent) and agriculture and allied sectors (0.3 per cent) were marginal. The export sectors which witnessed a decline include, gems & jewellery (-6.7 per cent), electronic goods (-10.3 per cent) and ores and minerals, (-9.9 per cent). While overall imports declined by 2.1 per cent in the first half of 2013-14, growth in the import of gold and silver was very high in the first quarter (90.1 per cent) and declined sharply in the second quarter (-59.2 per cent).

1.78 Quarter wise performance of exports and imports (Table 1.22) shows that the growth of non POL exports and total exports which were negative in the first quarter improved in the second quarter of 2013-14. POL import growth moderated from 6.6 per cent in Q1 2013-14 to 0.9 per cent in Q2 2013-14. Non POL import growth declined in Q2 2013-14 to (-) 14.3 per cent as result of significant decline in gold and silver imports in Q2 2013-14. Gold imports declined from US$16.5 billion in the first quarter to US$ 3.9 billion in the second quarter of 2013-14. Growth of non-POL non-gold and silver imports (which reflects the import of capital goods and inputs needed for exports and industrial activity) was still in the negative zone of growth in the first two quarters of 2013-14. Imports of net POL declined to US$ 23.1 billion in Q2 2013-14 from US$ 26.4 billion in the corresponding period of the previous year.

Table 1.22: Quarterly growth rate of exports and Imports (Y-o-Y)

	2011-12				2012-13				2013-14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Exports	**36.4**	**44.8**	**11.2**	**4.0**	**-3.9**	**-8.5**	**0.7**	**4.5**	**-1.2**	**11.4**
POL exports	77.3	55.1	22.4	4.0	-13.7	2.1	32.6	17.5	6.0	26.2
Non POL exports	29.0	42.8	9.0	4.0	-1.4	-10.8	-6.4	1.8	-2.8	7.6
Imports	**36.2**	**40.0**	**29.6**	**24.7**	**-5.0**	**-0.7**	**6.2**	**0.8**	**5.2**	**-9.1**
POL Imports	52.5	51.1	39.3	43.0	-0.2	12.2	18.3	-4.0	6.6	0.9
Non POL imports	29.7	35.8	26.0	16.7	-7.3	-6.3	1.1	3.4	4.5	-14.3
Gold & Silver imports	123.1	34.2	26.1	19.9	-47.3	-12.5	24.0	6.3	90.1	-59.2
Non POL and Non-Gold and Silver imports	16.1	36.1	26.0	15.9	3.8	-5.1	-3.6	2.8	-7.6	-6.5
Net POL Imports	40.0	48.8	51.5	72.1	8.5	18.5	9.9	-13.7	6.8	-12.7

***Source**: Computed from DGCI&S data.*

Direction of Trade

1.79 India has been successfully diversifying its export markets to make the export sector more resilient to global events that have remained uncertain and volatile since the onset of Eurozone crisis in 2011-12. The share of Europe in India's exports fell marginally from 19 per cent in 2011-12 to 18.7 per cent in 2012-13 and further to 18.4 per cent in the first half of 2013-14. The share of India's exports to Asia which has been increasing over the years, reaching 51.2 percent in 2012-13 (April-September) declined to 49.6 per cent in 2013-14 (April-September). Share of India's exports to USA increased from 12.9 per cent in 2012-13 (April-September) to 13.1 per cent in 2013-14 (April-September).

1.80 Within Asia, the share in India's exports to ASEAN (consisting of Singapore, Indonesia, Thailand, Malaysia, etc.) and Other West Asia (consisting of Iran, Israel, etc.) increased from10.5 per cent and 3.8 per cent in 2012-13 to 11.7 per cent and 4.1 per cent respectively in 2013-14 (April-September). The share of other regions in Asia witnessed a decline.

1.81 During 2013-14 (April-September), India's exports to Europe, Africa and Asia registered growth rates of 6.7 per cent, 6.7 per cent and 1.6 per cent respectively. However, India's export growth to America and Commonwealth of Independent States (CIS) & Baltic regions witnessed a decline of 2.2 per cent and 4.7 per cent respectively. Within America, USA is the major export destination of India. Exports to USA registered a growth of 7.0 per cent in the first half of 2013-14. India's imports from America registered a growth of 32.2 percent in 2012-13, while other four regions namely Europe, Africa, Asia and CIS & Baltic registered negative growth. This trend continued through the first half of 2013-14.

Services exports growing robustly again:

1.82 As per BoP data of the RBI, India's services exports, at US$ 73.2 billion (Provisional) in the first half of 2013-14, increased by 3.4 per cent. Imports of services declined by 3.9 per cent to US$ 37.9 billion in this period. As a result, net services exports were US$ 35.2 billion in the first half of 2013-14 which is higher by 12.6 per cent compared to the corresponding period of the previous year.

Recent Trade Policy Measures

1.83 Some of the important measures taken as part of Foreign Trade policy recently are as follows:

Å Zero duty EPCG Scheme and concessional 3 per cent duty EPCG scheme were harmonized and w.e.f. 18.4.2013 there is just zero duty EPCG scheme for all products/services.

Å Status holders exporting products under ITC (HS) Chapter 1 to Chapter 24 (both inclusive) are provided Duty Credit Scrip equivalent to 10 percent of FOB value of agricultural products so exported. These scrips are issued for import of Capital Goods and equipment for Cold Storage units, Pack-houses etc.

Å Status Holder Incentive Scrips (SHIS) can be transferred to a manufacturer group company of the scrip holder even though the group company is not a status holder.

Å Duty credit scrips issued under Focus Product Scheme (FPS), Focus Market Schemes (FMS) and Vishesh Krishi and Gram Udyog Yojana (VKGUY) can be used for payment of Service Tax. Scrip holder shall be entitled to avail drawback benefits or CENVAT credit of the Service Tax debited in the said scrip in accordance with Department of Revenue (DOR) rules.

Å Duty credit scrips under Chapter 3 can be used for payment of composition fee, application fee and value-wise shortfall in Export obligation.

Å Cayman Islands, New Zealand, Latvia, Lithuania, Bulgaria and Norway have been added to FMS. The scheme now covers a total of 125 markets. Eritrea and Venezuela were added to Special FMS.

Å 100 new items are added to Market Linked Focus Product Scheme (MLFPS). MLFPS has been extended till 31st March 2014 for export to USA and EU in respect of items falling in Chapter 61 and Chapter 62 (textiles and clothing).

Å 384 new items added to the FPS list.

Å 7 new items added to the Visesh Krishi Gram Upaj Yojana (VKGUY) list.

- Å A new scheme Incremental Export Incentivisation scheme has been introduced w.e.f 1.1.2013 whereby exports made during the period January-March 2013 over the base period January-March 2012 would be eligible for these benefits. The above scheme was extended for 2013-14 also on annual basis.
- Å Served from India Scheme (SFIS) scrips can be utilized for purchase of Motor vehicles. It can be used for manufacturing section business of the service provider. Now under SFIS scheme calculation of earnings is based on Net Foreign Exchange earned. Now Goods imported / procured against SFIS scrips can be alienated on completion of 3 years from the date of import / procurement.
- Å Two new towns namely Gurgaon and Morbi have been added as 'Towns of Export Excellence (TEE)'.

BALANCE OF PAYMENTS

Overview

1.84 Preliminary data on India's balance of payments (BoP) for the second quarter released by RBI on December 2, 2013 indicates a sharp correction in the level of current account deficit to US$ 5.2 billion from the high level of US$ 21.1 billion in the corresponding quarter last year. This owes primarily to a decline in trade deficit due to a pick-up in exports and moderation in imports. This outcome in the second quarter helped narrow down the CAD for the first half (H1) of 2013-14 to US$ 27.0 billion from US$ 38.2 billion in H1 of 2012-13. However, there was a net outflow on capital account of US $ 5.4 billion in the second quarter of 2013-14. Thus, net capital account inflow was US$ 15.1 billion in the first half of 2013-14, which given the level of CAD, indicated a drawdown of foreign exchange reserves.

1.85 Reflecting the above, the rupee depreciation in July-September 2013 over the level of July - September 2012 was 11.3 per cent. The depreciation of the rupee owed largely to two factors, namely, outflow of FII particularly in the debt segment on account of apprehensions of the US FED tapering its asset purchases of US$ 85 billion per month, which eventually did not materialise and the perceptions of a larger financing needs as represented by elevated CAD in the first quarter of 2013-14. Government swiftly moved to correct the surge in import demand arising from gold and other non-essential imports through tariff hikes and administrative measures and to boost capital flows through liberalization and special schemes. The decline in the level of CAD and the copious inflows under the two special windows under the FCNR (B) deposits and Bank's overseas borrowings announced by the RBI testifies to the appropriateness of Governments policy response. The rupee has thus stabilized albeit at a higher level of ₹ 62-63 per US$.

Current account deficit narrowing

1.86 India's BoP came under stress in 2011-12 owing to the euro zone crisis, which continued through 2012-13 and the first quarter of 2013-14. While CAD was elevated in the last 2 years as well as the first quarter of the current fiscal, it has narrowed subsequently. The CAD shot up in 2011-12 and 2012-13 owing to a sharp uptick in oil and gold imports, and exports (on BoP basis) remaining at around US$ 300 billion mark in both years. After reaching a level of US$ 309.8 billion in 2011-12, there was a minor contraction in exports to US$ 306.6 billion in 2012-13 and on year-on-year basis declined by 1.5 per cent to US$ 73.9 billion in the first quarter of 2013-14. Decline in exports was mainly due to uncertain global economic environment and resultant slowdown or decline in exports to all major destinations, especially EU, UAE, US and China. In the second quarter of 2013-14, exports grew by 11.9 per cent to US$ 81.2 billion and were driven by textile and textile products, leather and leather products and chemicals. Thus, in the first half of 2013-14 exports grew by 5.1 per cent to reach a level of US$ 155.2 billion as against US$ 147.6 billion in 2012-13 (first half).

1.87 Imports (on BoP basis), on the other hand, grew robustly to reach US$ 499.5 billion in 2011-12 and US$ 502.2 billion in 2012-13. A large part of this owed to POL imports, mainly crude oil followed by gold and silver. Notwithstanding a marginal decline in international prices of crude oil (Indian basket), POL imports increased by 5.9 per cent to US$ 164.0 billion in 2012-13.

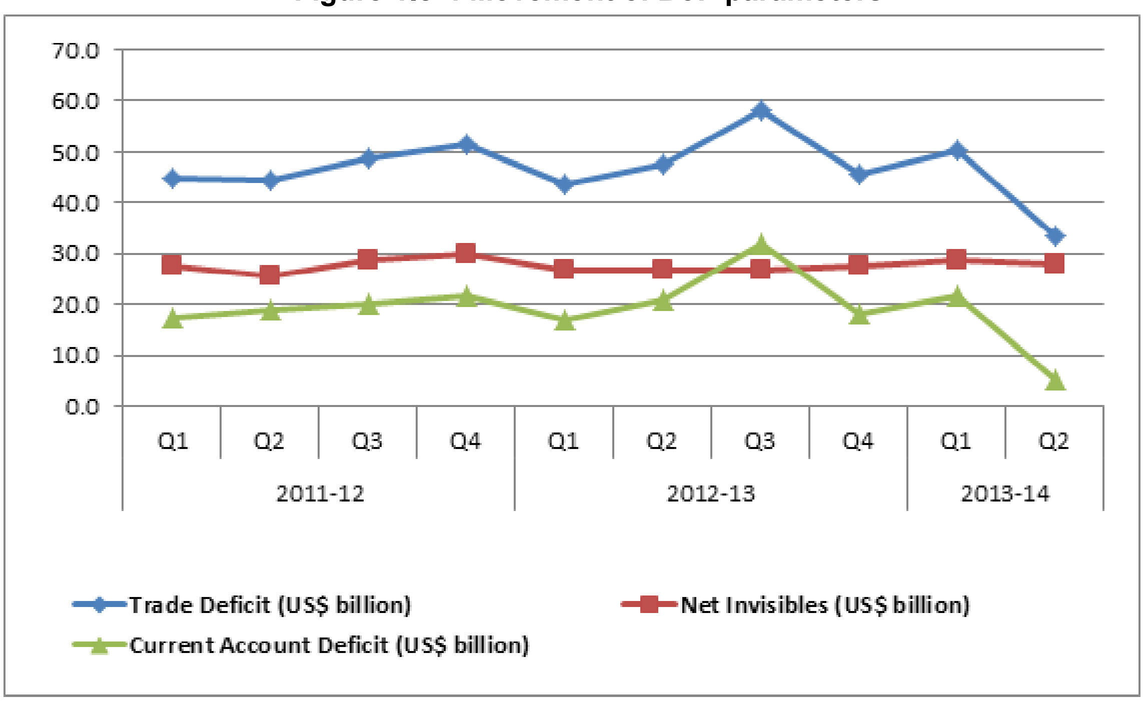
Though the gold and silver imports declined to US$ 55.8 billion in 2012-13, they still remained elevated relative to the levels prior to 2011-12. In the first quarter of the current fiscal, imports grew by 4.7 per cent to US$ 124.4 billion. The growth was driven by Gold and silver imports which stood at US$ 18.2 billion (US$ 9.6 billion in 2012-13 Q1). The impact of the measures taken by the Government to modulate non-essential imports was manifest in the decline in overall imports by 4.8 per cent in the second quarter of 2013-14 composed primarily of a steep decline in gold imports to US $ 3.9 billion (US$ 11.1 billion in 2012-13 Q2). Thus, in the first half of the current fiscal, imports contracted to US$ 238.9 billion from a level of US$ 239.2 billion in 2012-13 (H1).

1.88 The different outcomes in terms of level of exports and imports reflected in the extent of the trade deficit. Trade deficit rose from US$ 189.8 billion (10.1 per cent of GDP) in 2011-12 to US$ 195.7 billion (10.6 per cent of GDP) in 2012-13. In the first quarter of 2013-14, trade deficit widened to US$ 50.5 billion from a level of US$ 43.8 billion in 2012-13 (Q1). The better outcome in exports and lower imports led to a contraction in trade deficit for the second quarter of 2013-14, which was US$ 33.3 billion (US$ 47.8 billion in 2012-13 Q2). For the first half of the current fiscal, trade deficit was US$ 83.8 billion as against US$ 91.6 billion in 2012-13 (H1).

1.89 The surplus under net invisible account declined in 2012-13 to US$ 107.5 billion from US$ 111.6 billion in 2011-12. In the first half of the current fiscal, net invisible surplus was US$ 56.8 billion (composed of almost equal quarterly net surplus of both the quarters) as against US$ 53.4 billion in 2012-13 (H1). Private transfers and software services continue to be the main positive contributors and investment income being the negative contributor, which has risen on account of servicing of the higher levels of the liabilities reflected by India's international investment position. Thus, the differential in the outcome in terms of CAD in the two quarters primarily reflects the lower trade deficit in the second quarter of 2013-14.

1.90 Current account deficit remained elevated at US$ 78.2 billion in 2011-12 and US$ 88.2 billion in 2012-13 on account of the above developments in the two individual accounts, namely, trade balance and net invisible balance (Figure 1.8). In the first and second quarters of current fiscal, CAD was placed at US$ 21.8 billion and US$ 5.2 billion respectively. In the first half of 2013-14, this amounted to US$ 27.0 billion. As a proportion of GDP, CAD was 4.2 per cent in 2011-12 and 4.8 per cent in 2012-13. The elevated level of the CAD expressed as a proportion of GDP owed to the developments in the various components of the current account detailed above as well as the depreciation of the rupee that led to a contraction in the implied nominal GDP expressed in US dollar terms. This reflected in part the developments in the capital account of the BoP.

Figure 1.8 : Movement of BoP parameters



1.91 Net capital inflows in 2011-12 were affected by the euro zone crisis and associated global financial market turbulence. Overall net investment flows broadly remained high in 2011-12. However, FDI flows moderated somewhat from US$ 22.1 billion in 2011-12 to US$ 19.8 billion in 2012-13. Net portfolio flows rose from US$ 17.2 billion in 2011-12 to US$ 26.9 billion in 2012-13.

1.92 Net FDI flows continued to remain buoyant and were at US$ 6.5 billion in Q1 and US$ 6.9 billion in Q2 of 2013-14. FII equity flows were positive at US$ 4.9 billion in Q1; there was a small net outflow of US$ 0.9 billion in Q2 of 2013-14. However, outflows under FII debt segment were in excess of US$ 5 billion in each of the two quarters leading to a lower outcome for the first half of the current fiscal.

1.93 Net short-term debt inflows had gone up significantly in 2012-13 to reach US$ 21.7 billion. These came down sharply to US$ 2.5 billion in Q1 of 2013-14 and turned as net outflows of US$ 1.9 billion in Q2 of 2013-14 reflecting higher repayments arising from the surge last year. Gross ECB inflows continued to be at small levels in the comparative first two quarters of current as well as the last fiscal. With lower redemptions this year, net ECBs were placed at US$ 2.5 billion as against US$ 1.5 billion in the first half of the last year. NRI deposits have been a major source of debt flows and were placed at US$ 5.5 billion and US$ 8.3 billion in the first and second quarter of 2013-14, respectively.

1.94 Overall, the net outcome in terms of capital flows was broadly adequate in 2012-13 and the first quarter of 2013-14 for financing the elevated level of CAD. However, due to the apprehensions of tapering of asset purchases by the US FED, there has been a net outflow under FII flows leading to an overall capital outflow of US $ 5.4 billion in the second quarter even as the CAD has shrunk considerably. Thus, on a BoP basis, there was a drawdown of foreign exchange reserves of US$ 10.4 billion in the second quarter of 2013-14 which fed into the first half as well leading to a drawdown of US$ 10.7 billion.

Foreign Exchange Reserves

1.95 India's foreign exchange reserves comprise Foreign Currency Assets (FCAs), Gold, Special Drawing Rights (SDRs) and Reserve Tranche Position (RTP) in the IMF. The foreign exchange reserves crossed US$ 300 billion mark three times. At end-May 2008, reserves stood at US$ 314.6 billion, at end- March 2011, it stood at US$ 304.8 billion and all time high of US$ 322.0 billion at end-August 2011.

1.96 The foreign exchange reserves at US$ 292.0 billion at end March 2013 marginally lower than the level of US$ 294.4 billion at end-March 2012. Foreign exchange reserves declined further to US$ 275.5 billion at end- August, 2013 before increasing to US$ 281.5 billion at end- October, 2013. The decline in reserves may be attributed to the valuation loss on account of appreciation of US dollar against other major international currencies.

1.97 Country-wise details of foreign exchange reserves reveal that India was the tenth largest holders of foreign exchange reserves after China, Japan, Saudi Arabia, Switzerland, Russia, Taiwan, Brazil, Korea and Hong Kong at end-September 2013 (Table 1.23).

Table 1.23 : Country-wise Foreign Exchange Reserves (US$ billion)

Sl.	Country	Foreign Exchange Reserves at end-September, 2013
1	China	3660.0
2	Japan	1242.1
3	Saudi Arabia	700.0*
4	Switzerland	520.2*
5	Russia	481.2
6	Taiwan	410.1*
7	Brazil	365.9
8	Republic of Korea	332.3
9	Hong Kong	303.9*
10	India	277.2
11	Singapore	268.1
12	Thailand	166.0
13	Germany	71.5
14	France	58.8

**: August 2013*

***Source**: IMF and respective central banks.*

Exchange Rate of Rupee

1.98 The rupee exchange rate against major currencies remained volatile during 2012-13. At the beginning of the year, the rupee depreciated sharply amid concerns about the widening current account and fiscal deficits. Global uncertainties also added to the pressure. On average, rupee depreciated by about 12 per cent against US dollar in 2012-13.

1.99 In the current fiscal 2013-14, the monthly average exchange rate of rupee (RBI's reference rate) per US dollar marginally appreciated by 0.1 per cent in April 2013, thereafter it started declining from May 2013 to September 2013 (depreciated by 1.2 per cent in May, 5.8 per cent in June, 2.3 per cent in July, 5.4 per cent in August 2013 and 0.9 per cent in September 2013), with dollar gaining strength on better growth prospects. Wider trade deficit and rising gold imports also put pressure on the rupee exchange rate. In particular, rupee depreciation was more pronounced after the US Fed's indication on early tapering of quantitative easing. Rupee depreciated by 17.7 per cent against the US dollar during mid-May to end-August 2013. In order to contain volatility in foreign exchange market, the Reserve Bank intervened in foreign exchange market through sale of US dollar amounting to US$ 10.8 billion during May-August 2013. In fact, the rupee reached at its record low of ₹ 68.36 against dollar (RBI Reference Rate) on August 28, 2013.

1.100 However, the rupee reversed the trend in October 2013 and has appreciated by 3.5 per cent over September 2013 reflecting the impact of the measures taken to moderate CAD and boost capital flows with greater clarity on US FED taper. Rupee appreciation can be mainly attributed to improved market sentiments on the back of various policy measures announced by the Reserve Bank and the government and the Fed's decision later in the month to maintain the pace of its Quantitative Easing. Furthermore, the opening of a forex swap window for the public sector oil marketing companies as well as special window under FCNR (B) has also played an important role in stabilising rupee. The exchange rate of rupee, month-wise, is given in below (Table 1.24).

Table 1.24: Exchange Rates of Rupee per foreign currency and RBI's Sale/ Purchase of US$ in the Foreign Exchange Market

Month	US$	Pound Sterling	Euro	Japanese Yen *	RBI Net Sale (-) / Purchase (+) (US$ Million)
2012-13 (Annual Average)	54.41 (-11.9)	85.97 (-11.2)	70.07 (-6.0)	65.85 (-7.8)	-2,601
March 2013	54.40 (-1.2)	82.02 (1.6)	70.60 (1.8)	57.44 (0.6)	820
2013-14 (Monthly Average)					
April 2013	54.38 (0.03)	83.20 (-1.4)	70.77 (-0.2)	55.71 (3.1)	518
May 2013	55.01 (-1.2)	84.11 (-1.1)	71.38 (-0.9)	54.51 (2.2)	-107
June 2013	58.40 (-5.8)	90.47 (-7.0)	77.07 (-7.4)	59.99 (-9.1)	-2,252
July 2013	59.78 (-2.3)	90.78 (-0.3)	78.20 (-1.5)	60.00 (-0.02)	-5,976
August 2013	63.21 (-5.4)	97.87 (-7.2)	84.18 (-7.1)	64.57 (-7.1)	-2,464
September 2013	63.75 (-0.9)	101.10 (-3.2)	85.12 (-1.1)	64.27 (0.5)	-3,548
October 2013	61.62 (3.5)	99.20 (1.9)	84.10 (1.2)	63.00 (2.0)	3,928

Note: Figures in parentheses indicates appreciation (+) and depreciation (-) over previous month/year in per cent. Some percentage may not tally due to rounding off.
*N.A.: Not Available; *: Per 100 Yen*
***Source**: RBI.*

1.101 While nominal exchange rate convey the broad direction and extent of the purchasing power, the impact on the economy in terms of competitiveness needs to be seen in relation to the price differential and as such the indices of nominal effective exchange rate (NEER) and real effective exchange rate (REER) are better indicators of the competitiveness. In term of real exchange rate, as at end-September 2013, the 6-currency REER depreciated by 15.6 per cent over end-March 2013 reflecting mainly the rupee depreciation in nominal (Table 1.25).

Table 1.25: Indices of NEER and REER of Indian Rupee (6 Currency Trade Based Weights) Base 2004-05 (April -March) =100

Month	NEER	% Appreciation(+)/ Depreciation (-) over previous month	REER	% Appreciation (+)/ Depreciation (-) over previous month
March 2012*	81.60	-9.6	109.59	-5.5
March 2013*	76.01	-6.9	106.50	-2.8
2013-14				
April 2013	75.97	-0.1	106.70	0.2
May 2013	75.17	-1.1	105.59	-1.0
June 2013	70.18	-6.6	98.63	-6.6
July 2013	68.89	-1.8	96.80	-1.9
August 2013	64.61	-6.2	90.83	-6.2
September 2013	63.95	-1.0	89.92	-1.0

**: Over corresponding period of the previous year.*
***Source**: RBI.*

External Debt

1.102 India's external debt continues to remain within manageable limits as indicated by the external debt to GDP ratio of 21.3 per cent and debt service ratio of 5.9 per cent during 2012-13. As per the latest data available, India's external debt stood at US$ 388.5 billion at end-June 2013, showing a decline of US$ 3.6 billion (0.9 per cent) over end-March 2013. The long-term external debt accounted for 75.1 per cent and short-term debt 24.9 per cent. The share of Government (Sovereign) external debt was 20.2 per cent, while the share of non-Government external debt was 79.8 per cent in the total external debt at end June 2013. The share of concessional debt in total external debt stood at 11.6 per cent at end-June 2013 as compared to 11.5 per cent at end-March 2013. The ratio of short-term debt to foreign exchange reserves was 34.3 per cent at end-June 2013 vis-à-vis 33.1 per cent at end March 2013.

1.103 The cross-country comparison of external debt based on the World Bank's annual publication titled 'International Debt Statistics 2013', which contains the external debt data for the year 2011 indicates that India continues to be among the less vulnerable countries and India's key debt indicators comparing well with other indebted developing countries. India's position was fourth in terms of absolute external debt stock, after China, Russian Federation and Brazil in 2011. The ratio of India's external debt stock to gross national income at 18.3 per cent was the third lowest with China having the lowest ratio at 9.4 per cent.

1.104 The cautious external debt policy of the Government of India has helped in containing the growth of accumulation of external debt and maintaining a comfortable external debt position. It continues to focus on monitoring long and short-term debt, raising sovereign loans on concessional terms with longer maturities, regulating external commercial borrowings through end-use and all-in-cost restrictions, rationalizing interest rates on Non Resident Indian (NRI) deposits. As a consequence of this, the key external debt indicators remained at comfortable level (Table 1.26).

Table 1.26 : India's Key External Debt Indicators (Per cent)

Year	External Debt(US$ billion)	External Debt to GDP	Debt Service Ratio	Concessional Debt to Total External Debt	Foreign Exchange Reserves to Total External Debt	Short-Term Debt to Foreign Exchange Reserves	Short-Term Debt to Total External Debt
1	2	3	4	5	6	7	8
2005-06	139.1	16.8	10.1#	28.4	109.0	12.9	14.0
2006-07	172.4	17.5	4.7	23.0	115.6	14.1	16.3
2007-08	224.4	18.0	4.8	19.7	138.0	14.8	20.4
2008-09	224.5	20.3	4.4	18.7	112.1	17.2	19.3
2009-10	260.9	18.3	5.8	16.8	106.8	18.8	20.1
2010-11	305.9	17.5	4.3	15.5	99.7	21.3	21.2
2011-12	345.8	19.7	6.0	13.9	85.1	26.6	22.6
2012-13 PR	392.1	21.3	5.9	11.5	74.5	33.1	24.7
End-June 2013 QE	388.5	-	6.2	11.6	72.7	34.3	24.9

PR: Partially Revised; QE: Quick Estimates.
 # Works out to 6.3 per cent, excluding India Millennium Deposit repayments of US$ 7.1 billion and pre-payment of US$ 23.5 million.
***Source**: Ministry of Finance, Government of India and RBI.*

SOCIAL SECTOR

Employment and Unemployment

1.105 Comprehensive employment data are made available once in five years by the National Sample Survey Organization (NSSO). Comparing the results of four consecutive NSS rounds, employment as per usual status (UPSS) had increased by 61.1 million persons in 2004-05 over 1999-2000. Despite the global meltdown, employment increased in 2009-10 over 2004-05, though slowly, showing an increase of 1.1 million persons. In 2011-12, there was a pick-up in employment with the workforce increasing from 459 million persons in 2009-10 to 472.9 million persons in 2011-12. Unemployment rate under current daily status (CDS) increased from 7.3 per cent in 1999-2000 to 8.2 per cent in 2004-05. It fell to 6.6 per cent and 5.6 per cent in 2009-10 and 2011-12 respectively. Under UPSS, unemployment rate increased to 2.3 per cent in 2004-05 from 2.2 per cent in 1999-2000. It was 2.0 per cent and 2.2 per cent respectively in 2009-10 and 2011-12.

1.106 Labour Bureau has been conducting Quarterly Quick Employment Surveys in the select labour-intensive and export-oriented sectors namely textiles including apparels, metals, gems & jewellery, automobiles, transport, IT/BPO, leather and handloom/ power loom to assess the effect of economic slowdown on employment in India since January, 2009. Comparing the result of last three surveys over the period July 2012 to June 2013 in the eight selected sectors, employment increased by 3.61 lakh with the highest increase of 1.78 lakh in textiles including apparels followed by 0.95 lakh in IT/BPO, 0.34 lakh in automobiles, 0.32 lakh in leather, 0.18 lakh in gems & jewellery, 0.06 lakh in metals and 0.01 lakh in handloom/power loom sector.

Poverty

1.107 Planning Commission has updated the poverty lines and poverty ratios for the year 2011-12 on the basis of recommendations of Tendulkar Committee using NSS 68th round data of Household Consumer Expenditure Survey 2011-12. Accordingly, poverty line at all India level is estimated as monthly per capita expenditure (MPCE) of ₹ 816 for rural areas and ₹ 1000 for urban areas in 2011-12. As per these estimates, the poverty ratio in the country declined from 37.2 per cent in 2004-05 to 21.9 per cent in 2011-12. In absolute terms, the number of poor declined from 407.1 million in 2004-05 to 269.3 million in 2011-12. Between 2004-05 and 2011-12, the average annual decline of the poverty ratios was 2.2 percentage points per year which is around three times higher than the rate of decline in the poverty ratio during the period 1993-94 to 2004-05 (Table 1.27).

Table 1.27: Percentage and Number of Poor						
	Poverty Ratio (per cent)			Number of Poor (million)		
Year	**Rural**	**Urban**	**Total**	**Rural**	**Urban**	**Total**
1993-94	50.1	31.8	45.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2011-12	25.7	13.7	21.9	216.5	52.8	269.3
Annual Average Decline: between1993-94 and 2004-05 (percentage points per annum)	0.75	0.55	0.74			
Annual Average Decline: between 2004-05 and 2011-12 (percentage points per annum)	2.32	1.69	2.18			

Source: *Planning Commission.*

1.108 In June 2012, Planning Commission constituted an Expert Group under the Chairmanship of Dr. C. Rangarajan to 'Review the Methodology for Measurement of Poverty'. The term of the Expert Group has been extended up to 5th June, 2014.

Performance of some social sector programmes/schemes

1.109 The progress of some major programmes of the Government of India is as under.

- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA):** The scheme under the Act has been provided a sum of ₹ 33,000 crore in the Budget 2013-14. During 2013-14 (up to September, 2013), expenditure incurred by the States/UTs has been ₹ 15,018.99 crore. During the period, 2.9 crore households have been provided employment. The share of SCs, STs and women is 23 per cent, 15 percent and 56 percent respectively. The share of women in total person-days generated is well above the stipulation of one-third of the total as per the Act.

- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** During the current financial year, PMGSY has been allocated a sum of ₹ 21,700 crore for connecting 3,500 habitations and construction of 27,000 KM roads. Till September 2013, connectivity has been provided to 2,069 habitations, 8,476.28 KM length road has been constructed and a total of ₹ 5,015.96 crore has been released. Since its inception in December 2000, 87,567 habitations (73 per cent of the cleared habitations) have been provided with all-weather road connectivity (till August 2013); a total length of 2,34,402 Km of roads have been constructed for new connectivity; and 1, 48,165 Km of roads have been upgraded.

- **Indira Awaas Yojana (IAY):** During 2013-14, ₹ 15,184 crore has been allocated for rural housing, out of which ₹ 13,894.90 crore was earmarked for release to District Rural Development Agencies under IAY for construction of 24.80 lakh houses. Till September 2013, an amount of ₹ 6,697.06 crore was released.

- **National Rural Livelihoods Mission:** Swarnajayanti Gram Swarozgar Yojana (SGSY) has been restructured and implemented as the National Rural Livelihoods Mission (NRLM) since 2011-12. After establishing dedicated mission architecture and related systems, 24 States have transited to NRLM. The remaining four States are expected to transit to NRLM during 2013-14. The budget for NRLM is ₹ 4000 crore for 2013-14 while the total release upto September 2013 is ₹ 858.41 crore. The total number of self help groups (SHGs) under the NRLM fold is 13,15,437 of which 2,19,061 have been mobilized in this financial year.

- **Jawaharlal Nehru National Urban Renewal Mission:** Jawaharlal Nehru National Urban Renewal Mission (JNNURM), launched in December 2005 in a mission mode provides substantial central financial assistance to cities for infrastructure, housing development and capacity development. The two out of four components of JNNURM devoted to shelter and basic service needs of the urban poor are: Basic Services to the Urban Poor (BSUP) for 65 selected cities and the Integrated Housing & Slum Development Programme (IHSDP) for other cities and towns. As on 17.10.2013, 1,607 projects worth ₹ 41,648 crore were approved for construction/up-gradation of more than 1.56 million houses. A central share of ₹ 22,304.25 crore has been committed. Out of these houses, about 7.41 lakh houses have been completed. Additional central assistance of ₹ 16,004.06 crore has also been released.

Å **Swarna Jayanti Shahari Rozgar Yojana (SJSRY):** The SJSRY, launched in 1997, aims at providing gainful employment to the urban unemployed and underemployed, by encouraging them to set up self-employment ventures or creating wage employment opportunities. The scheme was revamped with effect from April 2009. The budgetary provision for the SJSRY for 2013-14 is ₹ 950.0 crore and of this, ₹ 380.57 crore has been released up to 1st November, 2013. During 2013-14, till October, 2013, a total of 4,42,850 people have benefited from this scheme.

Å **National Health Mission:** The Government of India has approved the launch of National Urban Health Mission (NUHM) on 1st May 2013 within the National Health Mission (NHM), with National Rural Health Mission (NRHM) being the other component. Allocation of ₹ 20,999 crore has been made for National Health Mission during 2013-14. NRHM seeks to provide accessible, affordable and quality healthcare to the rural population, especially the vulnerable groups. So far, about ₹ 1,00,000 crore have been released to the states under NRHM since its inception. More than 8.89 lakh community health volunteers called Accredited Social Health Activists (ASHAs) have been engaged for establishing a link between the community and the health system. NRHM has attempted to fill the gaps in human resources by providing nearly 1.56 lakh additional health personnel to States. Out of 640 districts, 427 districts have been provided with 2,028 mobile medical units under NRHM. NRHM also supports co-location of AYUSH services in Health facilities such as PHCs, CHCs and District Hospitals. A total of 11,925 AYUSH doctors have been deployed in the States with NRHM funding support. So far 13,373 and 16,452 PHCs, CHCs, SDHs and DHs have been constructed and upgraded.

Å **Janani Shishu Suraksha Karyakarm (JSSK):** An entitlement based approach launched in June 2011, entitles all pregnant women delivering in public health institutions to absolutely free and no expense delivery, including caesarean. All the 35 States and Union Territories are implementing JSSK. In addition, Janani Suraksha Yojana (JSY) is also in operation which aims to reduce maternal mortality among pregnant women by encouraging them to deliver in government health facilities. Under the scheme, cash assistance is provided to eligible pregnant women. Since its inception, 6.45 crore women have benefited under this scheme.

Å **Mid-Day Meal (MDM):** Some important programmes in the education sector viz. the Sarva Shiksha Abhiyan (SSA) supported by the Mid-Day Meal Scheme (MDMS), intend to ensure provision of elementary education to all children in the 6-14 age group. In 2012-13, 10.68 crore children were provided hot cooked meal in 12.12 lakh schools under the MDMS. During 2012-13, 12.13 lakh schools have been provided with kitchen devices and 25.48 lakh cook-cum-helpers have been appointed by the State to prepare and serve the mid-day meals to the school children. To ensure safety of food grains and provision of hygienic meals to the children, 6.26 lakh kitchen-cum-stores have been constructed.

Å **Rashtriya Madhyamik Shiksha Abhiyan (RMSA):** The goal of universal access by 2017 and universal retention by 2020 is to be achieved through the RMSA which has been operational from 2009-10. Since its inception, approval of 10,226 schools (out of which 9,219 are functional), strengthening of 35,081 existing secondary schools, 38,845 teachers in existing secondary schools and 63,744 teachers for new secondary schools have been sanctioned.

Å **Saakshar Bharat (SB):** SB is the new variant of National Literacy Mission. The principal target of the Mission is to impart functional literacy to 70 million adults in the age group of 15 years and above by 2017. Auxiliary target of the mission is to cover 1.5 million adults under Basic Education (Equivalency) programme and equal number under Vocational Training (skill development) programme. Under the Mission by end September 2013, 372 districts in 25 States and one in UT are covered.

Å **National Rural Drinking Water Programme (NRDWP):** The programme aims to ensure drinking water supply to all households in rural India. The 12th Five Year Plan approach of NRDWP is to shift the focus on piped water supply rather than hand pumps, increasing households tap connections within premises or at a distance of less than 100 meters and raising drinking water supply norms from 40 lpcd to 55 lpcd. Against the plan outlay of ₹ 11,000 crore for 2013-14, ₹ 3,911.62 crore has been released till September 2013. A total of 28,582 partially covered and 2,943 quality affected habitations have been covered against the target of 75,000 and 22,000 habitations respectively for the year as a whole.

Å **Nirmal Bharat Abhiyan (NBA):** A paradigm shift in Total Sanitation Campaign (TSC) has been designed to accelerate the progress of sanitation in rural areas and transforming rural India into 'Nirmal Bharat' which is now called the NBA in the 12th Plan by adopting community saturation approach. Against the budget estimate of ₹ 4,260 crore for 2013-14, ₹ 1,052.06 crore has been released till September 2013. Against the target of 60,00,000 Individual household latrines, 70,000 school toilets and 30,000 anganwadi toilets for 2013-14, a total of 16,29,583 individual household latrines, 19,353 school toilets and 10,898 anganwadi toilets have been constructed till September 2013.

Å **Skill Development:** During January - September 2013, the National Skill Development Corporation (NSDC) approved 42 additional skilling projects for imparting skill training in a wide array of sectors. Beside this, NSDC also approved eight Sector Skill Councils (SSCs) namely Life Sciences, Iron & Steel, Aviation & Aerospace, Power, Mining, Beauty & Wellness, Textiles & Handlooms and Apparels in this calendar year. The total number of proposals approved by NSDC till date is 130, which include 104 skilling proposals and 26 SSCs, creating a peak annual training capacity of 15 million and ten years training capacity of 73 million. During the above period, NSDC partners skilled 516,061 people covering 30 States and Union Territories in over 400 districts. Till date, 53 active partners of NSDC have trained 857,268 people, and placed 501,690 of them, thereby achieving a placement percentage of nearly 60 per cent. The Special Industry Initiative, known as 'Udaan', targets the youth of Jammu & Kashmir, specifically graduates and postgraduates, who are seeking opportunities. Till date, Udaan has partnered with 39 corporates who have committed to train more than 57, 000 candidates over 5 years. 29 corporates have already started work on the field with over 1,800 candidates participating in various training programs across the country and more than 27,000 youth of Jammu and Kashmir have been engaged with Udaan. In pursuance of the Union Budget 2013-14, a scheme called National Skill Certification and Monetary Reward Scheme, branded as STAR (Standards Training Assessment Reward), was formally announced by the Prime Minister. Started as a pilot on

16th August 2013, the scheme was rolled out from 16th September 2013. Under the pilot, nearly 450 candidates were trained with over 2000 currently undergoing training, in 160 job roles created by 17 SSCs. National Skill Development Agency (NSDA) has been set up as an autonomous body, inter-alia, to take all possible steps to meet skilling targets as envisaged in the 12th Five Year Plan and beyond; and, coordinate and harmonize the approach of different stakeholders for skill development.

Å **Rashtriya Swasthya Bima Yojana (RSBY):** Under the Yojana, more than 3.58 crore families are covered as on 30.09.2013. Apart from BPL families, the coverage of RSBY has been extended to other categories of unorganized workers with an interest to extend the scheme to all unorganized workers in a phased manner. The occupational groups such as sanitation workers, rickshaw pullers, rag pickers, mine workers and auto/taxi drivers have been covered in June, 2013.

Å **Unique Identification Authority of India:** Direct Benefit Transfer (DBT) system was introduced with the help of UID card (Aadhar Card) under which the cash benefits are transferred to beneficiaries' bank account automatically. It will also be rolled out across the country in phased manner. This will eliminate the chances of frauds and duplications in the system. As on 14.11.2013, 48.56 crore cards have been generated.

CHAPTER II

CENTRAL GOVERNMENT FINANCES

A. Review of trends in receipts and expenditure during April-September 2013

The uncertainties arising from both domestic and global economic events detailed in Chapter 1 continued to be a major challenge and the Union Budget 2013-14 indicated the policy response for reviving growth and stabilizing the economy. Following the difficult but much needed process of expenditure tightening and achieving the announced fiscal consolidation in 2012-13, the fiscal policy of continued consolidation in 2013-14 was based on a gradual economic recovery. As against a level of ₹ 5,20,925 crore in 2012-13 Revised Estimates(RE) which constituted 5.2 per cent of GDP, fiscal deficit for 2013-14 was sought to be contained at ₹ 5,42,499 crore (4.8 per cent of GDP). Revenue deficit was placed at ₹ 3,91,244 crore in 2012-13 (RE), and at ₹ 3,79,838 crore in 2013-14 Budget Estimates(BE) equivalent of 3.3 per cent of GDP.

2.2 As per the data made available by Controller General of Accounts (CGA), fiscal deficit for April–September, 2013 is ₹ 4,12,088 crore. Revenue deficit for April–September, 2013 is ₹ 3,22,277 crore. Non-debt receipts for April – September, 2013 totalled ₹ 3,96,962 crore whereas the total expenditure was ₹ 8,09,050 crore. The 'effective revenue deficit', which represents the imbalance in revenue account after netting grants used for creation of capital assets has been estimated at 1.5 per cent of GDP in BE 2013-14.

2.3 The fiscal Policy for 2013-14 aims at reviving growth through adherence to the announced path of fiscal consolidation and facilitating greater flow of economy's resources for productive purposes and investment, and maintaining expenditure restraint while ensuring resource allocation under priority flagship schemes are adequately provided for. Accordingly, the Budget for 2013-14 estimated an overall expenditure growth of 16.4 percent over RE 2012-13, with a growth of 10.8 percent in non-plan expenditure indicating a compression therein and a larger central plan outlay that is higher by 22.3 percent.

2.4 Trends in receipts and expenditure at the end of the second quarter of year 2013-14 (April-September 2013) is summarized in Table 2.1. The figures therein are unaudited and may undergo revision subsequent to audit. The receipts and recoveries, wherever directly linked to expenditure, have been netted out.

B. Receipts

Revenue Receipts

2.5 Revenue receipts comprising net tax revenue and non-tax revenue of the Centre were estimated at ₹ 10,56,331 crore in BE 2013-14 reflecting a growth of 20.2 per cent over provisional actuals of 2012-13. Growth in total revenue receipts during the first half of 2013-14 was 11.1 per cent over the corresponding period in 2012-13 and in terms of quarterly outcome (year-on-year) continued to reflect uneven growth (Figure 2.1)

Table 2.1: Fiscal outcome (April –September)

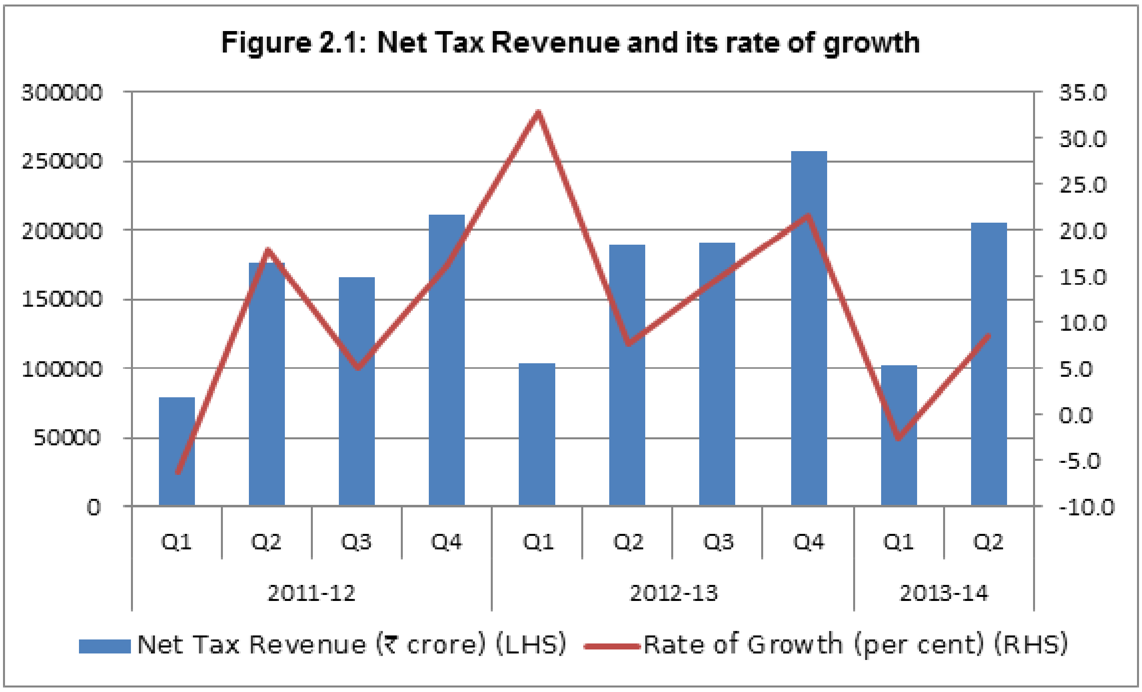
S.No.	Particulars	(₹crore)			(Percentage)		
		B.E.	Actuals up to Sept.		Percentage to BE		5 years average
		2013-14	2013-14	2012-13	Upto 09/2013	COPPY	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	**Revenue Receipts**	**1056331**	**389904**	**350888**	**36.9**	**37.5**	**43.0**
2	Tax Revenue (Net)	884078	307589	293812	34.8	38.1	39.8
3	Non-Tax Revenue	172252	82315	57076	47.8	34.7	54.6
4	**Capital Receipts (5+6+7)**	**608967**	**419146**	**343131**	**68.8**	**61.8**	**55.6**
	Non Debt Capital Receipts	**66468**	**7058**	**6227**	**10.6**	**15.0**	**37.3**
5	Recovery of Loans	10654	5579	4855	52.4	41.7	55.8
6	Other Receipts	55814	1479	1372	2.6	4.6	80.3
7	**Borrowings and other liabilities**	**542499**	**412088**	**336904**	**76.0**	**65.6**	**59.0**
8	**Total Receipts (1+4)**	**1665297**	**809050**	**694019**	**48.6**	**46.5**	**46.6**
9	**Non-Plan Expenditure**	**1109975**	**572934**	**491279**	**51.6**	**50.7**	**49.2**
10	On Revenue Account	992908	519163	446673	52.3	51.6	50.8
11	of which Interest Payments	370684	160027	131165	43.2	41.0	42.3
12	On Capital Account	117067	53771	44606	45.9	42.8	37.3
13	**Plan Expenditure**	**555322**	**236116**	**202740**	**42.5**	**38.9**	**41.7**
14	On Revenue Account	443260	193018	167499	43.5	39.8	42.2
15	On Capital Account	112062	43098	35241	38.5	35.1	39.2
16	**Total Expenditure (9+13)**	**1665297**	**809050**	**694019**	**48.6**	**46.5**	**46.6**
17	Revenue Expenditure (10+14)	1436169	712181	614172	49.6	47.8	48.0
18	Of which Grants for creation of Capital Assets	174656	69518	50656	39.8	30.8	-
19	Capital Expenditure (12+15)	229129	96869	79847	42.3	39.0	37.3
20	**Revenue Deficit** (17-1)	**379838**	**322277**	**263284**	**84.8**	**75.1**	**74.9**
21	**Effective Revenue Deficit (20-18) #**	**205181**	**252759**	**212628**	**123.2**	**114.5**	**-**
22	**Fiscal Deficit {16 – (1+5+6)}**	**542499**	**412088**	**336904**	**76.0**	**65.6**	**59.0**
23	**Primary Deficit (22 – 11)**	**171814**	**252061**	**205739**	**146.7**	**106.1**	**54.6**

Notes: 1. The figures of Railways have been netted as in Budget Estimates.

2. COPPY – Corresponding Period of Previous Year.

3. # Excluding Grants for creation of Capital Assets.

Source: Controller General of Accounts.



2.6 Revenue receipts at ₹ 3,89,904 crore during first half of 2013-14 are 36.9 per cent of B.E. 2013-14 (Table 2.2) which is significantly lower than the five year average of 43.0 per cent. The performance during first half is not in line with BE partly due to front loading of tax refunds during the reporting period and the growth slowdown. However, excluding the year 2010-11 when significantly higher than budgeted revenues accrued on account of 3G Telecom spectrum auction, the performance in 2013-14 is only somewhat lower than other earlier years.

Table 2.2 Revenue Receipts in April-September

(₹ crore)

		April - September					
S. No.	**REVENUE RECEIPTS**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
1	Tax Revenue (Net)	202247	185669	233415	254731	293812	307589
2	Non Tax Revenue	42651	58802	164819	50797	57076	82315
3	Total Revenue Receipts (TRR)	244898	244471	398234	305528	350888	389904
4	BE for the full year	602935	614497	682212	789892	935685	1056331
5	Realised revenue as percent to BE	40.6	39.8	58.4	38.7	37.5	36.9
6	Rate of Growth of TRR (per cent)	23.7	-0.2	62.9	-23.3	14.8	11.1

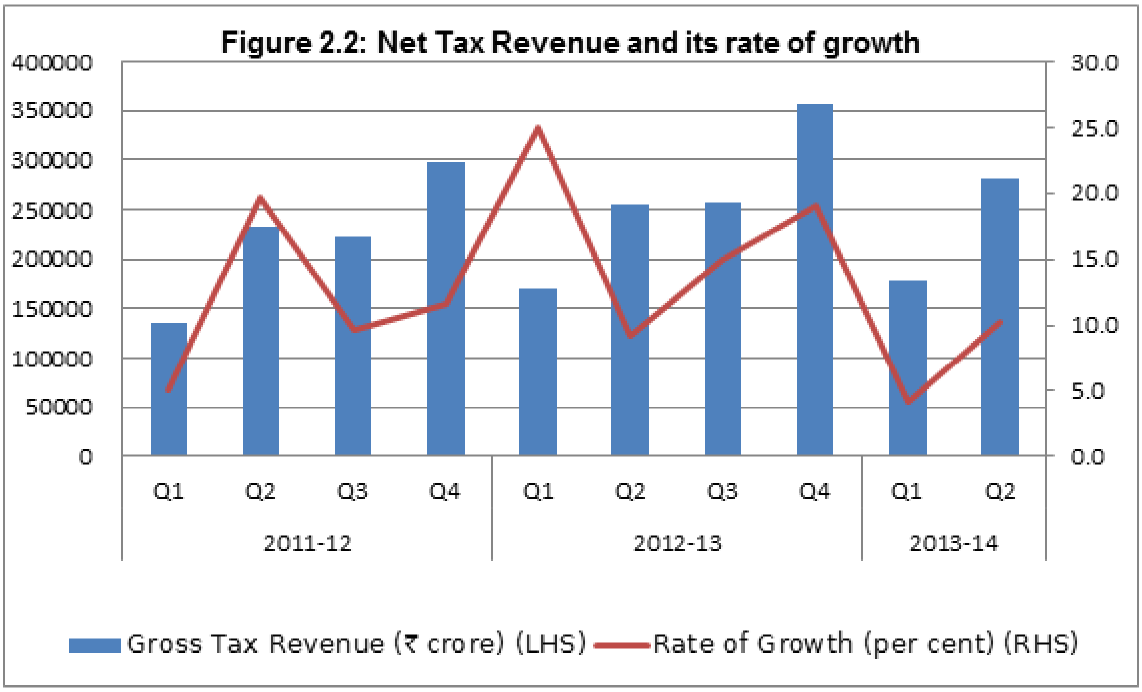
Gross Tax Revenue

2.7 During the first half of 2013-14, direct tax refunds were ₹ 50,371 crore as against ₹ 46,012 crore during the corresponding period of 2012-13. Gross tax revenue in BE 2013-14 was estimated at 19.2 per cent over the receipts of 2012-13 (provisional actuals) (Table 2.3 and Figure 2.2). The overall growth in tax collection (all taxes) up to September 2013 is 7.8 per cent.

Table 2.3 Components of Gross Tax Revenue

(₹ crore)

Sl. No.	Description	BE 2013-14	Actuals upto Sept. 2013	per cent of BE	percent growth over H1 2012-13	BE 2012-13	Actuals upto Sept. 2012	per cent of BE
1	Corporation Tax	419520	153728	36.6	7.5	373227	142965	38.3
2	Taxes on income other than Corporation Tax	240919	97773	40.6	18.4	189866	82598	43.5
3	Other Taxes	10428	2740	26.3		9475	2509	26.5
	Total Direct Taxes	**670867**	**254241**	**37.9**		**572568**	**228072**	**39.8**
4	Customs	187308	83027	44.3	5.7	186694	78557	42.1
5	Union Excise Duties	197554	61928	31.3	-8.2	194350	67424	34.7
6	Service Tax	180141	57102	31.7	16.3	124000	49103	39.6
7	Other Taxes	-	1874		7.7	-	1740	
	Total Indirect Taxes	**565003**	**203931**	**36.1**		**505044**	**196824**	**39.0**
8	**Total Gross Tax Revenue**	**1235870**	**458172**	**37.1**	**7.8**	**1077612**	**424896**	**39.4**
	Total Gross Tax Revenue (with direct Tax refunds)		**508543**				**470908**	



Direct Taxes

2.8 Gross direct tax collection has increased by 11.5 per cent to a sum of ₹ 2,54,241 crore for April-September, 2013 over April-September, 2012 (₹ 2,28,072 crore). Typically, direct taxes have seasonality factor whereby the revenue in the first quarter is a small proportion of the total revenue for the year as a whole. This is on account of the large refund outgo in the first quarter and thus lowers net accrual.

Corporation Tax

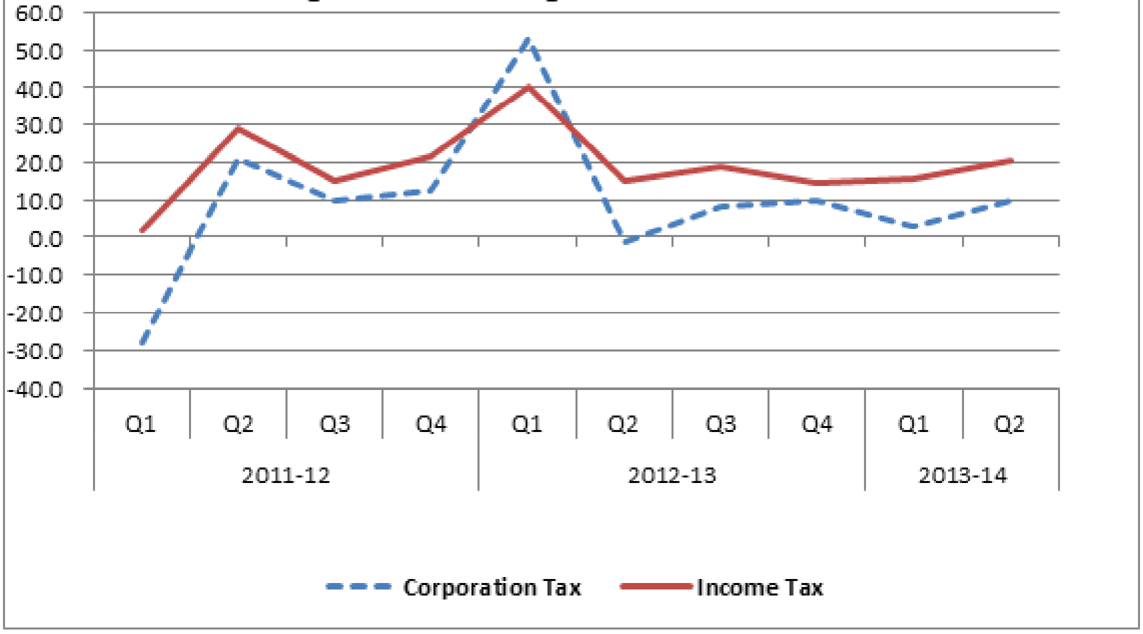
2.9 Corporation tax continues to be the largest component of gross tax revenue. During the first half of 2013-14, it shows a growth of 7.5 per cent over corresponding period in 2012-13. The

BE 2013-14 for this component was estimated at growth of 17.7 per cent over the receipts in 2012-13 (Provisional Actuals). Trends in year on year growth for different quarters in collection of Corporation Tax for 2011-12, 2012-13 and 2013-14 are indicated figure 2.3.

Income Tax other than Corporation Tax

2.10 Taxes on income other than Corporation Tax were estimated at ₹ 2,40,919 crore in BE 2013-14 which is 22.4 per cent higher than receipts during 2012-13 (Provisional Actual). Total collection under this head of ₹ 97,773 crore during the first half of the year 2013-14 reflects a growth of 18.4 per cent over the corresponding period in the previous financial year. Trends in year on year growth for different quarters in collection of taxes on income other than Corporation Tax for 2011-12, 2012-13 and 2013-14 are indicated in Figure 2.3.

Figure 2.3: Rate of growth of Direct Taxes



Indirect Taxes

2.11 The gross indirect tax collection during first half of 2013-14 is ₹ 2,03,931 crore reflecting a growth of 3.6 per cent over corresponding period in 2012-13 and much lower than the implied growth of 18.3 per cent in BE 2013-14 over provisional actuals of 2012-13. The growth slowdown in both nominal and real terms has weighed on the outcome in terms of collection of indirect taxes.

Customs

2.12 The growth performance on customs duty collection front during the first half of 2013-14 is only marginally better than last year. The revenue from customs duty in Budget 2013-14 was estimated at ₹ 1,87,308 crore reflecting a growth of 13.0 per cent over provisional actuals of 2012-13. As against this, a growth of 5.7 per cent in the first half of 2013-14 has been realised over the corresponding period in 2012-13. Trends in year on year growth for different quarters in collection of customs duties for 2011-12, 2012-13 and 2013-14 are indicated in figure 2.4.

Union Excise Duties

2.13 Revenue from Union excise duties was estimated at ₹ 1,97,554 crore in BE 2013-14 reflecting a growth of 12.3 per cent over provisional actual of 2012-13. In the first half of 2013-14, the revenue collected was ₹ 61,928 crore reflecting a decline of 8.2 per cent over the collections in the corresponding period of 2012-13 (₹ 67,424 crore) and was 31.3 per cent of BE 2013-14. Lower than estimated growth was mainly on account of the continuance of the slowdown in manufacturing sector. Trends in year on year growth for different quarters in collection of Excise Duty for 2011-12, 2012-13 and 2013-14 are indicated in Figure 2.4.

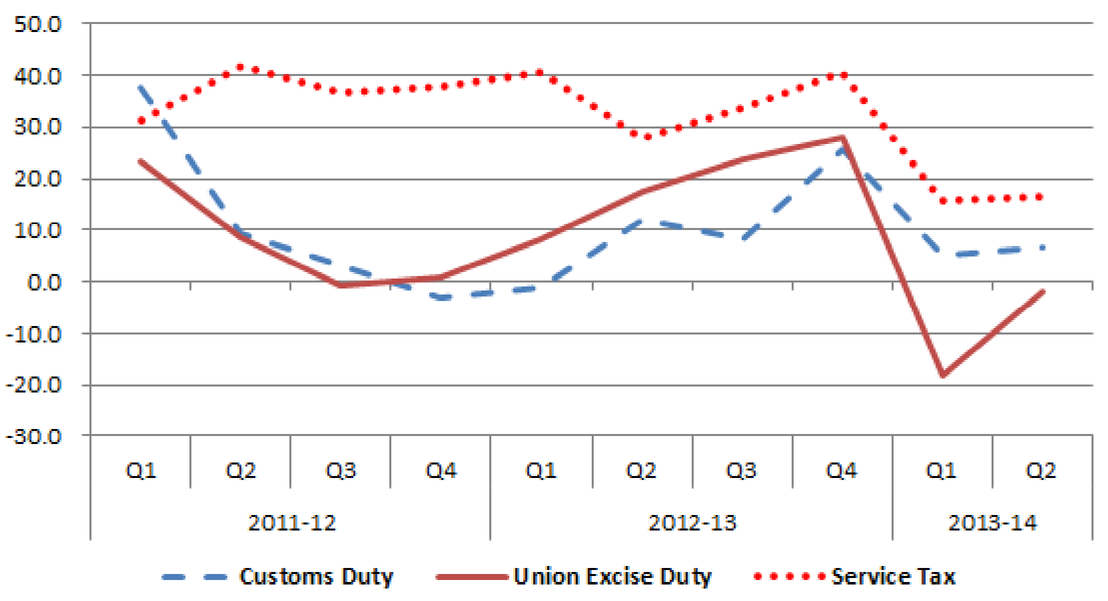
Service Tax

2.14 Service Tax in BE 2013-14 was estimated at ₹ 1,80,141 crore reflecting a growth of 35.9 per cent over 2012-13 (provisional actual). In the first half of the current fiscal, the receipts were at ₹57,102 crore reflecting a growth of 16.3 per cent over the collections made in the corresponding period of 2012-13 (₹ 49,103 crore). The overall economic slowdown in 2012-13 continued through the first half of 2013-14 and services sector also has been impacted. The amount collected during April–September, 2013 constituted 31.7 per cent of BE 2013-14. Trends in year on year growth for different quarters in collection of Service Tax for 2011-12, 2012-13 and 2013-14 are indicated in figure 2.4.

Non Tax Revenue

2.15 Non tax revenue up to September 2013 was placed at ₹ 82,315 crore amounting to 47.8 per cent of B.E. 2013-14 and recorded a growth of 44.2 per cent over receipts during corresponding period of previous year.

Figure 2.4: Rate of growth of Indirect Taxes



Non-debt Capital Receipts

2.16 The receipts on account of recoveries of loans in the current fiscal was ₹ 5,579 crore during April–September 2013 compared to ₹ 4,855 crore during the corresponding period of previous financial year. This constituted 52.4 per cent of B.E. 2013-14. Other receipts (including disinvestment receipts) for the first half of the financial current year were ₹ 1,479 crore against ₹ 1372 crore during the corresponding period of previous financial year.

C. Expenditure

Total Expenditure

2.17 The Budget 2013-14 estimated total expenditure for 2013-14 at ₹16,65,297 crore (14.6 per cent of GDP), up by 18.2 per cent over provisional actual of ₹ 14,09,422 crore in 2012-13. Growth in plan expenditure was estimated at 34 per cent and non-plan expenditure at 11.5 per cent over the provisional actuals of 2012-13. Total expenditure during April-September 2013, at ₹8,09,050 crore amounted to 48.6 per cent of B.E 2013-14 which was higher than with the five years average of 46.6 per cent. Total expenditure in the first half of 2013-14 reflects a growth of 16.6 per cent in expenditure over ₹ 6,94,019 crore during the same period in the previous financial year.

2.18 Revenue expenditure for 2013-14 is estimated at ₹14,36,169 crore (12.6 per cent of GDP), up by 15.6 per cent over the provisional actual of ₹ 12,42,263 crore in 2012-13. During first half of 2013-14, this has gone up from ₹ 6,14,172 crore during the first half of 2012-13 to ₹ 7,12,181 crore reflecting a growth of 16.0 per cent. Revenue expenditure upto September 2013 amounts to 49.6 per cent of the estimated revenue expenditure during 2013-14 which is slightly higher than the 5 years average of 48.0 per cent of respective BE.

2.19 Capital expenditure for 2013-14 was estimated at ₹ 2,29,129 crore (2.0 per cent of GDP), up by 37.1 per cent over actual expenditure of ₹ 1,67,159 crore in 2012-13. Capital expenditure during April-September 2013 is ₹ 96,869 crore as against ₹ 79,847 crore during the same period in 2012-13 reflecting a growth of 21.3 per cent (Table 2.4). Capital expenditure during the first half of 2013-14 is 42.3 per cent of the estimated capital expenditure for the year 2013-14 and is higher than the five years average of 37.3 per cent of respective BE.

Table 2.4 Trends in Expenditure in April-September

(₹ crore)

		April - September					
Sl. No.	**Expenditure**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
1	Revenue Expenditure	323211	409454	473155	527308	614172	712181
2	Capital Expenditure	25870	39394	64822	71785	79847	96869
3	Total Expenditure	349081	448848	537977	599093	694019	809050
4	BE for the full year	750884	1020838	1108749	1257729	1490925	1665297
5	Total Expenditure as percentage of BE	46.5	44.0	48.5	47.6	46.5	48.6
6	Rate of Growth of Total Expenditure	9.8	28.6	19.9	11.4	15.8	16.6

Plan Expenditure

2.20 Plan expenditure during 2013-14 was estimated at ₹ 5,55,322 crore reflecting growth of 34.0 per cent over the provisional actuals of 2012-13. Plan expenditure of ₹ 2,36,116 crore during the first half of 2013-14 shows a growth of 16.5 per cent over the corresponding period during 2012-13 (₹ 2,02,740 crore) and is 42.5 per cent of BE 2013-14. This shows a marginally higher pace of plan expenditure compared to five years average of 41.7 per cent of respective BE. Details of variations over the previous year; plan expenditure during the first half of fiscal 2013-14 for the Ministries/ Departments are shown in Annex 4. Plan expenditure as percentage of B.E. at the end of Q2 of respective financial years are shown below in Table 2.5.

Table 2.5 Trends in plan expenditure in April-September

(₹ crore)

Sl. No.	Plan Expenditure	April - September					
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	Revenue	93727	108163	144847	151033	167499	193018
2	Capital	14725	18615	24860	26790	35241	43098
3	Total Plan Expenditure	108452	126778	169707	177823	202740	236116
4	BE for the full year	243386	325149	373092	441547	521025	555322
5	Plan Expenditure as percentage of BE	44.6	39.0	45.5	40.3	38.9	42.5
6	Rate of Growth of Plan Expenditure	25.0	16.9	33.9	4.8	14.0	16.5

Non Plan Expenditure

2.21 Non-plan expenditure was estimated in BE 2013-14 at ₹ 11,09,975 crore reflecting growth of 11.5 per cent over the 2012-13 provisional actuals and constitutes 66.7 per cent of the total expenditure in BE 2013-14. Non-plan expenditure during the first half of 2013-14 is at ₹ 5,72,934 crore showing a growth of 16.6 per cent over expenditure of ₹ 4,91,279 crore during the same period in the previous financial year. Non-plan expenditure in the first half is 51.6 per cent of the estimated expenditure during 2013-14 as against five years average of 49.2 per cent of BE. In absolute terms, there is an increase of ₹ 81,655 crore in the non-plan expenditure during the first half of 2013-14 when compared to the same period in 2012-13. This increase is largely on account of three items: namely, interest payment (which has increased by ₹ 28,862 crore); major subsidies (which has increased by ₹ 16,565 crore); and defence (which has increased by ₹ 19,051 crore). While the three components also went up last year indicating a structural problem; a compositional shift is discernible indicating a lower increase in subsidies relative to the other two. The above outcome testifies to the criticality of the reforms in hydro carbon pricing and a continuance of push in this direction would yield better fiscal outcome, going forward.

2.22 Trends in non-plan expenditure as percentage of B.E. at the end of Q2 of respective financial years are shown below in Table 2.6.

Table 2.6 Trends in non-plan expenditure in April-September

(₹ crore)

Sl. No.	Non Plan Expenditure	April - September					
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	Revenue	229484	301291	328308	376275	446673	519163
	of which Interest Payments	86061	86669	102779	122499	131165	160027
2	Capital	11145	20779	39962	44995	44606	53771
3	Total Expenditure	240629	322070	368270	421270	491279	572934
4	BE for the full year	507498	695689	735657	816182	969900	1109975
5	Non-plan Expenditure as percentage of BE	47.4	46.3	50.1	51.6	50.7	51.6
6	Rate of Growth of non-plan Expenditure	4.1	33.8	14.3	14.4	16.6	16.6

Resources transferred to States/UTs

2.23 Against the B.E. of ₹ 5,87,082 crore for transfers to States/UTs, the actual resources transferred to States/UTs during the first half of 2013-14 is ₹ 2,46,009 crore. This shows a growth of 17.0 per cent over ₹ 2,10,318 crore transferred during the corresponding period in the previous financial year. States' share of central taxes as proportion of gross tax receipts during the first half of 2013-14 is 32.6 per cent which is marginally higher than 30.6 per cent devolved during the corresponding period of 2012-13.

D. Deficit

2.24 As against the level of fiscal deficit for 2013-14 of ₹ 5,42,499 crore estimated by BE, fiscal deficit is ₹ 4,12,088 crore(up to September, 2013). This constituted 76.0 per cent of BE 2013-14. As a proportion of BE, fiscal deficit during the first half of 2013-14 is higher than previous years and is a cause for concern when compared with five years average of 59.0 per cent. Trends in direct tax revenue (inclusive of refunds) do not show any sign of slippage from the targeted level while indirect taxes are growing below par. A pick-up in economic activity in the second half of the year is critical to prevent a slippage. Expenditure during the first half is in line with Budget Estimates. Besides, uncertainty on account of disinvestment receipts and likely higher subsidy requirement does make it a challenging task to meet the overall fiscal deficit target during 2013-14.

2.25 As against the estimates for 2013-14 (BE) of ₹ 3,79,838 crore during April-September 2013, revenue deficit is ₹ 3,22,277 crore amounting to 84.8 per cent of B.E. 2013-14. Five years average of revenue deficit during the first half as a proportion of BE is 74.9 per cent. In the current year, refunds in direct taxes during the first half (₹ 50,371crore) are higher than the first half of previous years (₹ 46,012 crore in 2012-13) and growth in indirect taxes is below par. There are seasonalities in revenue collected, particularly in direct taxes which indicates that a pick up in the second quarter and moderation in expenditure could limit the overshooting of deficit levels in the second half.

2.26 Trends in various deficit indicators in both actuals as well as in terms of percentage of B.E. up to the Q2 of respective financial years are shown below in Table 2.7.

Table 2.7 Trends in Deficit in April-September

(₹ crore)

Sl. No.	Deficits	April – September					
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	Revenue Deficit (RD) Apr-Sep	78313	164983	74921	221780	263284	322277
2	Revenue Deficit (BE)	55184	282735	276512	307270	350424	379838
3	RD as Percentage of BE	141.9	58.4	27.1	72.2	75.1	84.8
4	Fiscal Deficit (FD) Apr-Sep	102654	197775	133252	280810	336904	412088
5	Fiscal Deficit (BE)	133287	400996	381408	412817	513590	542499
6	FD as Percentage of BE	77.0	49.3	34.9	68.0	65.6	76.0
7	Primary Deficit (PD) (Apr-Sep)	16593	111106	30473	158311	205739	252061
8	Primary Deficit (BE)	-57520	175485	132744	144831	193831	171814
9	PD as Percentage of BE		63.3	23.0	109.3	106.1	146.7

Financing of deficit

2.27 The deficit of ₹ 4,12,088 crore in the first half of 2013-14 in Consolidated Fund of India was financed by raising net internal debt of ₹ 3,01,944 crore, net external assistance of ₹ 826 crore, Ways and Means advance/ cash draw down of ₹ 67,508 crore and public account (net) of ₹ 27,832 crore (Table 2.8).

2.28 Gross and net market borrowings during the first half of 2013-14 amounted to ₹ 3,44,000 crore and ₹ 2,69,265 crore respectively and they accounted for 59.4 per cent and 55.6 per cent of the estimated market borrowings for the year respectively. During the corresponding period of the previous financial year, gross and net borrowings accounted for 62.3 per cent and 59.4 per cent of budget estimates, respectively. The weighted average maturity of dated securities issued till the end of first half of the fiscal year 2013-14 (April-September) at 14.53 years was higher than 13.56

Table 2.8 Financing of Deficit

(₹ crore)

S.No.		April-Sept. 2013	April-Sept. 2012
	Fiscal Deficit	412088	336904
	Sources of Financing		
1	Internal Debt	301944	303185
	(a) Market Loans & Short Term Borrowings	318240	331839
	(b) Treasury Bills (14 days)	-68373	-27549
	(c) Compensation and Other Bonds	-110	-3516
	(d) Others	52187	2411
2	External Assistance including Revolving Fund	826	-765
3	Cash Draw Down / WMA/ Investment (-)	67508	18410
4	Investment of Surplus cash (-)/ disinvestments (+)	13978	14588
5	Borrowing (-)/Surplus (+) on Public Account*	27832	1486

* Includes Suspense & Remittances

years during the corresponding period of the previous year. The weighted average yield of dated securities issued during the first half of the current fiscal declined to 8.15 per cent as compared to 8.45 per cent during the first half of 2012-13.

Cash Management

2.29 The year 2013-14 commenced with surplus cash position of ₹ 66,604 crore and investment surplus of ₹ 50,000 crore. At the end of the second quarter, the Government ended with a cash balance of ₹ 10 crore and investment surplus of ₹ 36,022 crore. The collection under National Small Savings Fund during April-September 2013 is ₹ 28,770 crore as against ₹ 13,593 crore during the first half of the last year.

E. Assessment vis-a-vis mid-year FRBM Benchmarks

2.30 Under Rule 7 of the FRBM Rules, 2004, Government is required to take appropriate corrective measures in case the outcome of the second quarter review shows that:

1. The total amount of non-debt receipts are less than 40 per cent of budget estimates for that year; or
2. The fiscal deficit is higher than 60 per cent of the budget estimates for that year; or
3. The revenue deficit is higher than 60 per cent of the budget estimates for that year.

The performance in the first half of the fiscal year 2013-14 does not comply with any of the targets in respect of the benchmark of non-debt receipts, fiscal deficit and revenue deficit. The details are shown below in Table 2.9.

2.31 Nevertheless, the outcome at the end of the year expressed in terms of proportion of GDP was in line with Budget estimates in all the years except 2011-12. This indicates that with continued oversight and corrective measures, the fiscal outcome could improve.

Table 2.9: Outcome versus mid-year benchmarks under FRBM rules*

S.No.	Variable	Performance benchmarks under FRBM Rules	April-September				
			2013	2012	2011	2010	2009
1	Total Non-Debt Receipts	Not Less than 40 percent	35.4	36.5	37.7	55.6	40.5
2	Fiscal Deficit	Not more than 60 percent	76.0	65.6	68.0	34.9	49.3
3	Revenue Deficit	Not more than 60 percent	84.8	75.1	72.2	27.1	58.4

* Revised FRBM Rules notified on May 7, 2013.

2.32 Government is continuously monitoring the economic development and is taking measures for reviving growth. Government has reverted to the path of fiscal consolidation with gradual exit from the expansionary measures in a calibrated manner. The reduction in fiscal deficit from 5.2 per cent of GDP in RE 2012-13 to around 4.8 per cent of GDP in BE 2013-14 is targeted with a mix of reduction in total expenditure as percentage of GDP and improvement in gross tax revenue as percentage of GDP. The following are some steps taken to contain the fiscal deficit:

- Government has introduced 'Medium-term Expenditure Framework Statement', setting forth a three-year rolling target for expenditure indicators with a view to undertaking a de-novo exercise for allocating resources for prioritized schemes and weeding out others that have outlived their utility.

- Government has imposed economy measures like rationalization of expenditure and optimization of available resources with a view to improve the macro-economic environment. This includes 10 per cent mandatory cut on Non Plan expenditure in the current financial year, ban on creation of Plan and Non-Plan posts, restrictions of foreign travel, restrictions on re-appropriation of funds, strict observance of discipline in fiscal transfers to States, Public Sector Undertakings, Autonomous Bodies, etc.

F. Conclusion

2.33 In conclusion, it may be stated that adhering to the fiscal deficit target of 4.8 per cent of GDP in 2013-14 is a major challenge. The Government, with its commitment to fiscal consolidation, is addressing the challenges on various fronts that impact the fiscal deficit.

CHAPTER III

ANALYSIS AND OUTLOOK

The macroeconomic and key sectoral indicators outlined in Chapter 1 point to the following:

- The economy went through a sharp and prolonged cyclical downturn since the onset of Eurozone crisis in 2011-12 with a growth slowdown, elevated fiscal and current account deficits and a persistence of retail inflation. Some of the sectors like mining and manufacturing went through a prolonged downturn spilling over on to the macroeconomic outcome. Government has calibrated its policies to improve the outcome with some success.
- A turnaround is discernible in the macroeconomic data of the latest quarter as well as other high frequency indicators. Growth has recovered in agriculture and industry.
- Fiscal deficit targets in 2012-13 were achieved with resolute action and an encore performance in 2013-14 would be a key to medium term growth prospects.
- CAD had widened in 2012-13 to 4.8 per cent of GDP and continued through in the first quarter of 2013-14 raising serious concerns. Government's swift response has brought it down considerably in the second quarter.
- Inflation as measured by WPI has come down in 2013-14 (April-September) with core inflation well below 3 per cent for 7 months. But retail inflation continues to remain elevated this year also.
- Financial markets went through considerable uncertainties on global cues such as perceptions of likely events in the economy of the US. With close monitoring and rapid responses, orderly conditions have been restored.

3.2 Thus, the turnaround in the macroeconomic indicators in second quarter points to a cyclical upturn that could gather momentum going forward. Given the large uncertainties and associated risks, questions as to whether this is sustainable remain. While the recovery in real GDP growth is small and the process likely to be gradual, but is sustainable for the following reasons: the pickup in industry is firmer; agriculture output is second highest ever which could moderate food inflation that is the key reason for elevated headline inflation (particularly retail); and, services sector in GDP which is yet to pick up is likely to do so as it usually follows with a lag. Besides, the external sector environment is less uncertain now. This, together with the fiscal space being created, is likely to provide a fillip to growth going forward. The following sections analyse in detail some key issues and the macroeconomic outlook.

External Sector

Analysis and Outlook for Balance of Payments, 2013-14

3.3 While the key macroeconomic issue in last year's Mid-year assessment was the rise in fiscal deficit with attendant implications for macroeconomic outcome, the issue under focus in the first half was the elevated level of CAD and rupee depreciation. The episodic bouts of depreciation of the rupee together with the widening of the current account deficit in the last two years and its continuance in the first quarter of the current year in a milieu of moderation of net capital inflows has brought to focus vulnerability concerns. The reforms put in place in 1991 in the aftermath of the BoP crisis resulted in greater openness of the economy and largely the external sector has been supportive of the growth process with moderate CAD and adequate capital flows. The resilience of the economy to the global financial crisis of 2008 was largely a reflection of the outcome of reforms in terms of build-up of forex reserves and prudential regulation. There has been a diminution in the levels of net capital flows relative to the level of CAD since 2008-09, and, hence the pressure on the exchange of the rupee. It would therefore be instructive to look at the recent developments that led to the widening of CAD as well as the levels of net capital inflows.

3.4 Trade deficit was largely contained till 2003-04 at levels below US $ 18 billion. The average trade deficit (customs basis) during the period from 1991-92 to 2003-04 was US$ 6.5 billion per annum. Net invisibles started picking up robustly since 1994-95 and averaged US$ 9.98 billion in the period 1991-92 to 2003-04. The structural break occurred in 2004-05 with a surge in trade deficit, which continued through 2008-09 unabated. After briefly moderating in 2009-10 on account of the global crisis, it picked up again. The elevated trade deficit since 2004-05 primarily owes to the surge in international oil prices, as is evident from the decomposition of data on imports (Fig 3.1 & 3.2).

Figure 3.1 Imports of POL, gold and silver and trade deficit

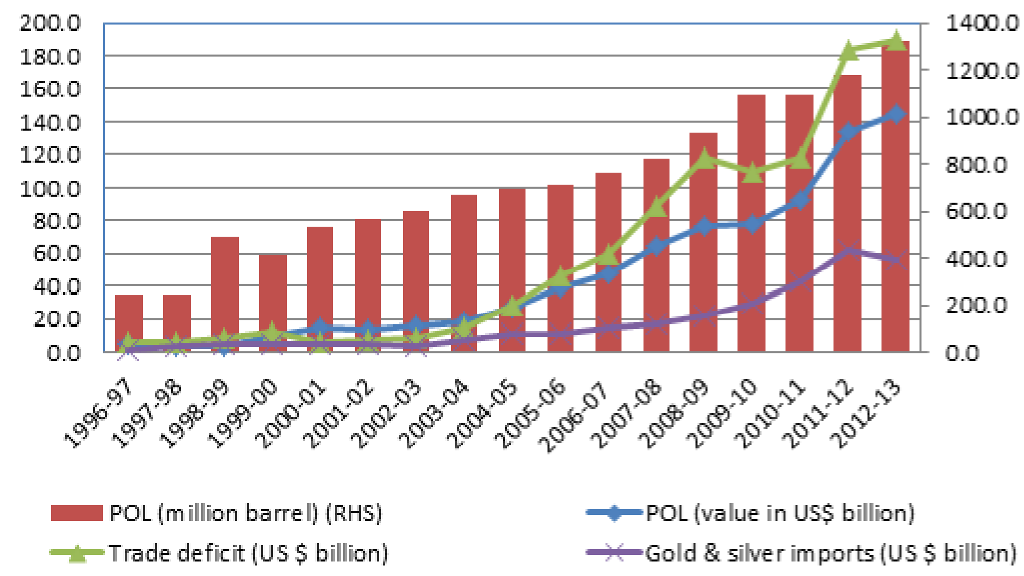
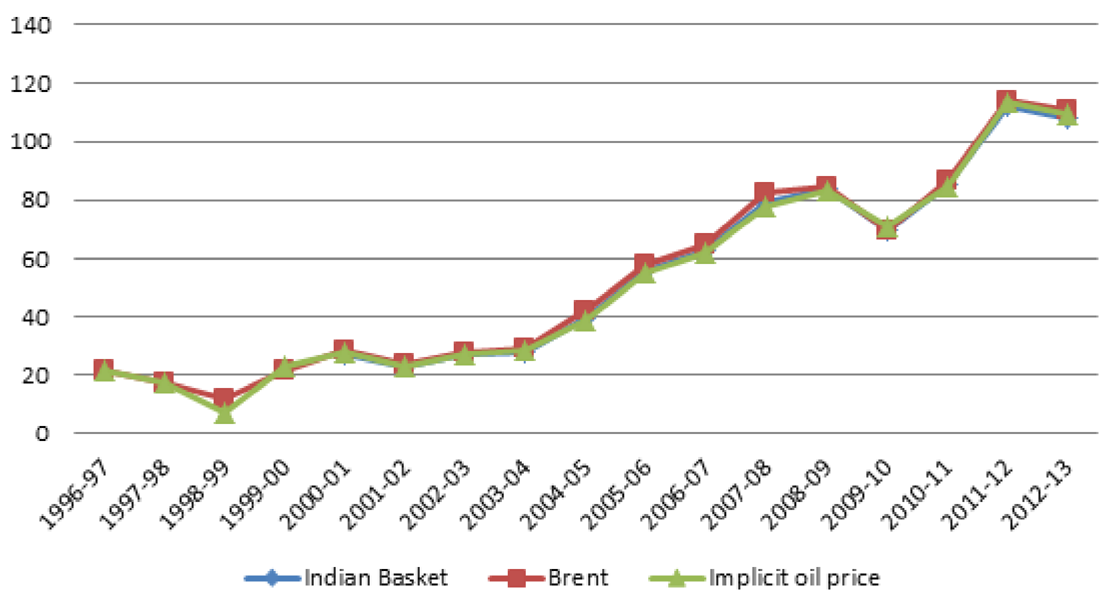


Figure 3.2 Crude oil price (US $ /bbl)



3.5 International crude oil prices went up significantly in the period 2004-05 to 2008-09 (Fig 3.2), but CAD did not widen significantly until 2009-10 owing to the fact the invisible surplus, mainly driven by software services and remittances (private transfers), absorbed the bulk of the wider trade deficit. While the slowdown in net invisibles owes partly to the global uncertainties reflecting weaker demand, the other major factor is the negative outgo under investment income that reached a level of US$ 22.4 billion in 2012-13, which explains one-fourth of the overall CAD. While strictly in an accounting sense, this might not be an actual outgo to the extent, a large part of these earnings of non-residents is reinvested and appears as contra-entry under the capital/ financing account; this, however, does raise vulnerability concerns. As such elevated levels of CAD are not sustainable.

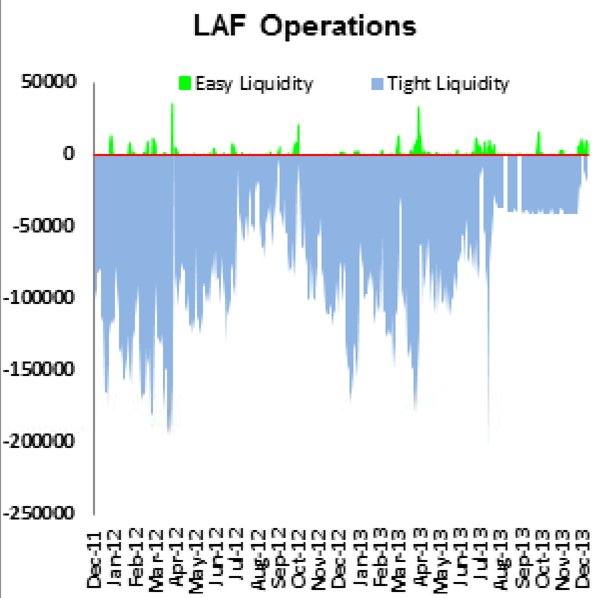
3.6 The sustainability of the levels of financing of CAD could be seen in the same manner as financing of fiscal deficit through accumulation of public debt. While there are rules that limit the assumption of liabilities for the government on inter-generational equity considerations, the sustainability of the assumption of liabilities of non-residents through net capital flows is not that well known. There is a need to quantify threshold levels of CAD consistent with sustainable forms of capital flows. As has been explained earlier, this would imply not only lower levels of net POL and gold imports (Fig 3.1), but also lowering the levels of investment income. These were the concerns that came to the fore when CAD widened in Q1 of the current fiscal and the basis behind the measures announced by the Government on August 12, 2013. Besides, last year, in response to addressing fiscal concerns, a calibrated deregulation of hydrocarbon pricing was adopted and the latest data on decline in diesel consumption indicate that perseverance with the same path this year, together with the measures for containing gold import, have yielded results in terms of the lower CAD outcome in Q2 of 2013-14. On August 12, 2013, while announcing steps to rein in the CAD, Government estimated a level of CAD of US$ 70 billion. The Reserve Bank of India (RBI) has alluded to a likely level of US$ 56 billion in terms of CAD for the year. Subsequent developments in merchandise trade deficit and export of services point to a continued moderation in the former and an uptick in the latter. As such, it is likely that in the second half of 2013-14, CAD position would further improve to levels much below what was envisaged by the Government in August 2013

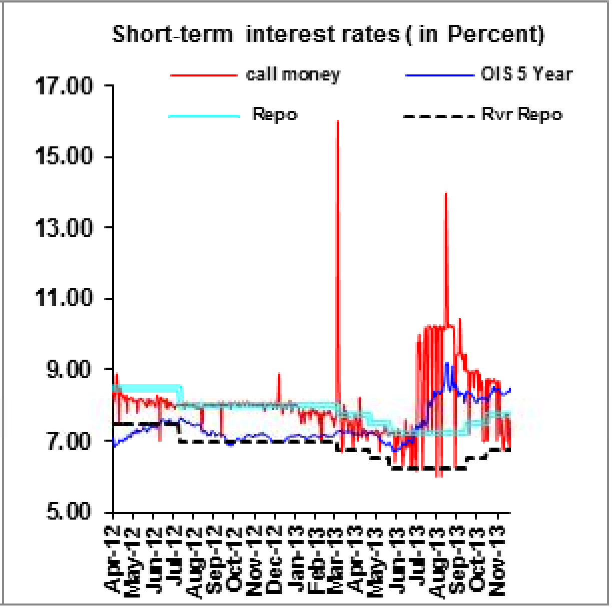
3.7 The net outflow of capital in the second quarter owed to a market misperception of imminent taper of US FED asset purchases. The measures announced on August 12, 2013 to boost capital flows indicated additional sourcing of funds to the tune of US$ 11 billion. The RBI's special window under the FCNR (B) swap scheme has yielded US$ 34 billion. As such, the estimated CAD could be financed seamlessly and the rupee should strengthen going forward. Risks of eventual taper by the US FED might remain; but the financial market is arguably better informed and a disruptive outflow is unlikely. Thus, containment of CAD and ample net capital inflows would impart greater stability to forex markets and have implications for the outcome in financial markets.

Financial markets

3.8 Reflecting in part the global developments and the domestic policy setting to control inflation and anchor inflationary expectations, financial markets have remained tight but in orderly condition. The inter-bank liquidity had remained on the tightening mode. There was large daily net injection except for a brief period in Mid-2012. The unconventional monetary policy stance of the RBI has limited the level of net injection in the last few months (Fig 3.3 Panel 1), as well as the movements in short term interest rates (Fig 3.4 Panel 1) with marginal standing facility becoming the effective instrument. With relative stability, the withdrawal from unconventional policy stance is likely to bring short-term interest rates within the narrow corridor between repo and reverse repo rates but may again push up daily net injection of liquidity. Rising concerns over corporate profitability were reflected in the spread between commercial paper and t-bill earlier and recent data indicate a stable outlook (Fig 3.3 Panel 2). The market view of the monetary policy stance (overnight index swap rate minus repo rate) had moved away from hopes of a rate cut in early June 2013. There is some softening in inflation expectations of the market which continue to point to rate hike, albeit of a smaller magnitude (Fig 3.4 Panel 2).

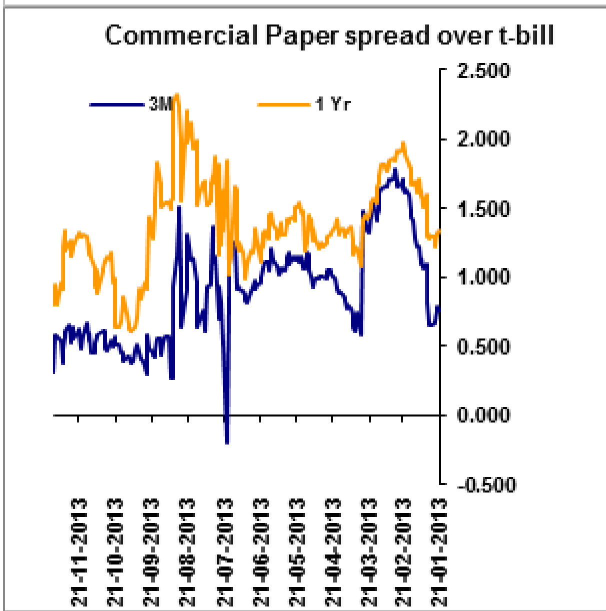
Panel 1 : Fig 3.3	Panel 1 : Fig 3.4

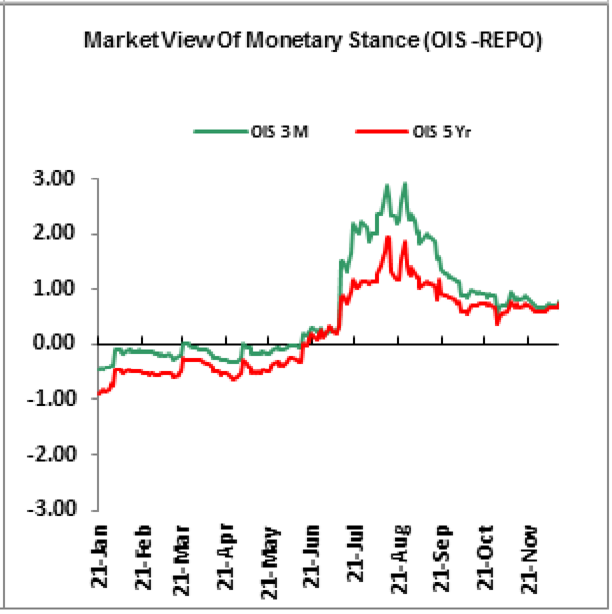




Source: Thomson Reuters Database

Panel 2 : Fig 3.3	Panel 2 : Fig 3.4

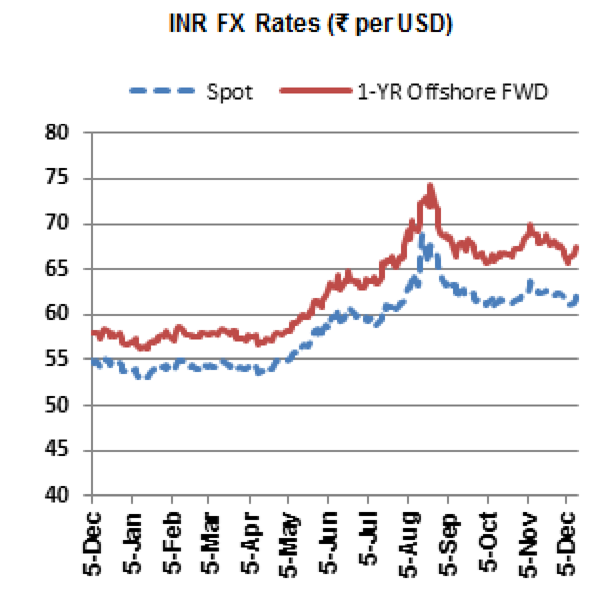


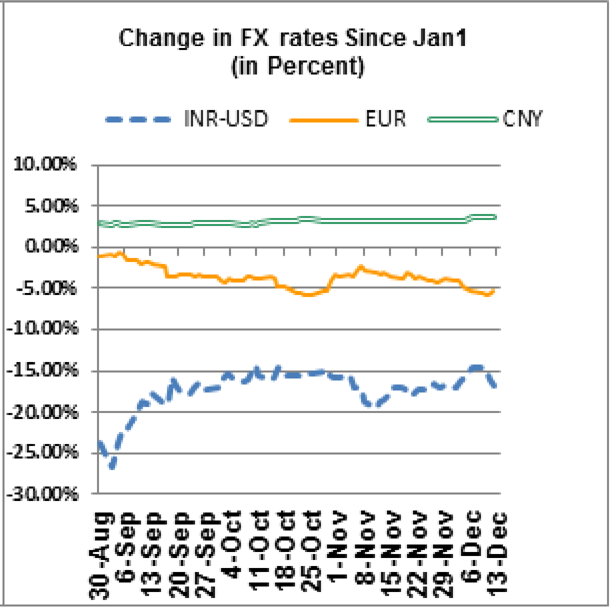


Source: Thomson Reuters Database

3.9 The large depreciation in exchange rate since May 2013 owed to the rise in gold imports and continued elevated level of POL imports leading to apprehensions of large financing needs of wider CAD for the year and outflow under the debt segment of FIIs due to perceptions of higher yields in safe haven on account of US FED tapering its asset purchases. As a part of the volatility observed in forex markets was on account of lumpy demand from PSUs, the RBI announced a special swap window for them. The RBI also announced a limited period special swap scheme under FCNR (B) which has yielded US $ 34 billion at end November 2013. The relative stability in the forex rates in the recent days owes largely to these steps (Panel 3, Fig 3.3 & 3.4). While both the schemes have been closed, a recurrence of the forex market turbulence is unlikely given the decline in the levels of CAD, build-up of assets from the above proceeds of FCNR (B) with the RBI and their announced intention to prevent the spikes in lumpy demand for exchange through oil PSU swap route when volatility resurfaces.

Panel 3 : Fig 3.3	Panel 3 : Fig 3.4

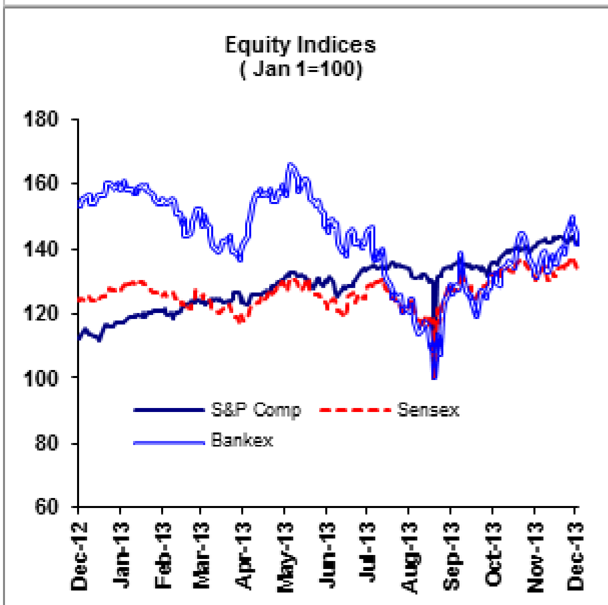


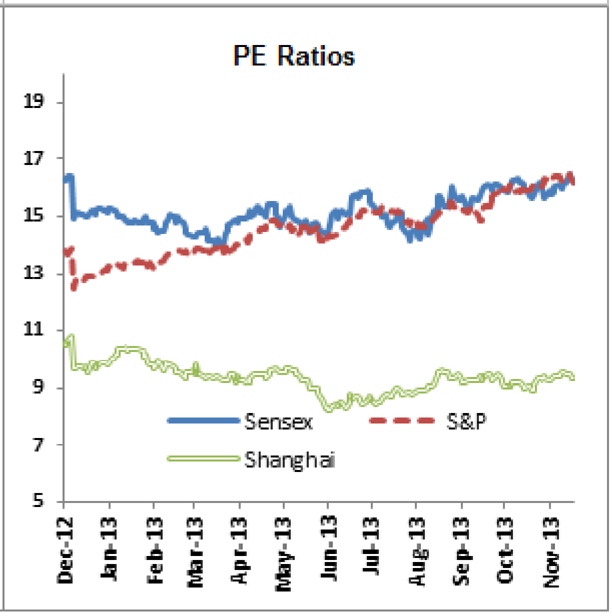


Source: Thomson Reuters Database

3.10 The undulating movement in the equity market indices and returns (P/E ratio) has a broad correspondence with global indices (Panel 4 Fig 3.3 & 3.4). The BSE Sensex has recovered and is currently hovering around the 21000 mark. While the FII inflows on a net basis are negative, in terms of equity investment is positive (US $ 16.19 billion in 2013-14 till October). The debt segment has been somewhat volatile and has seen larger outflows. However, FII flows are bi-directional in both the segments and as such are likely to improve as per the latest indications. Thus, the financial markets are likely to remain under orderly conditions in line in the second half with the broad objectives and targets that drive the macroeconomic policy stance.

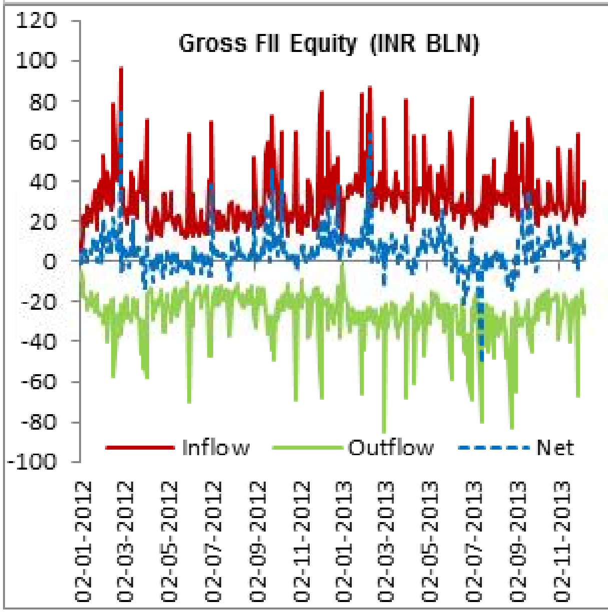
Panel 4 : Fig 3.3	Panel 4 : Fig 3.4



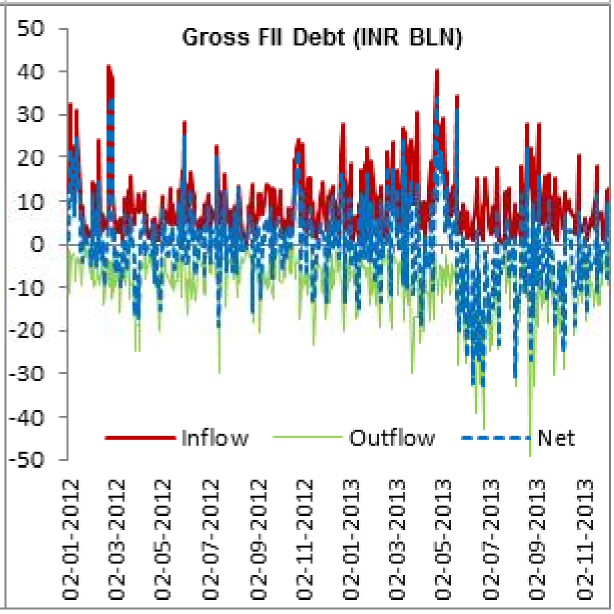


Source: Thomson Reuters Database

Panel 5 : Fig 3.3



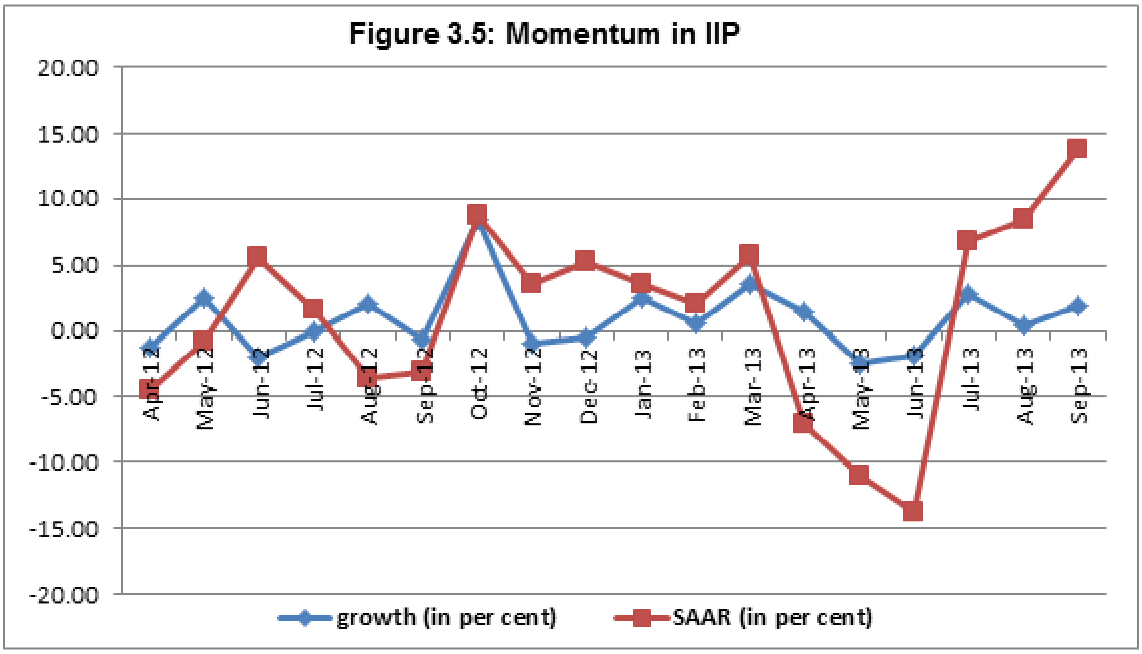
Panel 5 : Fig 3.4



Source: Thomson Reuters Database

Industrial Sector Outlook for 2013-14

3.11 The latest lead indicators point to a revival of key core industries and some sub-sectors of manufacturing. The index of eight core industries increased by 8.0 per cent in September 2013. While the electricity generation increased by 12.6 per cent, the increase in coal production and cement output has been 12.5 per cent and 11.5 per cent respectively. Steel production also increased by 6.6 per cent. Robust growth in consumer non-durable goods (7.3 per cent) and commodity-wise railwaysô freight traffic (6.2 per cent) during April-September 2013 are the other positive indicators. As per the RBIõs Business Expectation Index (BEI), industrial outlook, which had dropped below the threshold level of 100 for the second quarter of the current financial year, improved to 109.9 for the third quarter, showing a comparatively bullish outlook. On a y-o-y basis, non-food bank credit increased by 18.2 per cent in September 2013 as compared to the increase of 15.9 per cent in September 2012. Increasing bank credit deployment also indicates an improvement in the overall business sentiment and domestic demand. Credit to industry also increased by 17.6 per cent in September 2013 as compared to the increase of 17.0 per cent in September 2012. Due to recent initiatives of the Government to speed up project implementation and boost investment, higher agricultural output due to good monsoon and an improvement in global economic fundamentals, industrial sector is expected to perform better in the second half of the current financial year as compared to the first half of the year. The momentum based on 3 month over 3 month seasonally adjusted (SAAR) IIP has been showing an upward trend from the month of June 2013 (Fig 3.5).



Prices

3.12 The average headline Wholesale Price Index (WPI) inflation was 5.84 per cent in current financial year (Apr-October 2013) which is the lowest in the last four years. WPI-based inflation stood at 4.8 per cent in Q1 2013-14, before inching upwards to 6.1 per cent in Q2. While lower international commodity prices helped lowering non-food manufacturing (core) inflation in the current year, the price pressure from domestic food items remained elevated. Non-food inflation was the main contributor to WPI inflation during last three years, but in 2013-14 the contribution of food increased to about 49 per cent. In 2013-14 so far, inflation has been lower as per WPI, compared to the four consumer price indices (Fig 3.6).Overall inflation as per the Consumer Price Index for Industrial Workers (CPI-IW) was 10.77 per cent in 2013-14 (Apr-October), 64 per cent of which was contributed by the food group (Fig 3.6 & Table 3.1).Greater weights assigned to the food group in different CPIs (roughly around 50 per cent), compared to the WPI, largely explains differential between the wholesale and retail headline inflation in the current year.

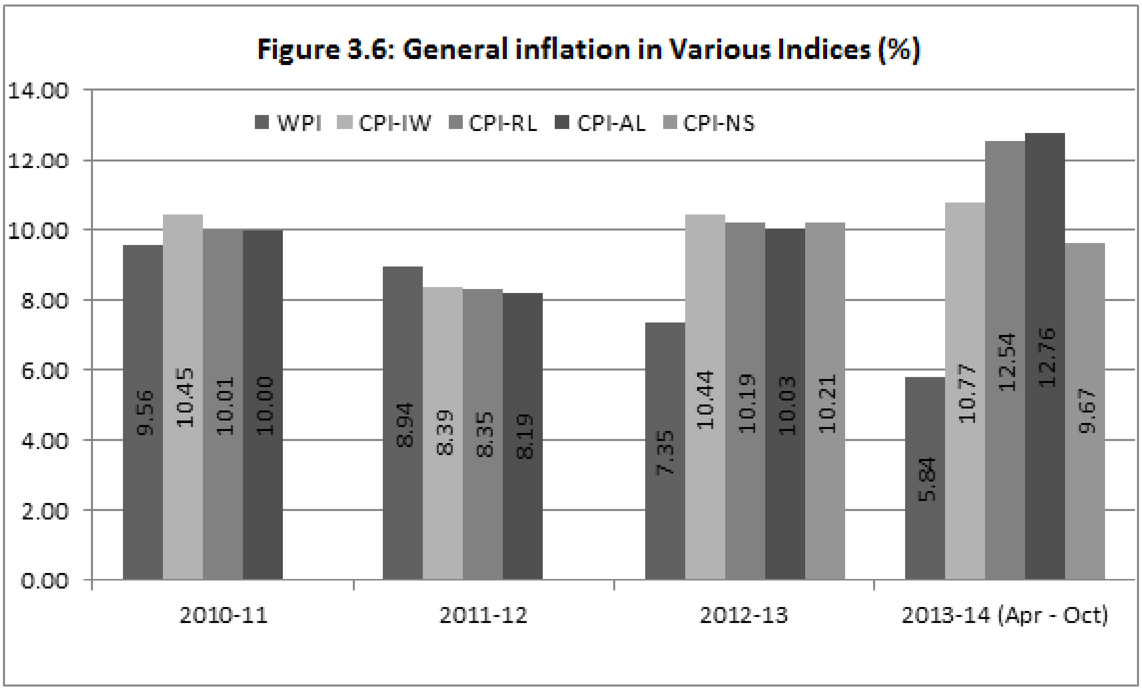


Table 3.1 :Weighted contribution of food to general inflation in various indices (%)

	WPI	CPI-IW	CPI-RL	CPI-AL	CPI-NS
Weight	**24.31**	**46.20**	**66.77**	**69.15**	**47.60**
2010-11	31.82	47.33	64.93	66.34	-
2011-12	22.51	37.52	42.66	44.73	-
2012-13	34.50	55.67	61.68	63.69	55.04
2013-14*	48.45	63.63	70.01	72.10	56.29

*Average April ï October.

3.13 While food articles inflation remained persistent, drivers to it have been changing over time. Cereals were the main contributors to higher inflation in food articles in the last three quarters. Their contribution came down slightly in Q2 of the current financial year, while vegetables, especially onions, pushed up the food articles inflation (Fig 3.8).

Figure 3.7: Point contribution of subgroups of WPI

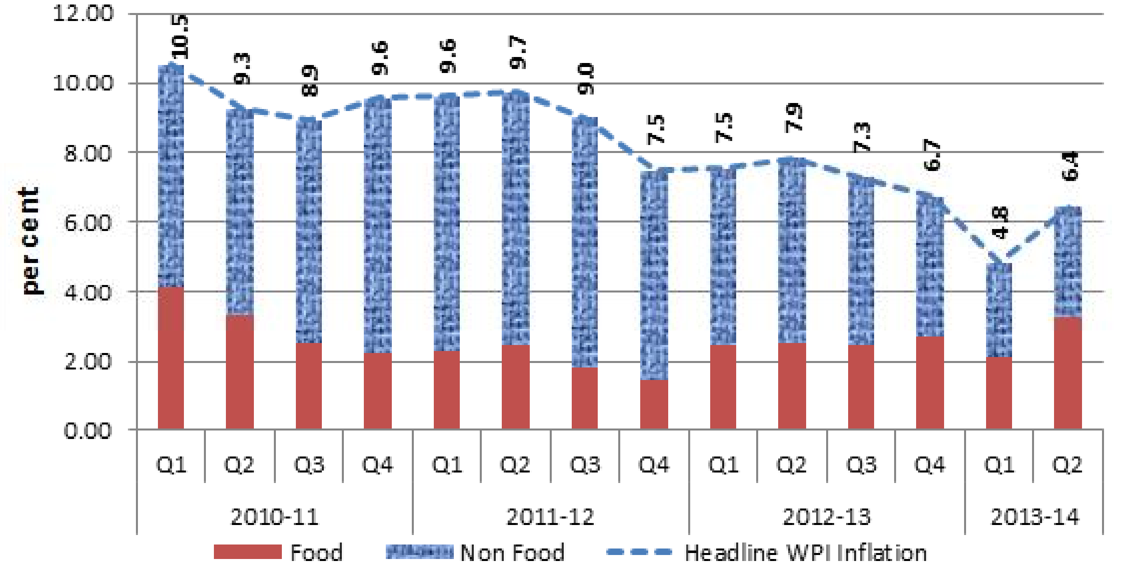
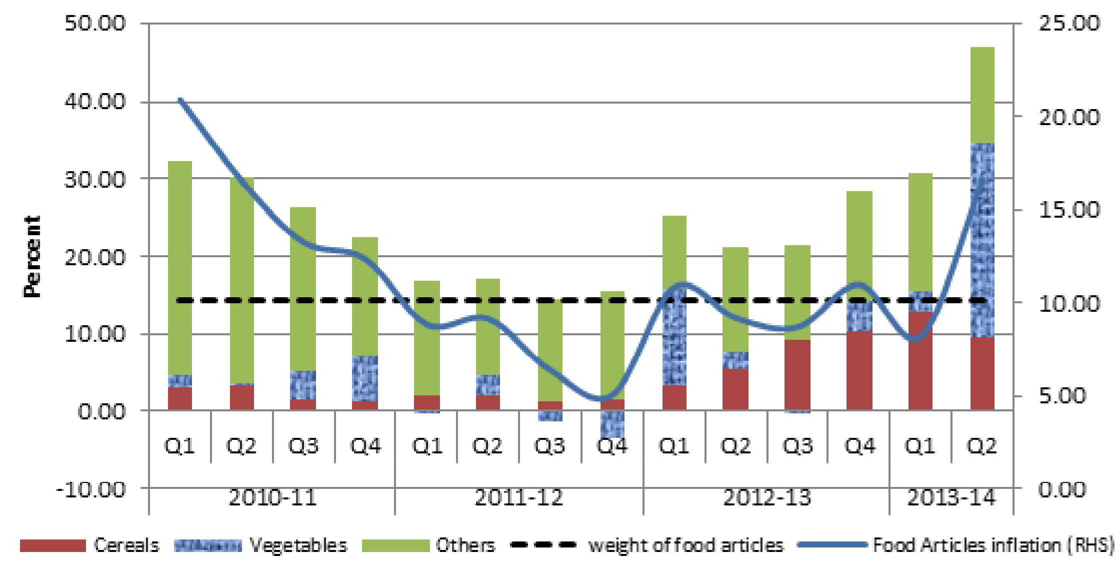


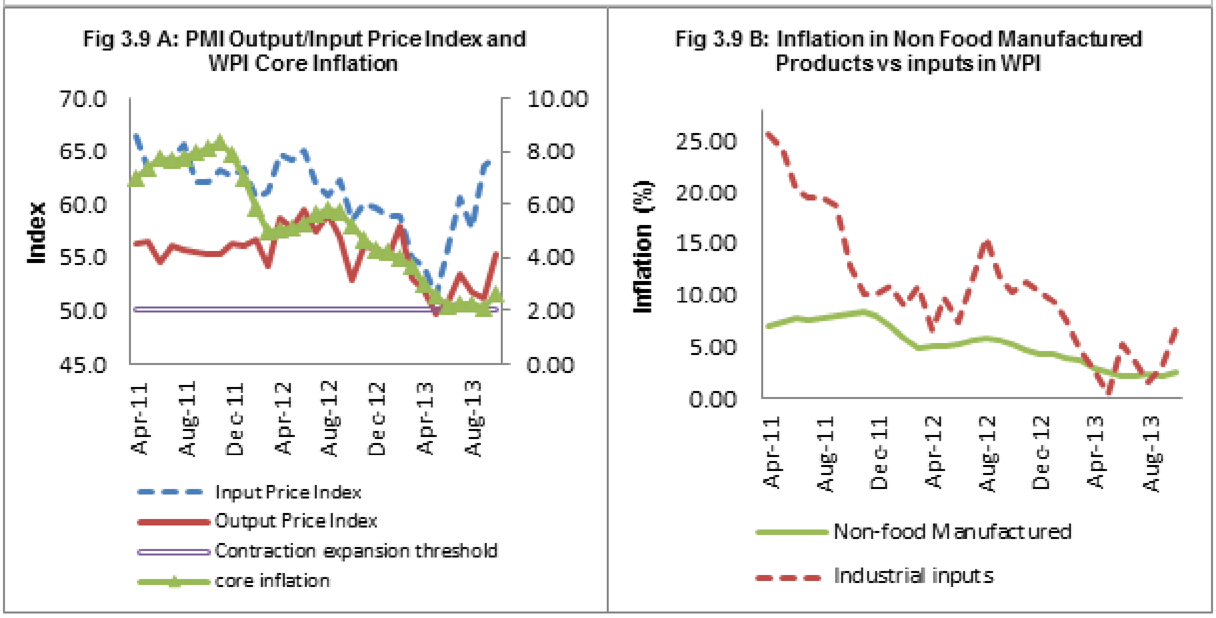
Figure 3.8 : weighted contribution of subgroups of food articles to headline inflation



3.14 Within WPI, non-food manufactured inflation (a proxy for demand-pull inflation), which constitutes about 55 per cent of the overall WPI weight, declined from a peak of around 8.13 per cent in Q3 of 2011-12 to 2.11 per cent in Q2 of 2013-14. This was mainly on account of moderation in international commodity prices especially for metals in the recent months. However, the decline in inflation in metals has been offset by the hardening of inflation for non- administered mineral oils, on account of depreciation of the rupee in recent months leading to higher fuel inflation.

3.15 The input price index, as measured by Purchasing Managers Index (PMI) of HSBC, rose to a 16-month high of 64.5 in October 2013 from 63.5 in September 2013, despite the appreciation of the rupee (Fig 3.9A). The output price index of the PMI which has a strong correlation with WPI non-food manufactured inflation also saw an uptick in October 2013, suggesting that WPI manufacturing inflation may see some upside pressure in the coming months (Fig 3.9B).

Fig 3.9 : PMI Output/Input Prices, Industrial Input (WPI) and core WPI



Reasons for high inflation

3.16 High level of inflation is on account of several factors including higher minimum support prices for major agricultural commodities, increase in rural wages, seasonal demand-supply mismatch in vegetable prices, increase in input cost (feed, fodder etc.) and rupee depreciation. The recent, steep increase in onion prices has been dealt with in Chapter I (Box 1.1). The spike in onion prices was on account of heavy rains, which affected its transportation and stocking, apart from delaying the harvest. Being a commodity without any close substitute and constituting low share in the total consumption expenditure, its elasticity of demand is very low. There is a long gap between the Rabi and Kharif crop. Hence, from April-May till September-October, only stored Rabi onion is available; this seasonality factor also reduces the elasticity of supply to price. These intrinsic features of onion make it susceptible to high volatility in market prices. Various measures were taken, including, the re-introduction of the Minimum Export Price, initially at USD 650 which was revised to USD 1150 per MT, relaxation of the procedure for its phyto-sanitary inspection and floating of open-ended tender for its import. With these measures, coupled with the arrival of late kharif crop, onion prices are on the decline.

3.17 Within fuel subgroup of WPI, High Speed Diesel has 50 per cent weight in overall mineral oil basket. On account of unsustainable impact on public finances, administrative prices are being raised to effect greater pass-through of international crude oil prices (including depreciating rupee) to domestic consumers. While this might impact headline inflation, it would unburden the impact of suppressed inflation.

3.18 Data from National Accounts indicate that while the share of food in total private final consumption expenditure declined from 56.38 per cent in 1980-81 to 31.22 per cent in 2011-12, expenditure on protein foods increased from 20.20 per cent to 26.56 per cent of the total food expenditure during the period. The increase in inflation in these protein rich products has largely been due to an increase in per capita consumption, following rising incomes and shift in consumer preferences (Table 3.2).

Table 3.2 Per Capita Consumption of Conventional & Emerging Food Items

Commodities	Quantity consumed per annum							
	1993-94		2004-05		2009-10		CAGR (2009-10 over 2004-05)	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
All cereals (Kgs)	163.03	128.97	147.46	120.94	138.08	114.05	-1.3	-1.2
Pulses & products (kgs)	9.25	10.46	8.64	9.98	7.92	9.60	-1.7	-0.8
All edible oil (Kgs)	4.50	6.81	5.84	8.03	7.74	9.95	5.8	4.4
Fruits & Vegetables (Kgs)	32.97	35.41	35.53	38.57	49.14	50.11	6.7	5.4
Milk (Litre)	47.94	59.50	47.09	62.17	50.09	65.19	1.2	1.0
Eggs (No.)	7.79	18.01	12.29	20.93	21.08	32.53	11.4	9.2
Fish (kg)	2.19	2.43	2.45	2.51	3.27	2.90	5.9	2.9
Chicken (kg)	0.24	0.37	0.61	1.03	1.50	2.19	19.7	16.3

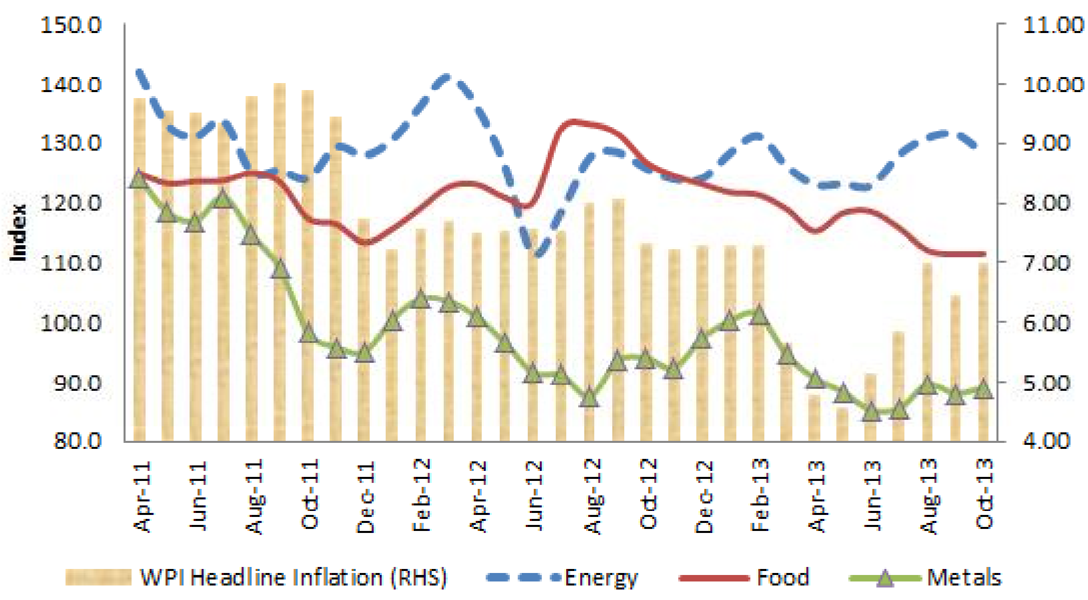
Source- NSSO Various Rounds as reported in Status of Agriculture 2011-12

CAGR=Compound annual growth rate

Global Commodity Prices

3.19 International commodity prices for metals, edible oils and crude oil after remaining persistent during 2011-12 have shown consistent moderation since the last quarter of 2012-13. Except for crude oil and soyabean, whose prices are still firm, prices have moderated for other global commodities, mainly metals (Fig 3.10). However, the depreciation of rupee has somewhat offset the impact of moderation in global commodities prices.

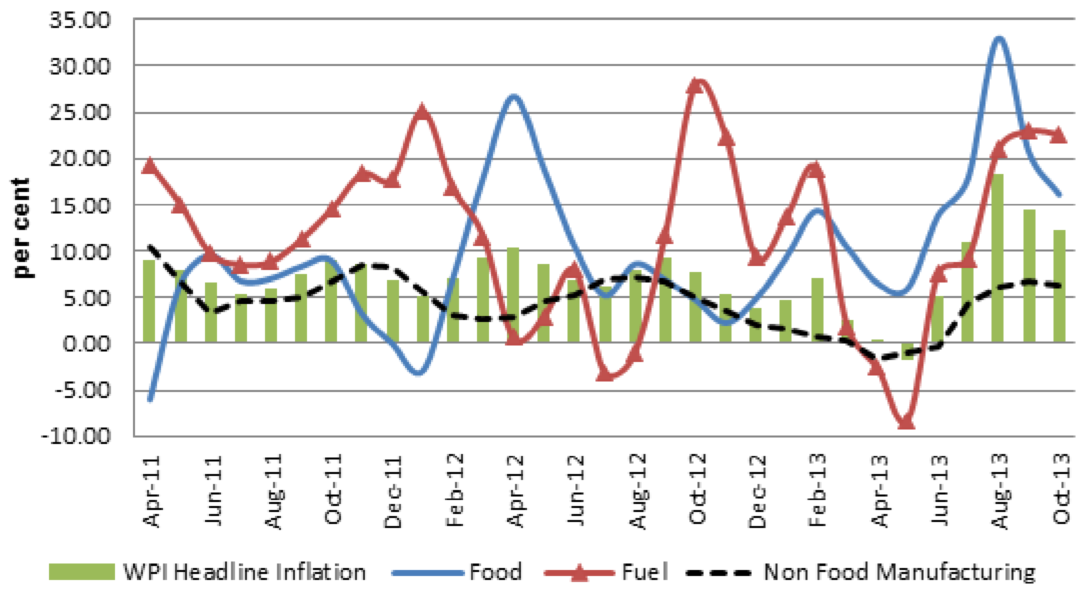
Fig 3.10: Movement in International Commodity Prices



Inflation Momentum

3.20 Inflation momentum based on three month over three month seasonally adjusted annualized rate (SAAR) in headline WPI remained high during July to October 2013-14. This was led by the sharp increase in vegetables prices and elevated inflation in fuel group due to the pass through impact of rupee depreciation, coupled with higher crude oil prices. While, momentum in food inflation has moderated in October 2013 due to moderation in onion prices, momentum in fuel and non-food manufactured product inflation remained elevated (Fig 3.11). Appreciation of rupee in October 2013 has been offset by the revision in electricity prices, leading to more pressure on fuel inflation. RBI has been monitoring non-food manufactured inflation as a proxy for core inflation that will influence its policy stance. Policy decisions to contain inflation are expected to be ahead of the curve as momentum in non-food manufactured inflation has been showing an upward trend since August 2013, after remaining less than 2 per cent between January to June 2013.

Figure 3.11:Momentum based on 3-m-3 SAAR



Prices Outlook

3.21 The path of inflation is likely to be determined by the food price inflation and international crude oil prices coupled with the movement in currency as well as the release of suppressed inflation through the revisions in administered prices, particularly of coal and mineral oils. Price movement in these commodities spills over to headline inflation; but moderate the engendering of inflationary pressures. The persistence of inflation in some of the key food items has been partly due to the regional concentration of production centres, rising input costs which raised the floor price and low productivity. Organized marketing and greater private sector participation is critical for improving this state of affairs.

3.22 Notwithstanding firm spot prices of crude oil, the futures prices are showing a decline during 2013. International commodity prices have generally declined, and metal prices are expected to remain benign during 2013. As per IMF's projection, average petroleum spot prices are expected to be \$ 104.5 per barrel in 2013 and \$101.4 per barrel in 2014. Metals prices are expected to decline by 4 and 5 per cent in 2013 and 2014 respectively. Input cost in WPI inflation is rising from September 2013 and its effects could be reflected in non-food manufactured inflation in the coming months. Headline inflation may increase in the coming months in the wake of increasing trend of non-food manufactured products inflation. However, should the global commodity prices fall further and rupee stabilizes, core inflation could continue to be at lower levels.

Issues in Infrastructure Financing

3.23 A part of the macroeconomic outcome, including elevated inflation, owe to the large gap in infrastructure and bridging this through higher investment is important, particularly in view of limited fiscal space to enhance the public resources for such financing. The Indian financial system is bank dominated. The need for long-term finance for infrastructure projects is one of the issues that need to be looked into in the context of the limitation of banks to finance such projects. Infrastructure projects, given their long pay-back period require long-term financing in order to be sustainable and cost effective. However, banks which have been the main source of funding these projects are unable to provide long-term funding, given their asset-liability structure, and ceiling on their exposure limits. To address the problem of asset liability mismatch, banks have a tendency to lend on floating rate basis which more than often results in escalation in the project cost because of the interest rate fluctuations. Financing of infrastructure projects is further constrained by the fact that almost one third of India's savings are in physical assets and there are limited saving options available to the investors in the form of long-term pension and insurance products. Non-availability of products for hedging foreign exchange risks, especially long tenor loans as well as high cost of hedging such exposures could also be deterring factors for financing the infrastructure needs by these entities.

3.24 Absence of a well-developed bond market has further put additional burden on banks to meet the funding requirements of this sector. The domestic bond market continues to be dominated by public borrowings and is not able to address the requirements of Indian corporate sector. In view of the current trends in the yield on fixed instruments in developed countries and the asset management companies in these regions looking for higher returns in overseas markets, a much needed intervention could provide an opportunity to meet the infrastructure funding needs in the country. A robust and transparent issuance and trading process, uniform stamp duty across states, a well devised credit enhancement mechanism, integrated trading and settlement mechanism are some of the issues which need immediate attention for development of fixed instrument market in India.

3.25 Given the long tenor of projects and declining scope for incremental financing by banks, there is also a case for relaxing the investment norms for pension, insurance and provident funds to fill the gap in infrastructure financing through the debt route. Recognising this constraint of incremental financing, banks have been permitted take-out financing through the Infrastructure Debt Funds (IDF) route. IDFs have been put in place to channelize long-term debt from other sources, including the domestic and foreign pension and insurance funds. By tapping into source of savings like insurance and pension funds, which have hitherto played a comparatively limited role in financing infrastructure, it is expected to provide long-term, low-cost debt for infrastructure projects. Besides augmenting debt resources for financing infrastructure, the IDFs would also refinance PPP projects after their construction is completed and operations have stabilised.

3.26 In the background of unconventional monetary policies being adopted by developed countries and volatile capital flows, it is a challenge for emerging market economies to look out for innovative ways to devise unconventional development financing products to meet the funding requirements of their respective infrastructure sector.

3.27 In order to meet the huge need for infrastructure funding, it is crucial for India to develop the off-shore Rupee market as an alternative source of dollar funding. The launch of USD 1 billion off-shore bond programme by International Finance Corporation (IFC) opens up a new channel for mobilising funds for the various development needs of the country, including the infrastructure.

3.28 The proposal to set up a new and dedicated financing facility called the Global Infrastructure Facility at the World Bank to serve the financing needs for infrastructure, particularly for emerging and developing economies is also a welcome step.

Economic Growth Outlook for 2013-14

3.29 The Economic Survey 2012-13 (February 2013), had estimated GDP growth for 2013-14 to be in the range of 6.1 to 6.7 per cent. Since then, the changes in global outlook and the weaknesses in domestic indicators, especially manufacturing and some subsectors of services, led to a revision in growth projections for the current year to around 5.0 to 5.5 per cent, as laid out in the Quarterly Review, April-June 2013 brought out in September 2013. In line with those projections, and with the growth rate of H1, it is expected that the Indian economy will grow at around 5 per cent during the current fiscal. This growth is expected to be realized on the following premises.

(i) Favourable monsoons and the increase in sown area, coupled with the base effect, are expected to result in a growth rate of 4.5 to 5 per cent in agriculture and allied sectors for the full year. Increase in rural incomes will boost rural consumption demand.

(ii) The steps taken by the Government in recent months to ease the structural bottlenecks, reduce entry-barriers, encourage investment and speed up project implementation in the economy would yield results. The overall index of eight core industries, barometers of upcoming industrial activity, grew by 3.2 per cent during April-September 2013-14. During September 2013, the overall growth of the core industries was 8.0 per cent with production of cement and electricity registering double digit growth. The turnaround in electricity production, in particular, augurs well for the revival of manufacturing growth.

(iii) Industrial intermediates have grown by 3.6 per cent during Q2 2013-14, indicating impending pick-up in the growth of manufactures for final consumption. This coupled with reasonable momentum in construction and electricity sectors, raises the hope that overall-industrial growth will turn out to be higher in 2013-14 vis-à-vis 2012-13. Higher growth in commodity producing sectors and encouraging signs in exports, as indicated by the Q2 GDP numbers, will provide the required impetus for domestic trade and transport activities. The pick-up in tourist arrivals can be expected to help the "hotels and restaurants" industry to prosper.

(iv) Despite constraints to monetary easing, the growth in non-food credit has increased in the current year, compared to the previous year.

(v) Significant improvement in the external situation on the back of measures announced by the Reserve Bank of India, the relatively benign outlook on oil prices, increase in exports coupled with a fall in imports witnessed over the period August-October, 2013 and reversal in the rapidly depreciating trend of the Rupee has helped to improve the investment climate. Policies have been initiated to augment domestic savings via financial inclusion and introduction of instruments viz. inflation indexed bonds, etc.

3.30 The outlook on growth is also threatened by certain downside risks; the biggest of them being the high rate of inflation which further dent the ability of the RBI to extend monetary policy support to growth revival. However, the recent structural reforms undertaken by the Government of India are likely to place the economy on a higher potential growth path, from where acceleration to a higher growth trajectory can occur reasonably quickly, once global recovery gains momentum and cyclical upturn strengthens. While the overall growth rate of the economy in the current year is expected to be at the same level as it was in 2012-13, the performance of different sectors is expected to vary significantly. In particular, it is expected that the agriculture sector would register a higher growth.

Reviving Economic Growth

3.31 A growth slowdown is often addressed either through policies that directly boost aggregate demand (expansionary fiscal policy and monetary accommodation) or/and policies that aim to ease supply side/structural constraints that may affect the potential growth rate. Designing an appropriate policy response is complex as slowdown is often triggered by a combination of factors that cannot be readily traced as originating from the demand or supply side, or as largely structural or purely cyclical. The task is all the more difficult for countries like India in particular on the face of complexities like large share of the unorganized sector in manufacturing, interplay of a variety of institutional mechanisms, significant occupational dependence on agriculture and heterogeneous nature of activities in the services sector which have complex linkages to the commodity producing sectors.

3.32 India's response to the global crisis of 2008 was quick, as the causal factors and the choice of policy response were clearer. The immediate priority then was to keep up activity in the economy that was facing loss of confidence in financial markets and dip in investor sentiments that threatened new investments. Large fiscal and monetary stimulus was extended in order to counter the deceleration in economic growth. The stimulus packages were successful in restoring growth, which picked up from 4.6 per cent in H2 2008-09 to 7.6 per cent and 9.5 per cent in H1 and H2 of 2009-10 respectively. Thus, when the slowdown was predominantly cyclical, the counter-cyclical policy interventions were quite effective.

3.33 In contrast, the descent into the present slowdown was relatively gradual. Real GDP growth slowed to 5.5 per cent in H2 of 2011-12 from 7.0 per cent in H1. During H1 and H2 of 2012-13, growth further declined to 5.3 per cent and 4.7 per cent respectively and stands at 4.6 per cent in the H1 of 2013-14. Boosting growth via a large fiscal stimulus, aided by increased Government expenditure was not feasible for various reasons. *First*, the required fiscal space that was available in 2008, was simply not available during the recent slowdown. Higher Government expenditures would have dented market confidence further, as the level of the fiscal deficit was already elevated. *Secondly*, persistence of inflation and dampening of investment coupled with spike in the number of stalled projects hinted at existence of structural bottlenecks that required lasting policy solutions rather than a one-time boost to aggregate demand.

3.34 The policy response to the present slowdown has been in the form of (i) wide-ranging structural reforms aimed at reducing entry-barriers, increasing competition and boosting productivity in various sectors, introduction of fiscal reforms aimed at consolidation and subsidy reduction, strengthening of financial/banking sectors, introduction of instruments to encourage financial savings of households, and mitigating policy uncertainties-the full effects of which are to be realized over the medium term; (ii) short-term measures aimed at restarting the investment cycle by boosting new investment through support to infrastructure and MSMEs, steps to revive manufacturing growth, etc. and (iii) crucial reforms in energy pricing. The implementation of these policies have gone hand-in-hand with macroeconomic stabilization that has had to balance the concerns of controlling inflation and supporting growth recovery while managing a volatile external situation characterized by a sharp depreciation of the Rupee witnessed till Q2 2013-14.

3.35 Apart from agriculture, the mild growth recovery witnessed in Q2 2013-14 is primarily led by modest recovery in manufacturing, pick-up of growth in the electricity and construction sub-sectors of industry. However, the services sector registering a growth of 5.9 percent that is even lower than that witnessed during the crisis of 2008-09 (in Q4 of 2008-09) proved to be a dampener. The current growth pattern of the services sector mostly reflects the weaknesses displayed by the commodity-producing sectors over the past few quarters and stagnation in the 'trade hotels, transport and communications' subsector in particular. On the demand side, despite a tightening of Government expenditure, growth in private consumption expenditure and gross fixed capital formation has increased. These trends indicate that the structural reforms undertaken by the Government have started to bear fruit, and a decisive pick-up in economic activity can be gradually expected over the next few quarters.

3.36 Recent measures taken would help the economy to achieve higher growth in real GDP by raising the economy's growth potential complemented by a revival in investments. Though ongoing fiscal consolidation may dampen aggregate demand to an extent, the effect is expected to be more than compensated by the boost to activity imparted by structural reforms that are being supported by short-term macroeconomic maneuvers. However, reverting to a real GDP growth rate of above 8.0 per cent-plus would take some more time as cyclical factors also need to revive alongside a restoration of demand based on expectations of sustained recovery.

3.37 The trends discussed in Chapter 1 imply that with general stability achieved on the exchange rate, rising exports, reduction in the trade deficit experienced in recent months and a generally benign outlook on oil prices, the external situation would improve further than that envisaged in the Quarterly Review 2013-14 (April-June). The developments in the balance of payments in the second quarter (July-September 2013-14) are encouraging, with the current account deficit declining to US$ 5.2 billion. It may be possible to reduce the CAD to US$ 50-55 billion in 2013-14. With agriculture poised for a recovery on the back of good monsoons and signs of a recovery in manufacturing, guarding against a threat to a modest recovery in overall growth, *inter-alia*, requires the following:

- Controlling inflation further (WPI inflation below the level of 6 per cent), so that necessary leeway is available to the RBI to support economic recovery.
- Keeping up the pace of project clearance and addressing existing constraints on project implementation that can be resolved quickly (rationalizing the number of permissions, etc.), which is crucial for the infrastructure sector.
- Adhering to the fiscal consolidation target for 2013-14 while protecting capital expenditure.
- A clear strategy of policy response, in coordination with the RBI to adjust to the external environment, once the US Federal Reserve actually starts to withdraw Quantitative Easing.
- Revival of growth in the industry sector particularly that of manufacturing is sine qua non for raising the growth rate and sustaining it over the medium term. Continuing the recent initiatives of the Government to speed up project implementation and boost investment would help.
- Identifying and addressing the difficulties faced in capacity creation by various segments of the services sector, and especially 'trade, hotels, transport and communications', that has a significant weight in overall GDP.

Annex I

Status of Implementation of Major Budget Announcements

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
1.	11	The Current Account Deficit (CAD) continues to be high mainly because of our excessive dependence on oil imports, the high volume of coal imports, our passion for gold, and the slowdown in exports. This year, and perhaps next year too, we have to find over USD $ 75 billion to finance the CAD. There are only three ways before us: FDI, FII or External Commercial Borrowing (ECB). What we can do is to encourage foreign investment that is consistent with our economic objectives.	Government has taken several measures including raising the Foreign Institutional investor(FII)'s limits; liberalizing external commercial borrowings (ECBs); and, amending the sectoral caps and entry routes for foreign direct investment in a number of sectors including petroleum and natural gas, commodity exchanges, power exchanges, stock exchanges, depositories and clearing corporations, asset reconstruction companies, credit information companies, single brand product retail trading, telecom and courier services and defence. FDI up to 100 per cent is allowed under the automatic route in most of the sectors/activities.
2.	13	Looming large over our efforts to stimulate growth is inflation. The battle against inflation must be fought on all fronts. It is food inflation that is worrying, and we shall take all possible steps to augment the supply side to meet the growing demand for food items.	The initiatives taken by the Government in the current year include; increase in the allocation for agricultural research, continuance of the scheme to bring in Green Revolution in Eastern States, increase in the allocation for integrated watershed programme and announcement of the National Livestock Mission Some of the other specific supply side measures taken by the Government include: reducing import duties for wheat, onion, pulses and refined edible oils; banning export of edible oils and pulses; imposing stock limits from time to time in the case of select essential commodities; fixing the Minimum Export Price (MEP) of onion at USD 1150 per MT and allocating 195000 tonnes of rice and 327000 tonnes of wheat for distribution to retail consumers under Open Market Sales Scheme (Domestic) for the period up to March, 2014.
3.	16	Budget for 2013-14 has one overarching goal: to create opportunities for our youth to acquire education and skills that will get them decent jobs or self-employment that will bring them adequate incomes that will enable them to live with their families in a safe and secure environment.	Appx 3.40 lacs youths have been imparted skilling under Aajiveeka Skill Development programme and Rural Self Employment Training Institute. Another 1.94 lacs youth have been imparted training by National Skill Development.
4.	17	To allocate ₹41,561 crore to the scheduled caste sub plan and ₹24,598 crore to the tribal sub plan has been	During 2013-14 an amount of ₹1200 crore has been allocated under Special Central Assistance (SCA) to Tribal Sub-Plan (TSP). An amount of

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		allocated. Funds allocated to the sub plans cannot be diverted and must be spent for the purposes of the sub plans.	₹90.55 crore has been released so far out of sanctioned amount of ₹111.54 crore.
5.	18	Sufficient allocations to programmes relating to women and children have been made. Hon'ble Members will find from the Budget documents that the gender budget has ₹97,134 crore and the child budget has ₹77,236 crore in 2013-14.	Against the allocation of ₹18630 crore for the child development welfare scheme, the expenditure incurred till October, 2013 is ₹12696 crore. Against the allocation of ₹1553.98 crore for Women Welfare schemes, the expenditure incurred till October, 2013 is ₹656.95 crore. Funds under gender budget have been provided.
6.	19	Women belonging to the most vulnerable groups, including single women and widows, must be able to live with self-esteem and dignity. Young women face gender discrimination everywhere, especially at the work place. Ministry of Women and Child Development has been asked to design schemes that will address these concerns. To provide an additional sum of ₹200 crore to provide to that Ministry to begin work.	A scheme for benefit of single women and widows with an outlay of ₹200 crore is under finalization. EFC Note is under circulation.
7.	21	The Maulana Azad Education Foundation is the main vehicle to implement educational schemes and channelize funds to non-government organizations for the minorities. To allocate ₹160 crore to the corpus funds with the objective to raise this fund from ₹750 crore to ₹1500 crore during the 12th Plan Period. The Foundation wishes to add medical aid to its objectives. Beginning can be made by providing medical facilities such as an infirmary or a resident doctor in the educational institutions run or funded by the Foundation. ₹100 crore to allocate to launch this initiative.	Enhancement of Corpus Fund of the Maulana Azad Education Foundation (MAEF) from ₹750 crore to ₹1250 crore has been approved by the EFC.
8.	22	To raise the allocation to ₹110 crore for Department of Disability Affairs for the ADIP Scheme in 2013-14.	Draft CCEA note regarding revision of ADIP Scheme is being prepared.
9.	24	New National Health Mission that combines the rural mission and the proposed urban mission will get ₹21,239 crore out of ₹37,330 crore allocated to	Announcement Implemented- Cabinet has approved the National Urban Health Mission as a sub mission of an overarching National Health Mission.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		Ministry of Health & Family Welfare, an increase of 24.3 percent over the RE.	
10.	25	To provide ₹4,727 crore for medical education, training and research.	**Announcement Implemented**- ₹4727.29 crore has been budgeted for under medical education, training and research.
11.	26	To provide ₹150 crore for the National Programme for the Health Care of Elderly which is being implemented in 100 selected districts of 21 States.	**Announcement Implemented**- An amount of ₹150 crore has been budgeted under National Programme for the Health Care of Elderly.
12.	27	Allocation of ₹ 1,069 crore to the Department of AYUSH for mainstreaming Ayurveda, Unani, Siddha and Homoeopathy through the National Health Mission.	Cabinet has accepted the reconstitution of GoM to set up National Ayush Mission by merging four schemes.
13.	28	A provision of ₹1650 crore for the hospitals attached to six AIIMS-like institutions, who have admitted their first batch of students in the academic session that commenced in September 2012.	Hospitals at six new AIIMS are likely to become operational by January, 2014.
14.	33	The reconstruction of the Nalanda University has gathered momentum. The Government is committed to the creation of Nalanda University as a centre of educational excellence.	Cabinet has approved the Nalanda University (Amendment) Bill, 2013 in August, 2013. Thereafter, the Bill was referred to the Standing Committee. The revised Bill now be placed before the Parliament.
15.	35	Allocation of ₹300 crore for multi-sectoral Programme in 100 districts for overcoming maternal and child malnutrition.	Multi-sectoral Nutrition Programme has been approved. The detailed guidelines for implementation of the scheme are being issued.
16.	37	Provision of ₹1400 crore for arsenic and fluoride-affected rural habitation in the country.	EFC Memo in consultation with concerned Ministry/ Department is under preparation.
17.	39	Carving of PMGSY II and allocate portion of funds to benefit States like Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab and Rajasthan.	**Announcement Implemented**- Cabinet has approved the PMGSY II scheme.
18.	40	₹14873 crore has been provided under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for purchase of 10 thousands buses especially for hilly States.	Central Sanctioning and Monitoring Committee (CSMC) has so far approved purchase of 6719 buses with the estimated cost of ₹2917 crore.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
19.	43	To increase the target for agricultural credit to ₹700,000 crore.	**Announcement Implemented** - Agency wise/ State wise targets have been communicated.
20.	44	The interest subvention scheme for short-term crop loans will be continued and a farmer who repays the loan on time will be able to get credit at 4 percent per annum. So far, the scheme has been applied to loans extended by public sector banks, RRBs and cooperative banks. The scheme is to extend to crop loans borrowed from private sector scheduled commercial banks in respect of loans given within the service area of the branch concerned.	**Announcement Implemented**- Government has approved the scheme.
21.	45	Provision of ₹1,000 Crore for green revolution in eastern India.	State-wise allocation finalized, So far, an amount of ₹499.52 crore has been released.
22.	46	To allocate ₹500 crore to start a programme of crop diversification in the original Green Revolution States that would promote technological innovation and encourage farmers to choose crop alternatives as these States face the problem of stagnating yields and over-exploitation of water resources.	State wise allocation finalized and communicated. An amount of ₹224.25 crore has been released so far.
23.	47	To provide ₹9,954 crore to the Rashtriya Krishi Vikas Yojana that is intended to mobilise higher investment in agriculture and ₹2,250 crore to the National Food Security Mission that is intended to bridge yield gaps.	State-wise allocation for Rashtriya Krishi Vikas Yojna (RKVY) has been finalized and ₹4908.62 crore have already been released to States so far against an allocation of ₹9954 crore for 2013-14. Action Plans for National Food Security Mission (NFSM) has been formulated and ₹1547.19 crore have been released.
24.	48	Increase the allocation to ₹5387 crore for Integrated Watershed Programme to improve productivity of land and water use.	Best possible efforts are being made to achieve the targets. However, funds will be reduced to ₹3760 crore at RE stage keeping in view of the slow absorption of funds by the States.
25.	49	To provide a sum of upto ₹200 crore to start the pilots for introducing new crop varieties that are rich in micro-nutrients such as iron-rich bajra, protein-rich maize and zinc-rich wheat. Ministry of Agriculture will formulate a scheme.	**Announcement Implemented**-Action plan for the scheme has been finalized and ₹96.02 crore has been released.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
26.	50	The National Institute of Biotic Stress Management for addressing plant protection issues will be established at Raipur, Chhattisgarh. The Indian Institute of Agricultural Bio-technology will be established at Ranchi, Jharkhand and will serve as a centre of excellence in agricultural bio-technology.	**Announcement Implemented**- Foundation stone for NIBSM at Raipur has been laid. Land has been identified in Ranchi for IIAB.
27.	51	Additional provision of ₹75 crore in 2013-14 for extension pilot scheme to replant and rejuvenate coconut gardens in the entire State of Kerala.	**Announcement implemented**- The scheme has been extended to the entire State of Kerala and ₹50 crore has already been released.
28.	52	Provision of ₹50 crore for providing matching equity grants to registered FPO to enable them to leverage working capital from financial institutions and ₹100 crore for Small Farmers' Agri. Business Corporation.	Budgetary provision of ₹150 crore i.e. ₹50 crore as Equity Grant Fund and ₹100 crore for corpus for Credit Guarantee Fund has been approved.
29.	53	To provide ₹307 crore for the National Livestock Mission launched in 2013-14 to attract investment and to enhance productivity taking into account local agro-climatic conditions. There will be a sub Mission for increasing the availability of feed and fodder.	Draft CCEA note has been prepared and is being circulated.
30.	54	₹10,000 crore have been set apart in anticipation of Parliament approval for National Food Security Bill.	The NFSB 2013 has been passed by the Parliament and the NFS Act, 2013 has been notified on 10.09.2013.
31.	55	To remove apprehension or distrust in the minds of investors, including fears about undue regulatory burden or application of tax laws. 'Doing business in India' must be seen as easy, friendly and mutually beneficial.	The report of the committee, established to conduct a study into the regulatory framework, has been placed on the website of Ministry of Corporate Affairs for seeking comments of the public and stakeholders and for inviting the comments of the State Governments and the Central Ministries.
32.	56	12th Plan projects an investment of USD 1 trillion or ₹55,00,000 crore in infrastructure. The Plan envisages that the private sector will share 47 percent of the investment. We also need new and innovative instruments to mobilise funds for this order of investment. Government has taken or will take the following measures to increase investment in infrastructure:	

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
	■	Infrastructure Debt Funds (IDF) will be encouraged. These funds will raise resources and, through take-out finance, credit enhancement and other innovative means, provide long-term low-cost debt for infrastructure projects. Four IDFs have been registered with SEBI so far and two of them were launched in the month of February, 2013.	So far, two IDF-NFFCs and Four IDF-MFs have been created. Four more are in the pipeline.
	■	India Infrastructure Finance Corporation Ltd (IIFCL), in partnership with the Asian Development Bank, will offer credit enhancement to infrastructure companies that wish to access the bond market to tap long term funds.	IIFCL has accorded in-principle approval in 3 transactions in the pilot phase.
	■	To allow some institutions to issue tax free bonds in 2013-14, strictly based on need and capacity to raise money in the market, upto a total sum of ₹50,000 crore.	Government has allocated tax free bonds amounting to ₹48,000 crore during the FY 2013-14 to Central Public Sector Undertakings, for a period of 10,15, and 20 years.
	■	Assistance of World Bank and the Asian Development Bank will be sought to build roads in the North Eastern States and connect them to Myanmar.	Projects have been posed to Multi-lateral Development Banks.
	■	To raise the corpus of RIDF-XIX in 2013-14 to ₹20,000 crore.	₹20,000 crore to RIDF-XIX to be operated by NABARD.
	■	Pursuant to the announcement made last year, a sum of ₹5000 crore will be made available to NABARD to finance the construction of warehouses, godowns, silos and cold storage units designed to store agricultural produce, both in the public and the private sectors. This window will also finance, through the State Governments, construction of godowns by panchayats to enable farmers to store their produce.	**Announcement Implemented**- RBI vide letter dated 14.6.2013 has allocated ₹5,000 crore for Warehouse Infrastructure Fund.
33.	57	Government has decided to constitute a regulatory authority for the road sector. Bottlenecks stalling road projects have been addressed and 3,000 kms of road	Task Force has been set up for creation of Regulatory Authority on 25.4.2013. Terms of Reference (ToR), constitution mechanism and organization structure are being finalized.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		projects in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh will be awarded in the first six months of 2013-14.	10 Projects for the total length of 901 Kms have been awarded.
34.	58	The Cabinet Committee on Investment (CCI) has been set up to monitor investment proposals as well as projects under implementation, including stalled projects, and guide decision-making in order to remove bottlenecks and quicken the pace of implementation. Two meetings of the CCI have been held already and decisions were taken in respect of a number of oil and gas, power, and coal projects. CCI will take up some more projects shortly.	287 projects worth apprx. ₹5,55,727 crore have been facilitated by the Cabinet Committee on Investment.
35.	59	To introduce an investment allowance for new high value investments to attract new investment and to quicken the implementation of projects. A company investing ₹100 crore or more in plant and machinery during the period 1.4.2013 to 31.3.2015 will be entitled to deduct an investment allowance of 15 percent of the investment.	**Announcement implemented**- This has carried out through the Finance Act, 2013.
36.	60	To provide appropriate incentives to semiconductor wafer fab manufacturing facilities, including zero customs duty for plant and machinery.	Cabinet has approved the incentive proposal for semiconductor wafer fab manufacturing facilities on 12.09.2013.
37.	61	To incentivize the household sector to save in financial instruments rather than buy gold by the following measures:	
	■	*Firstly*, by liberalization of the Rajiv Gandhi Equity Savings Scheme.	The provisions of the Income Tax Act, 1961 have been amended by the Finance Act, 2013.
	■	*Secondly*, a person taking a loan for his first home from a bank or a housing finance corporation upto ₹25,00,000 during the period 1.4.2013 to 31.3.2014 will be entitled to an additional deduction of interest of upto ₹100,000.	**Announcement implemented**- This has been given effect to by inserting Section 80EE in the Income Tax Act, 1961 through Finance Bill, 2013.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
	■	*Thirdly*, to introduce instruments to protect savings from inflation, especially the savings of the poor and middle classes. The structure and tenor of the instruments will be announced in due course.	Inflation Indexed Bonds are being operationalized in the second half of December 2013.
38.	62	Industrial Corridor for seven new cities have been finalised and work on two new smart industrial cities at Dholera, Gujarat and Shendra Bidkin, Maharashtra will start during 2013-14. We acknowledge the support of the Government of Japan. Government of India will provide, if required, additional funds during 2013-14 within the share of the Government of India in the overall outlay for the project.	Land acquisition for phase-I of Shendra- Bidkin Industrial Park and Dholera Special Investment Region is at an advanced stage. Shareholders' Agreement and State Support Agreement for the formation of node/city level SPV has been finalized with the State Nodal Agency and the approval of State Government is awaited.
39.	63	The Department of Industrial Policy and Promotion (DIPP) and the Japan International Cooperation Agency (JICA) are currently preparing a comprehensive plan for the Chennai Bengaluru Industrial Corridor. The corridor will be developed in collaboration with the Governments of Tamil Nadu, Andhra Pradesh and Karnataka.	The study for Preparation of Comprehensive Regional Perspective Plan for the overall CBIC Region is likely to be completed by March, 2014
40.	64	The next corridor will be the Bengaluru Mumbai Industrial Corridor on which preparatory work has started.	Term of References (TOR) for feasibility has been finalized. Selection of consultant is being undertaken by DMICDC.
41.	65	To provide ₹226 crore in 2013-14 to improve power supply in the Leh-Kargil region and connect the Ladakh region to the northern grid, the Government will construct a transmission system from Srinagar to Leh at a cost of ₹1,840 crore.	CCEA note is being prepared.
42.	66	Two new major ports will be established in Sagar, West Bengal and Dugarajapatanam in Andhra Pradesh to add 100 million tonnes of capacity. In addition, a new outer harbour will be developed in the VOC port at Thoothukkudi, Tamil Nadu through PPP at an estimated cost of ₹7,500 crore.	M/s. RITES Ltd. has been appointed as consultant to prepare feasibility report for Sagar Island, West Bengal, Kolkata Port Trust. M/s. RITES has also been given the responsibility of carrying out techno-feasibility study for Dugarajapatanam.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		When completed, this will add 42 million tonnes of capacity.	
43.	67	Minister of Water Resources will move a Bill in Parliament to declare the Lakhipur - Bhanga stretch of river Barak in Assam as the sixth national waterway. Preparatory work is underway to build a grid connecting waterways, roads and ports. The 12th Plan has an adequate outlay for capital works, including dredging, on the national waterways. The objective is to choose barge operators, through competitive bidding, to transport bulk cargo on the national waterways.	Bill for declaring Lakhipur-Bhanga stretch of river Barak in Assam as the sixth National Waterways has been introduced in Rajya Sabha during Budget Session.
44.	68	The oil and gas exploration policy will be reviewed to move from profit sharing to revenue sharing contracts. A policy to encourage exploration and production of shale gas will be announced. The natural gas pricing policy will be reviewed and uncertainties regarding pricing will be removed. NELP blocks that were awarded but are stalled will be cleared. The 5 MMTPA LNG terminal in Dabhol, Maharashtra will be fully operational in 2013-14.	Draft uniform Licensing Policy and new contractual and fiscal model have been prepared and placed in public domain. Shale Gas Policy has been approved by CCEA The Government has approved Natural Gas Pricing Guidelines, 2013 on fixation of price of domestically produced Natural Gas for a period of 5 years w.e.f 1.4.2013. Out of 40 NELP Blocks, where exploration and production activities were stalled, 31 Blocks have been cleared. 5 MMTPA LNG terminal has since been commissioned.
45.	69	To reduce our dependence on imported coal we need to devise a PPP policy framework, with Coal India Limited as one of the partners, in order to increase the production of coal for supply to power producers and other consumers. These matters are under active consideration and the Minister of Coal will announce Government's policies in this behalf in due course.	A Committee has been set up under the Chairmanship of Secretary (Coal) to recommend the framework for PPP within the Coal Mine Nationalization Act, 1973. Committee has so far held three meetings.
46.	70	Government has approved a scheme for the financial restructuring of DISCOMS to restore the health of the power sector. State Governments to prepare the	Financial Restructuring Plans have been finalized in respect of Tamil Nadu, Uttar Pradesh, Rajasthan and Haryana.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		financial restructuring plans quickly, sign the MOU, and take advantage of the scheme.	The states of Jharkhand, Bihar, Andhra Pradesh & Karnataka are not able to participate in the scheme due to certain conditions of FRP. Ministry of Power is considering special dispensation for these States.
47.	71	To make available the non-tax benefits to a MSME unit for three years after it graduates to a higher category.	Notification to this effect has been issued on 04.11.2013.
48.	72	To enhance the refinancing capability of SIDBI from the current level of ₹5,000 crore to ₹10,000 crore per year.	**Announcement implemented**- ₹10,000 crore has been allocated to SIDBI.
49.	73	To provide equity and quasi-equity to Micro Finance Institutions (MFI), ₹100 crore allocated to India Microfinance Equity (IME) Fund in the budget and another sum of ₹100 crore has been provided to the Fund.	₹100 crore has already been released. The additional amount will be released to SIDBI after revision in the guidelines of IMEF scheme.
50.	74	To provide a corpus of ₹500 crore to SIDBI to set up a Credit Guarantee Fund for factoring.	Draft scheme has been formulated.
51.	75	To provide, with World Bank assistance, a sum of ₹2,200 crore during the 12th Plan period to set up 15 additional Tool Rooms and Technology Development Centres.	EFC Note is being finalized after incorporating comments from respective Ministries/ Departments.
52.	76	Incubators play an important role in mentoring new businesses which start as a small or medium business. The new Companies Bill obliges companies to spend 2 percent of average net profits under Corporate Social Responsibility (CSR). Ministry of Corporate Affairs will notify that funds provided to technology incubators located within academic institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as CSR expenditure.	Announcement will be given effect by notifying technology incubators as CSR expenditure, once the schedule VII of the Companies Act 2013 is notified.
53.	77	To continue the Technology Upgradation Fund Scheme (TUFS) for the textile sector in the 12th Plan with an investment target of ₹151,000 crore, a	Cabinet Note on TUFS has been approved in August, 2013. Subsidies increased from 20 to 30 percent. Also a pilot scheme of ₹300 crore approved for hire purchase for power loom

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		provision for ₹2,400 crore in 2013-14 with the major focus on modernisation of the powerloom sector.	weavers.
54.	78	Setting up of Apparel Parks within the SITPs to house apparel manufacturing units. Allocation of ₹50 crore to the Ministry of Textiles to provide an additional grant of upto ₹10 crore to each Park to incentivise such Apparel Parks.	CCEA note pertaining to SITP and Apparel parks has been approved on 03.10.2013.
55.	79	To provide ₹50 crore in 2013-14 for a new scheme with an outlay of ₹500 crore called the Integrated Processing Development Scheme to address the environmental concerns of the textile industry, including improving the effluent treatment infrastructure.	Cabinet note on Integrated Processing Development Scheme has been prepared.
56.	80	Allocation of an additional sum of ₹96 crore in 2013-14 to the Ministry of Textiles for interest subvention for the handloom sector.	Scheme has been approved by the Government.
57.	81	The 12th Plan has provided an outlay of ₹850 crore for leverage assistance from Multilateral Development Banks to extend Scheme of Fund for Regeneration of Traditional Industries (SFURTI) to 800 clusters during the 12th Plan.	Guidelines of a revamped SFURTI have been finalized and Final EFC Memo is being prepared after inclusion of comments of concerned Ministries/Departments.
58.	82	To make changes in the Foreign Trade Policy to boost exports of goods and services.	**Announcement Implemented**- Necessary amendments to the Foreign Trade Policy (FTP) have been announced.
59.	84	To examine the recommendations of the Financial Sector Legislative Reforms Commission (FSLRC) and act quickly and decisively so that our financial sector stands on sound legal foundations and remains well-regulated, efficient and internationally competitive. To constitute a Standing Council of Experts in the Ministry of Finance to analyze the international competitiveness of the Indian financial sector, periodically examine the transaction costs of doing business in	**Announcement Implemented**- Constitution of Standing Council has been notified.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		the Indian market, and to provide inputs to the Government for necessary action.	
60.	85	To provide ₹12,517 crore to infuse additional capital into 13 public sector banks before the end of March, 2013 and a further amount of ₹14,000 crore for the year 2013-14. Public sector banks to meet the Basel III regulations as they come into force in a phased manner.	Cabinet has accorded 'in-principle' approval on 10.1.2013 for infusion of capital in PSBs during 2013-14. The exact amount of capital requirement for each PSBs has been decided.
61.	86	All scheduled commercial banks and all RRBs are on Core banking solution (CBS) and on the electronic payment systems (NEFT and RTGS). To bring all other banks, including some cooperative banks, on CBS and e-payment systems by 31.12.2013. Public sector banks have assured that all their branches will have an ATM in place by 31.3.2014.	RBI has issued instructions for cooperative banks and UCBs to migrate to CBS by March, 2014. NABARD to ensure timely rollout of ongoing project and follow up with other DCCBs. 34668 onsite ATMs have been identified for installation by PSBs. 7587 ATMs have been installed so far.
62.	87	To set up India's first Women's Bank as a public sector bank and to provide ₹1,000 crore as initial capital.	**Announcement implemented**- The Bharatiya Mahila Bank Limited has been incorporated as a Banking Company under the Companies Act, 1956 for commencement of Business. Government has released ₹1000 crore as equity capital of the Bank.
63.	88	To provide ₹6,000 crore to the Rural Housing Fund in 2013-14.	**Announcement implemented**- RBI vide letter dated 14.06.2013 allocated ₹6000 crore to Rural Housing Fund to be operated by NHB.
64.	89	National Housing Bank to set up the Urban Housing Fund with the provision of ₹2,000 crore to the Fund in 2013-14.	**Announcement implemented**- RBI vide letter dated 14.06.2013 has allocated ₹2000 crore to Urban Housing Fund to be operated by NHB.
65.	90	To follow a multi-pronged approach to increase the penetration of insurance, by following proposals that have been finalized in consultation with the regulator, IRDA.	
	■	Insurance companies will be empowered to open branches in Tier II cities and below without prior approval of IRDA.	**Announcement implemented**- Circular issued by IRDA.
	■	All towns of India with a population of	LIC have opened 808 mini offices up to 31.10.2013

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		10,000 or more will have an office of LIC and an office of at least one public sector general insurance company. This goal to be achieved by 31.3.2014.	out of the 1700 to be opened in the unrepresented towns. LIC have planned to open offices in the remaining towns by December, 2013. The four public Sector General Insurance companies have opened 959 offices from April 2013 to 31st October, 2013 in 959 towns out of 1859 unrepresented towns.
	■	KYC of banks will be sufficient to acquire insurance policies.	**Announcement implemented**- IRDA has agreed to make KYC of Banks applicable to acquire Insurance policies
	■	Banks will be permitted to act as insurance brokers so that the entire network of bank branches will be utilized to increase penetration.	**Announcement implemented**- IRDA has approved IRDA (Licensing of Banks as insurance brokers) Regulations, 2013. Banks, however, will have to take specific approval from RBI separately.
	■	Banking correspondents will be allowed to sell micro-insurance products.	**Announcement implemented**- IRDA has issued a circular dated 03.04.2013 on Micro Insurance Agents pending the review and notification of the proposed IRDA (Micro Insurance) (Modification) Regulation. According to this circular most of the entities appointed as BCs, including companies registered under Companies Act, have been permitted by IRDA for appointment MI agents to Micro-insurance products.
	■	Group insurance products will now be offered to homogenous groups such as SHGs, domestic workers associations, anganwadi workers, teachers in schools, nurses in hospitals etc.	**Announcement implemented**- IRDA has issued a circular dated 20.6.2013
	■	There are about 10,00,000 motor third party claims that are pending before Tribunals/Courts. Public sector general insurance companies will organise adalats to settle the claims and give relief to the affected persons/families.	Mass settlement of pending claims pertaining to Motor Third Party Insurance:

Month	No. of cases referred	No. of cases settled (%)
Cases taken up during September, 2013	7127	3105 (43.56%)
Cases taken up till September, 2013	68743	27044 (39.34%)

As on 1.4.2013 there were 7,09,565 MACT claims (pertaining to the Public Sector General Insurance companies) pending before the Tribunals/Courts. During the period April, 2013 to July, 2013, 68,013 MACT claims were settled and 74,935 new MACT claims were reported taking the number of MACT

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
			claims pending before various Tribunals/Courts as on 31.07.2013 to 7,16,487.
66.	91	The Insurance Laws (Amendment) Bill and the PFRDA Bill are before this House. Government and the Opposition can arrive at a consensus and pass the two Bills in this session.	The PFRDA bill has been passed by Parliament.
67.	92	Extension of the Rashtriya Swasthiya Bima Yojana to other categories such as rickshaw, auto-rickshaw and taxi drivers, sanitation workers, rag pickers and mine workers.	**Announcement Implemented**- The Union Cabinet, in its meeting held on 4.6.2013, has approved for extension of coverage of Rashtriya Swasthya Bima Yojana (RSBY) to Sanitation Workers, Rickshaw Pullers, Rag Pickers, Mine Workers and Auto/Taxi Drivers.
68.	93	The present schemes such as AABY, JSBY, RSBY, JSY and IGMSY are run by different ministries and departments. To facilitate convergence among the various stakeholder Ministries/ Departments to evolve a comprehensive social security package.	Institute for Financial Management and Research (IFMR) has submitted their Report on existing schemes & their merger, evolving pricing pattern & suggesting implementation architecture and platform which has been forwarded to the concerned stakeholder Ministries and Departments for comments.
69.	94	To amend the SEBI Act to strengthen the regulator.	An Ordinance was promulgated on July 18, 2013 to amend Securities and Exchange Board of India (SEBI) Act, and related acts for powers to the capital markets regulator. The bill has been introduced in Lok Sabha on 12.08.2013.
70.	95	Following are the proposals relating to the capital market that have been finalized in consultation with SEBI:	
	■	SEBI, will now be free to register different classes of portfolio investors, subject to compliance with KYC guidelines.	Report of the K.M. Chandrasekhar Committee submitted on June 12, 2013. Follow up action is being taken.
	■	SEBI will simplify the procedures and prescribe uniform registration and other norms for entry of foreign portfolio investors. SEBI will converge the different KYC norms and adopt a risk-based approach to KYC to make it easier for foreign investors such as central banks, sovereign wealth funds, university funds, pension funds etc. to invest in India.	Necessary amendments to PMLA rules to implement risk based KYC are being finalized.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		■ In order to remove the ambiguity that prevails on what is Foreign Direct Investment (FDI) and what is Foreign Institutional Investment (FII), a broad principle will be laid down, where an investor has a stake of 10 percent or less in a company, it will be treated as FII and, where an investor has a stake of more than 10 percent, it will be treated as FDI. A committee will be constituted to examine the application of the principle and to work out the details expeditiously.	
		■ FIIs will be allowed to participate in the exchange traded currency derivative segment to the extent of their Indian rupee exposure in India.	RBI has informed the guidelines are ready. However, RBI is waiting for the normalcy to return in the forex market given the market volatility in rupee value.
		■ FIIs will also be permitted to use their investment in corporate bonds and Government securities as collateral to meet their margin requirements.	**Implemented**:- RBI and SEBI have issued the necessary circulars
		■ Angel investors bring both experience and capital to new ventures. SEBI will prescribe requirements for angel investor pools by which they can be recognized as Category I AIF venture capital funds.	**Announcement Implemented**:- Amendments to SEBI (Alternative Investment Funds) Regulations, 2012 effected on 25.06.2013.
		■ Small and medium enterprises, including start-up companies, will be permitted to list on the SME exchange without being required to make an initial public offer (IPO), but the issue will be restricted to informed investors. This will be in addition to the existing SME platform in which listing can be done through an IPO and with wider investor participation.	The proposal to amend the SEBI (ICDR) Regulations to permit listing of start-ups and SMEs in Institutional Trading Platforms (ITP) without having to make an IPO has been approved on 25.06.2013.
		■ With the object of developing the debt market, stock exchanges will be allowed to introduce a dedicated debt segment on the exchange. Banks and primary dealers will be the proprietary trading members. In order to create a complete market, insurance companies, provident	IRDA has agreed to allow insurance companies to trade directly in the debt segment subject to SEBI Regulations.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		funds and pension funds will be permitted to trade directly in the debt segment with the approval of the sectoral regulator.	
	■	Mutual fund distributors will be allowed to become members in the Mutual Fund segment of stock exchanges so that they can leverage the stock exchange network to improve their reach and distribution.	**Announcement Implemented**:- SEBI Board (Mutual Funds) (Third Amendment) Regulations, 2013 on 19.08.2013.
	■	The list of eligible securities in which Pension Funds and Provident Funds may invest will be enlarged to include exchange traded funds, debt mutual funds and asset backed securities.	The Report of the Expert Group on review of the investment pattern for provident funds etc. under the Chairmanship of Shri G.N.Bajpai is expected soon. On receipt of the Report, the proposal to revise the investment pattern for provident funds etc. would be finalized.
71.	96	To evolve a scheme to encourage cities and municipalities to take up waste-to-energy projects in PPP mode which would be neutral to different technologies and to support municipalities that will implement waste-to-energy projects through different instruments such as viability gap funding, repayable grant and low cost capital.	A draft scheme has been prepared by the Transaction Advisor. Discussions held to identify pilot project in Mumbai and Kerala.
72.	97	Government to provide low interest bearing funds from the National Clean Energy Fund (NCEF) to IREDA to on-lend to viable renewable energy projects. The scheme will have a life span of five years.	A scheme for accessing low cost funds from NCEF to operate a refinance scheme through IREDA has been formulated.
73.	98	To reintroduce 'generation-based incentive' for wind energy projects and to provide ₹800 crore to the Ministry of Non Renewable Energy for the purpose.	₹740 crore has been proposed in the RE for the wind power sector.
74.	99	The Backward Regions Grant Fund (BRGF) is a vital source of gap funding. Allocation of ₹11,500 crore in 2013-14 as well as another sum of ₹1,000 crore for LWE affected districts have been made. BRGF will include a State component for Bihar, the Bundelkand	The Budget provision of ₹11500 crore for BRGF for 2013-14 includes ₹6500 crore for the District Component and ₹5000 crore for State component which includes ₹2500 crore for special plan for Bihar, ₹250 crore for the special plan for KBK distt. of Odisha, ₹1250 crore for special plan for West Bengal and ₹1000 crore for Bundelkhand package.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		region, West Bengal, the KBK districts of Odisha and the 82 districts under the Integrated Action Plan.	The proposal for restructuring district Component of BRGF is under consideration of Planning Commission. The proposal for the scheme "ACA for LWE district" for 88 districts has been approved.
		A new criteria for determining backwardness to be evolved and to reflect them in future planning and devolution of funds.	A Committee for Evolving a Composite Development Index of States was appointed under the chairmanship of Dr. Raghuram Rajan former Chief Economic Adviser. The Committee submitted its Report, which is under examination.
75.	100	To achieve target of skilling 50 million people in the 12th Plan period:-	
	■	9 million will be given skill training in 2013-14. Funds will be released by the National Rural Livelihood Mission and the National Urban Livelihood Mission to be spent on skill development activities.	Appx. 3.40 lacs youths have been given training.
	■	5 percent of the Border Area Development Programme Fund will be used for skill Development.	Bordering State Govt. have been requested to include the schemes of capacity building /skill development employment generation upto an amount 5% in the Annual Action Plan allocation of BADP each year.
	■	10 percent of the Special Central Assistance to the Scheduled Caste sub plan and the Tribal sub plan, and some other funds will also be used for skill development.	All the states/ UTs have been informed to utilize at least 10% of Special Central Assistance to SC Sub-Plan for Skill Development Programme. Ministry of Tribal Affairs has approved an amount of ₹63.54 crore for skill development activities under Special Central Assistance to Tribal Sub Plan (SCA to TSP) against the total allocation of ₹ 1200 crore.
76.	101	To increase the allocation for Defence to ₹203,672 crore. This will include ₹86,741 crore for capital expenditure.	An expenditure of ₹1,23,138.48 crore has been incurred up to 31.10.2013. Projection for additional requirement of ₹ 13775.56 crore has already been made.
77.	103	To set apart ₹200 crore to fund organizations to scale up and make products of S&T innovations. The National Innovation Council to formulate a scheme for the management and application of the fund.	The modalities of implementation of ₹200 crore fund for S&T innovations for common man are in final stages.

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Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
78.	104	To make a grant of ₹100 crore each to following institutions of excellence:	
		■ Aligarh Muslim University, Aligarh campus ■ Banaras Hindu University, Varanasi	₹50 crore each for AMU & BHU has been released through UGC. Balance funds will be released after review of progress of work and utilization of funds.
		■ Tata Institute of Social Sciences, Guwahati campus	Funds to Tata Institute of Social Sciences, Guwahati campus will be met out from the UGC's grant for NER allocation.
		■ Indian National Trust for Art and Cultural Heritage (INTACH)	**Announcement Implemented**:- The grant of ₹100 crore has been released to INTACH as a corpus fund on 30.9.2013.
79.	105	To set up the National Institute of Sports Coaching at Patiala at a cost of ₹250 crore over a period of three years.	Draft detailed Project Report in respect of Netaji Subhash National Institute of Sports Coaching (NSNISC) has been received. It is also proposed to set up another institute viz. National Institute of Sports Sciences and Medicine. There are suggestions from some of the stakeholders to set up both the institute together. SAI Kandivil Complex, Mumbai is being evaluated as possible location for setting up of the two institutes together.
80.	106	To expand private FM radio services to another 294 cities, About 839 new FM radio channels will be auctioned in 2013-14 for cities having a population of more than 100,000.	An Independent External Monitor (IEM) to ensure probity and transparency in the entire tender process has been appointed as per CVC guidelines. Further approval of CVC is awaited for appointment of another IEM for this purpose. Suggestions recommended by IEM are being carried out.
81.	107	To continue with with Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA) ₹455 crore has been allocated to the Ministry of Panchayati Raj in 2013-14 for capacity building for panchayati raj institution. An additional amount of ₹200 crore will be provided.	All States/UTs have been requested to send their proposals of perspective plans and also Annual Plans 2013-14 for accessing financial assistance under the scheme.
82.	108	Under the modernization of the postal network with a total cost of ₹4,909 crore, a provision of ₹532 crore has been made for making Post offices part of the core banking solution and offer real time banking services.	M/s Infosys Ltd. has been engaged for the Financial Services System Integrator for implementing Core Banking Solutions and for installing ATM. The User Acceptance Testing Cycle-1 has been completed and User Acceptance Testing Cycle-2 is underway.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
83.	109	To mark the centenary of the Ghadar movement, the Government will fund the conversion of the Ghadar Memorial into a museum and library in San Francisco.	US$ 19500 has been sanctioned by the Government for the phase -I of the project. The plaque for renovation of the memorial is likely to be laid in mid December, 2013.
84.	110	Centrally Sponsored and Additional Central Assistance schemes will be restructured into 70 schemes which will be reviewed once in two years. Central funds for these schemes will be given to the States as part of central plan assistance.	The proposal of re-structuring of Centrally Sponsored Schemes (CSSs) to improve their efficiency has been approved. The approval has been conveyed to all Central Ministries and State Governments.
85.	112	Set up of Nirbhaya Fund with ₹1,000 crore of Government contribution.	A scheme 'SHUBH' with aim of preventing violence against women has been formulated with ₹486.05 crore for funding from 'NIRBHAYA' fund to be part of regular Schemes of WCD
86.	113	National Skill Development Corporation to set the curriculum and standards for training in different skills. Candidate, after training from any institutions, will be required to take a test conducted by authorised certification bodies. Successful candidates will be given a certificate as well as a monetary reward of an average of ₹10,000 per candidate. A provision of ₹1,000 crore for this ambitious scheme has been made.	National Skill Certification and Monetary Reward Scheme has been launched A budget provision of ₹1020 crore, including administrative expenses of ₹20 crore has been proposed to meet the targeted skilling of 1 lakh youth. The national Skill Qualification Framework (NSQF) has also been developed.
87.	114	To roll out the DBT scheme throughout the country.	Direct Benefit Transfer (DBT) is operational in 121 identified districts for 27 identified schemes.
88.	120	"Clarity in tax laws, a stable tax regime, a non-adversarial tax administration, a fair mechanism for dispute resolution, and an independent judiciary will provide great assurance" is the underlying theme of tax proposals, both on the direct taxes side and on the indirect taxes side.	**Announcement implemented**-Notifications and Circulars are issued.
89.	121	To set up a Tax Administration Reform Commission to review the application of tax policies and tax laws and submit periodic reports that can be implemented to strengthen the capacity of our tax system.	**Announcement implemented**- Setting up of Tax Administration Reform Commission to review the application of tax policies and tax laws has been Notified.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
90.	125	To provide a tax credit of ₹2,000 to every person who has a total income upto ₹5 lakh. 1.8 crore tax payers are expected to benefit to the value of ₹3,600 crore.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
91.	126	To impose a surcharge of 10 percent on persons whose taxable income exceeds ₹1 crore per year. This will apply to individuals, HUFs, firms and entities with similar tax status.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
92.	127	To increase the surcharge from 5 percent to 10 percent on domestic companies whose taxable income exceeds ₹10 crore per year and 2 percent to 5 percent for foreign companies, paying higher rate of corporate tax.	**Announcement implemented**- Action completed as the provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
93.	128	To increase the current surcharge of 5 percent to 10 percent.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
94.	132	To allow such home buyers an additional deduction of interest of ₹100,000 to be claimed in AY 2014-15. If the limit is not exhausted, the balance may be claimed in AY 2015-16. This deduction will be over and above the deduction of ₹150,000 allowed for self-occupied properties under section 24 of the Income-tax Act.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
95.	133	To relax the eligibility conditions of life insurance policies for persons suffering from disability or certain ailments by increasing the permissible premium rate from 10 percent to 15 percent of the sum assured in respect of policies issued on or after 1.4.2013.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
96.	134	Contributions made to the Central Government Health Scheme are eligible for deduction under section 80D of the Income-tax Act. The same benefit to be extended to similar schemes of the Central Government and State Governments.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
97.	135	Donations made to the National Children's Fund will now be eligible for 100 percent deduction.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
98.	136	To provide an investment allowance at the rate of 15 percent to a manufacturing company that invests more than ₹100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
99.	137	To extend the 'eligible date' for projects in the power sector to avail of the benefit under section 80-IA of the Income-tax Act, from 31.3.2013 to 31.3.2014.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
100.	138	To continue one more year for the concessional rate of tax of 15% on dividend received by an Indian company from its foreign subsidiary. Further, the Indian company shall not be liable to pay dividend distribution tax on the distribution to its shareholders of that portion of the income received from its foreign subsidiary.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
101.	139	With a view to attract investment in long term infrastructure bonds in foreign currency, the rate of tax on interest paid to non-resident investors was reduced last year from 20 percent to 5 percent. The same benefit to be extended to investment made through a designated bank account in rupee-denominated long term infrastructure bonds.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
102.	140	To exempt the Securitisation Trust from income tax. Tax shall be levied only at the time of distribution of income by the Securitisation Trust at the rate of 30 percent in the case of companies and at the rate of 25 percent in the case of an individual or HUF. No further tax will be levied on the income received by the investors from the Securitisation Trust.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
103.	141	Investor Protection Fund set up by a depository for the protection of interest of beneficial owners will be exempt from income tax.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
104.	142	To provide parity in taxation between an IDF-Mutual Fund that distributes income and an IDF-NBFC that pays interest, when the payment is made to a non-resident. The rate of tax on such distributed income or interest will be 5 percent.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
105.	143	Venture Capital Funds have been allowed pass through status under the Income-tax Act. The relevant regulations of SEBI have been replaced by Alternative Investment Fund Regulations. To extend, subject to certain conditions, pass through status to category I Alternative Investment Funds registered with SEBI as venture capital funds. Angel Investors who are recognised as category I AIF venture capital funds will also get pass through status.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
106.	144	To modify the Rajiv Gandhi Equity Saving Scheme.	**Announcement Implemented**:- The provisions of the Income Tax Act,1961 have been amended by the Finance Act, 2013.
107.	145	Transactions in immovable properties are usually undervalued and underreported. One-half of the transactions do not carry the PAN of the parties concerned. With a view to improve the reporting of such transactions and the taxation of capital gains, TDS at the rate of one percent on the value of the transfer of immovable property where the consideration exceeds ₹50 lakh will be applied. However, agricultural land will be exempt.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
108.	146	To levy a final withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
109.	147	To increase the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10 percent to 25 percent. The applicable	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		rate will be the rate of tax stipulated in the Double Tax Avoidance Agreements (DTAA).	
110.	148	Securities Transaction Tax (STT) has a stabilizing effect on transactions, although it adds to the transaction cost. Taking note of the changes and shifts in the market, the following reductions in the rates of tax to be made:	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.

Equity futures	from 0.017% to 0.01%
MF/ETF redemptions at fund counters	from 0.25% to 0.001%
MF/ETF purchase/ sale on exchanges	from 0.1% to 0.001% only on the seller

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
111.	149	To levy CTT on non-agricultural commodities futures contracts at the same rate as on equity futures, that is at 0.01 percent of the price of the trade. Trading in commodity derivatives will not be considered as a 'speculative transaction' and CTT shall be allowed as deduction if the income from such transaction forms part of business income. Agricultural commodities will be exempt.	**Announcement implemented**- Statutory amendments in the Income-tax Act, 1961 have been carried vide Finance Act, 2013, which also provides for levy of CTT.
112.	150	To bring the modified provisions of General Anti Avoidance Rules (GAAR) into effect from 1.4.2016.	**Announcement implemented**- The provisions of the Income-tax Act, 1961, have been amended by the Finance Act, 2013.
113.	151	Rules on Safe Harbour on the basis of Ranagachary Committee Report to be issued by 31.3.2013.	**Announcement implemented**- Safe harbor Rules have been notified vide notification no. 73/ 20139 [S.O. 2810 (E)] dated 18.9.2013.
114.	152	The fifth Large Tax payer Unit will be opened at Kolkata shortly.	**Announcement implemented**- The fifth Large Tax payer Unit has been operationalized at Kolkata w.e.f.28.10.2013.
115.	153	To expand the scope of annual information returns, extend e-payment facility through more banks, extend the refund banker system to refunds of more than ₹50,000, and make e-filing	**Announcement implemented**- The Finance Act, 2013 amended the Wealth Tax Act, 1957 for incorporating enabling provision for e-filing of Wealth Tax return.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		mandatory for more categories of assessees. The Income-tax department is rapidly moving towards technology-based processing as would be evident from the Central Processing Cell set up at Bengaluru and the Central Processing Cell-TDS inaugurated a few days ago at Vaishali, Ghaziabad.	Vide notification No.34 dated 1.5.2013, e-filing has been made mandatory for Income tax assesses having income of more than five lakh rupees.
116.	154	To bring amended version of the Direct Taxes Code (DTC) Bill like a new code based on the best international practices back to this House before the end of the Budget Session.	The recommendations of Standing Committee on finance on the Direct Taxes Code (DTC) have been examined by the government. The draft DTC Bill, 2013 has been placed before the Cabinet for approval.
117.	158	To extend the period of concession now available for specified parts of electric and hybrid vehicles upto 31.3.2015 to encourage manufacture of environment-friendly vehicles,	**Announcement implemented**- Clauses (g) and (h) of Proviso to notification No.12/2012-Customs, has been amended suitably to implement this decision. The period of concession has been extended up to 31.03.2015.
118.	159	To reduce the duty on specified machinery for manufacture of leather and leather goods, including footwear, from 7.5 percent to 5 percent.	**Announcement implemented**- Duty on specified machinery for manufacture of leather and leather goods, including footwear from 7.5 percent to 5 percent has been reduced vide S. No 390 (List 29) of notification No. 12/2012-Cus. dated 17.03.2012 as amended vide notification No.12/ 2013-Customs dated 01.03.2013.
119.	160	To reduce the duty on pre-forms of precious and semi-precious stones from 10 percent to 2 percent to encourage exports.	**Announcement implemented**- The duty on pre-forms of precious and semi-precious stones from 10 percent to 2 has been reduced vide S. No. 312A of Notification No. 12/2012-Customs dated 17-03-2012 as inserted vide notification No.12/2013 dated 01.03.2013.
120.	161	To withdraw the Export duty on de-oiled rice bran oil cake which has made our exports uncompetitive.	**Announcement implemented**- Export duty on de-oiled rice bran oil cake has been withdrawn vide S. No. 12 of notification No. 27/2011-Customs, dated 1st March 2011 vide notification No.15/2013-Customs, dated 01.03.2013.
121.	162	To impose a duty of 10 percent on export of unprocessed ilmenite and 5 percent on export of upgraded ilmenite.	**Announcement implemented**- Duty of 10 percent on export of unprocessed ilmenite and 5 per cent on export of upgraded ilmenite has been imposed by inserting S.No.24C and 24D in the Notification vide Notification No. 27/2011-Customs dated the 1st March 2013 vide notification No.15/ 2013-Customs, dated 01.03.2013.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
122.	163	To provide certain concessions to the MRO industry.	**Announcement implemented**- S. No. 448 of notification No.12/2012-Customs (Condition 73) dated 17-03-2012 has been amended suitably vide notification No.12/2013-Customs dated 01-03-2013 to provide certain concessions to the MRO industry.
123.	164	To increase the duty from 5 percent to 10 percen to encourage domestic production of set top boxes as well as value addition.	**Announcement implemented**- The duty on set top boxes has been increased from 5 per cent to 10 per cent by amending S.No. No. 411 of notification No.12/2012-Customs dated 17-03-2012 vide notification No.12/2013-Customs dated 1.3.2013.
124.	165	To increase the duty on raw silk from 5 percent to 15 percent to give a measure of protection to domestic sericulture.	**Announcement implemented**- Duty on raw silk from 5 per cent to 15 percent has been increased by amending S.No.No.276 of notification No.12/2012-Customs dated 17-03-2012 vide notification No.12/2013-Customs dated 01.03.2013.
125.	166	Steam coal is exempt from customs duty but attracts a concessional CVD of one percent. Bituminous coal attracts a duty of 5 percent and CVD of 6 percent. Since both kinds of coal are used in thermal power stations, there is rampant misclassification. Provision to equalise the duties on both kinds of coal and levy 2 percent customs duty and 2 percent CVD to be made.	**Announcement implemented**- S. Nos. 122 A, 123 and 124 of notification No. 12/2012-Customs dated 17-03-2012 as amended vide notification No.12/2013-Customs dated 01.03.2013 incorporates the changes as announced by the Finance Minister in its budget speech.
126.	167	To increase the duty on high-end motor vehicles from 75 percent to 100 percent; on motorcycles with engine capacity of 800cc or more from 60 percent to 75 percent; and on yachts and similar vessels from 10 percent to 25 percent.	**Announcement implemented**- S. Nos 437 & 443 of notification No. 12/2012-Customs dated 17-03-2012 as amended vide notification No.12/2013-Customs dated 01.03.2013 and clause 76 of the Finance Bill, 2013 incorporates the changes.
127.	168	To raise the duty-free limit to ₹50,000 in the case of a male passenger and ₹100,000 in the case of a female passenger, subject to the usual conditions.	**Announcement implemented**- Notification No 25/2013-Customs (NT), dated 1st March, 2013 contains these changes as announced by the Finance Minister in its budget speech.
128.	170	Provision for zero duty at the fibre stage also in the case of cotton and, in the case of spun yarn, a duty of 12 percent at the fibre stage to be made. The 'zero excise duty route' will be in addition to	**Announcement implemented**- S.No.16 of notification No. 30/2004-CE dated the 9th July, 2004 and S. No.7 of notification No. 7/2012-CE dated 17th March,2012, as amended vide notification No.8/2013-CE dated 01-03-2013 has

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		the CENVAT route now available.	been amended to incorporate these changes as announced by the Hon'ble Finance Minister in its budget speech.
129.	171	Total exemption of excise duty on handmade carpets and textile floor coverings of coir or jute.	**Announcement implemented**- Duty on handmade carpets and textile floor coverings of coir or jute from excise duty has been totally exempted by inserting S. No 173A of notification No. 12/2012-CE dated 17-3-2012 vide notification No.12/2013-CE dated 01.03.2013.
130.	172	Exemption of excise duty on ships and vessels. Consequently, there will be no CVD on imported ships and vessels.	**Announcement implemented**- Notification No. 12/2012-CE has suitably been amended vide notification No.12/2013-CE dated 1.3.2013 to exempt ships and vessels from excise duty. Consequently there will be no CVD on imported ships and vessels.
131.	173	To increase the specific excise duty on cigarettes by about 18 percent. Similar increases are proposed on cigars, cheroots and cigarillos.	**Announcement implemented**- Clause 92 of the Finance Bill, 2013 read with the Sixth Schedule may be referred to for details.
132.	174	To increase the excise duty on SUVs from 27 percent to 30 percent. The increase will not apply to SUVs registered as taxis.	**Announcement implemented**- Clause 92 of the Finance Bill, 2013 read with the Sixth Schedule incorporates this decision.
133.	175	To increase the excise duty on marble fixed in 1996 from ₹30 per sq. mtr to ₹ 60 per sq mtr.	**Announcement implemented**- S. No. 54 of notification No. 12/2012-CE dated 17-03-2012 as amended vide 12/2013-CE dated the 1st March 2013 increase the duty from 30 per sq. mtr. to 60 per sq. mtr.
134.	176	To levy 4 percent excise duty on silver manufactured from smelting zinc or lead, to bring the rate on par with the excise duty applicable to silver obtained from copper ores and concentrates.	**Announcement implemented**- S. No 191A of notification No. 12/2012-CE date 17-03-2013 as inserted vide notification No.12/2013-CE dated 1st March,2013 levy 4 per cent excise duty on silver manufactured from smelting zinc or lead, to bring the rate on par with the excise duty applicable to silver obtained from copper ores and concentrates.
135.	177	To raise the duty to 6 percent on mobile phones priced at more than ₹2000.	**Announcement implemented**- Notification No. 12/2013-CE, dated 1st March, 2013 (S. No. 263A) provides the details.
136.	178	To provide for MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy	**Announcement implemented**- Clause 91 of the Finance Bill 2013 read with the Fifth Schedule and notification No. 1/2013-C.E. (NT) dated 1st March,

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Status of Implementation
		and bio-chemic systems of medicine. There will be an abatement of 35 percent.	2013 contains the changes.
137.	179	Inclusion of two services in the negative list. They are vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agriculture and agricultural produce.	**Announcement implemented** - This announcement is part of the Finance Act,2013, which has come into effect upon enactment of the Finance Bill 2013 on the 10th May, 2013.
138.	180	To accept the request of Film Industry to limit the benefit of exemption to films exhibited in cinema halls.	**Announcement implemented**- Notification 3/ 2013-ST dated 1st March, 2013 issued already. The announcement came into effect from 1st April, 2013.
139.	181	To levy service tax on all air conditioned restaurants.	**Announcement implemented**- Notification 3/ 2013-ST dated 1st March, 2013 issued already. The announcement came into effect from 1st April, 2013.
140.	182	To reduce the rate of abatement for this class of buildings from 75 percent to 70 percent. Existing exemptions from service tax for low cost housing and single residential units will continue.	**Announcement implemented**- Notification 2/2013-ST dated 1st March, 2013 issued already. The announcement came into effect from 1st March, 2013.
141.	183	To introduce a one-time scheme called 'Voluntary Compliance Encouragement Scheme' to motivate registered assessees to file returns and pay the tax dues. A defaulter may avail of the scheme on condition that he files a truthful declaration of service tax dues since 1.10.2007 and makes the payment in one or two instalments before prescribed dates. In such a case, interest, penalty and other consequences will be waived.	**Announcement implemented** - The announcement is part of the Finance Bill, 2013(Chapter VI) which has come into effect upon enactment of the Finance Bill 2013 on the 10th May, 2013. The Service Tax Voluntary Compliance Encouragement Rules, 2013 has been issued to bring into effect the Scheme.
142.	186	Setting apart, in the Budget, a sum of ₹9,000 crore towards the first installment of the balance of CST compensation. The State Finance Ministers to realize the serious intent of the Government to introduce GST and come forward to work with the Government and bring about a transformational change in the tax structure of the country.	The Empowered Committee have been appraised about the budgetary allocation of ₹9000 crore.

Annex II

Annex continued

1. KEY INDICATORS

	Items	2011-12	2012-13	per cent change 2011-12	per cent change 2012-13	2012-13	2013-14	Period	per cent change 2012-13	per cent change 2013-14
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1a	GDP at factor cost at current prices- ₹ '000 crore	8353[1R]	9461[P]	15.0	13.3	4440	4943	Apr-Sep	13.9	11.3
1b	Implicit Price Deflator	159.3	171.8	8.2	7.9	169.5	180.4	Apr-Sep	8.2	6.4
1c	GDP at factor cost at 2004-05 prices- ₹ '000 crore	5244[1R]	5505[P]	6.2	5.0	2620	2740	Apr-Sep	5.3	4.6
2	Agriculture and allied sectors at 2004-05 prices - ₹ '000 crore	739[1R]	754[P]	3.6	1.9	318	330	Apr-Sep	2.3	3.6
3	Index of Industrial Production (IIP)	170.3	172.2	2.9	1.1	166.2	166.8[P]	Apr-Sept HI	0.1	0.3[P]
4	Electricity generated (in billion kwh)	876.9	912.1	8.1	4.0	455.7	482.0[P]	Apr-Sept HI	4.8	5.8[P]
5	Wholesale price index(point-to-point) 2004-05=100	156.1	167.6	8.9	7.4	165.7	175.2	Apr-Sep	7.7	5.7
6	Consumer price index(for industrial workers) 2001=100	195	215	8.4	10.4	210	233	Apr-Sep	9.9	10.7
7	Money Supply (M3) (₹ '000 crore) 1,2	7365	8382	13.2	13.8	7958	9082		13.1	14.1
8	Imports at current price 3 (in ₹ Crore)	23,45,463	26,69,161	39.3	13.8	12,92,491	13,61,615	Apr-Sep	17.3	5.4
	in US $ million)	4,89,319	4,90,737	32.3	0.3	2,36,494	2,31,584	Apr-Sep	-2.9	-2.1
9	Exports at current prices 3 (in ₹ Crore)	14,65,959	16,34,318	28.3	11.5	7,90,838	8,99,445	Apr-Sep	13.3	13.7
	in US $ million)	3,05,964	3,00,401	21.8	-1.8	1,44,674	1,51,841	Apr-Sep	-6.2	5.0
10	Foreign currency assets (in ₹ Crore)	13,33,954	14,18,339	8.8	6.3	13,74,066	15,68,148	Apr-Sep	1.7	14.1
	in US $ million)	2,60,742	2,60,775	-5.0	0.01	2,60,748	2,49,797	Apr-Sep	-5.6	-4.2
11	Exchange rate (₹/US $) 4&5	47.92	54.41	-4.9	-11.9	54.66	59.09	Apr-Sep	-17.3	-7.5

1R: 1st Revised Estimate; P : Provisional Data 1: Units only for columns 2,3,6 and 7; 2: Figures in column 2 and 3 are for end March of the respective financial year, however, WPI and CPI figures are FY average; 3: As per DGCI&S; 4 (+) indicates appreciation and (-) indicates depreciation of the Rupee vis-à-vis the US Dollar. 5. Yearly /Half yearly average exchange rate {average of buying & selling by Foreign Exchange Dealers Association of India (FEDAI)}. Exchange Rate from May 2012 onwards are RBI's reference rates.

Annex continued

2. MAJOR ITEMS OF INDIA'S BALANCE OF PAYMENTS DURING H1 OF 2012-13 AND 2013-14

(in US$ billion)

	Items	2011-12 (PR) Full Year	2012-13 (P) Full Year	2012-13 (PR) H1 (April-Sept.)	2013-14 (P) H1 (April-Sept.)
1.	Exports	309.8	306.6	147.6	155.2
2.	Imports	499.5	502.2	239.2	238.9
3.	**Trade Balance**	**-189.8**	**-195.7**	**-91.6**	**-83.8**
4.	Net Invisibles	111.6	107.5	53.4	56.8
5.	**Current Account Balance**	**-78.2**	**-88.2**	**-38.2**	**-27.0**
6.	External Assistance (Net)	2.3	1.0	0.1	0.1
7.	Commercial Borrowings (Net)	10.3	8.5	1.5	2.5
8.	FDI (Net)	22.1	19.8	12.0	13.4
9.	Portfolio (Net)	17.2	26.9	5.8	-6.8
10.	**Capital Account Balance**	**67.8**	**89.3**	**37.3**	**15.1**
11.	Errors & Omissions	-2.4	2.7	1.3	1.1
12.	Overall Balance	-12.8	3.8	0.4	-10.7
13.	Change in Reserves (- indicates increase; + indicates decrease) (on BoP Basis)	12.8	-3.8	-0.4	10.7
	Memo Items/Assumptions				
1.	Trade Balance/GDP (%)	-10.1	-10.6		
2.	Invisibles/GDP (%)	6.0	5.8		
3.	**Current Account Balance/GDP (%)**	**-4.2**	**-4.8**		
4.	**Net Capital Flows/GDP (%)**	**3.6**	**4.8**		

P: Preliminary, PR: Partially Revised

Source: Reserve Bank of India

Annex continued

3. MONETARY SURVEY

Items	Outstanding Balances				Per cent variation			
	2011-12a (₹ crore)	**2012-13a** (₹ crore)	**Nov 16, 2012** (₹ crore)	**Nov 15, 2013** (₹ crore)	**Full year** 2011-12	**Full year** 2012-13	**year-on-year** Nov 16, 2012	Nov 15, 2013
I. Broad Money	7364837	8382024	7973999	9074144	13.2	13.8	13.4	13.8
Components of Money Stock								
1) Currency with the public	1022650	1144743	1107759	1229317	12.2	11.9	13.4	11.0
2) Aggregate deposits with banks	6339365	7234041	6864895	7840978	13.4	14.1	13.4	14.2
3) Other deposits with Reserve Bank	2822	3240	1345	3849	-22.7	14.8	16.0	186.2
Sources of M3								
I. Net Bank Credit to Government (1+2)	2371694	2707207	2646519	3022364	19.5	14.1	19.0	14.2
1) RBI credit to Govt	535738	590578	577798	707688	-	-	-	-
2) Other Bank credit to Govt	1835956	2116629	2068721	2314676	15.7	15.3	14.5	11.9
II. Bank credit to Commercial Sector (1+2)	4958445	5664664	5276734	6030243	17.0	14.2	16.9	14.3
1) RBI credit to Commercial sector	3960	3058	4178	3820	83.0	-22.8	118.9	-8.6
2) Other Bank credit to Commercial sector	4954485	5661606	5272556	6026423	17.0	14.3	16.8	14.3
III. Net foreign exchange assets of the banking sector	1543780	1636659	1624982	1770442	10.8	6.0	2.2	9.0
IV. Govt's Net Currency Liability to the public	13444	15340	14524	16228	5.7	14.1	12.7	11.7
IV. Other items (net)	1522525	1641846	1588760	1765133	35.6	7.8	21.5	11.1
Memorandum items								
1. NDA	5821057	6745365	6349018	7303703	13.9	15.9	16.6	15.0
2. Reserve money (M0)	1426344	1514886	1478438	1616978	3.6	6.2	5.5	9.4

a: Figures are for End March of the respective financial year

Annex continued

Table 4: Trends in Growth Rates of Infrastructure Sectors and Universal Intermediaries

(Per cent)

	Industry	Weight	2010-11	2011-12	2012-13	April-September 2012-2013	April-September 2013-14
I.	**Core infrastructure industries**						
i	Electricity generation	10.3	5.6	8.1	4.0	4.8	5.4
ii	Coal	4.4	-0.2	1.3	3.7	9.4	2.3
iii	Steel	6.7	13.2	10.3	2.5	2.6	4.5
iv	Crude oil	5.2	11.9	1.0	-0.6	-0.8	-1.3
v	Refinery products	5.9	3.0	3.1	17.6	27.0	5.3
vi	Cement	2.4	4.5	6.7	8.0	9.1	4.5
vii	Natural Gas	1.7	10.0	-8.9	-14.5	-12.5	-16.5
viii	Fertilizers	1.3	0.0	0.4	-3.4	-5.6	2.5
	Overall index	**37.9**	**6.6**	**5.0**	**4.4**	**6.6**	**3.2**
II.	**Transport and Communications**						
1.	Cargo handled at major ports		1.6	-1.7	-2.6	-3.3	2.3
2.	Railway revenue earning freight traffic		3.8	5.2	4.1	4.8	6.2
3.	Civil Aviation						
a)	Export cargo handled		13.4	-2.2	0.3	-1.5	3.7
b)	Import cargo handled		20.6	-1.6	-10.1	-9.4	-7.1
c)	Passengers handled at International Terminals		11.5	7.6	5.4	2.6	12.0
d)	Passengers handled at Domestic Terminals		16.1	15.1	-4.2	-3.2	6.1
4.	Telecommunications						
a.	Mobile Phones		18.0	-52.7	0.0	0.0	0.0

Source: *(i). O/o the Economic Adviser, DIPP, Ministry of Commerce & Industry-For Core Infrastructure Industries.*

(ii). Ministry of Statistics & Programme Implementation - For Transport & Communications.

Annex continued

5. TAX REVENUE

(₹ in crore)

	DESCRIPTION	2013-2014 BE	2013-2014 ACTUALS upto 09/2013	2013-2014 %	2012-2013 BE	2012-2013 ACTUALS upto 09/2012	2012-2013 %
1	Corporation Tax	419520.00	153728.27	37%	373227.00	142965.05	38%
2	Taxes on Income	247639.00	99985.36	40%	195786.00	84611.46	43%
	(a) Taxes on Income other than Corporation Tax	240919.00	97772.51	41%	189866.00	82597.68	44%
	(b) Fringe Benefit Tax	0.00	2.71		0.00	-62.05	
	(c) Securities Transaction Tax	6720.00	2210.14	33%	5920.00	2075.83	35%
3	Wealth Tax	950.00	515.62	54%	1244.00	483.84	39%
4	Customs	187308.00	83027.12	44%	186694.00	78556.73	42%
5	Union Excise Duties	197553.95	61928.29	31%	194350.34	67423.60	35%
6	Service Tax	180141.00	57102.06	32%	124000.00	49102.88	40%
7	Other taxes	2758.13	1885.08	68%	2310.45	1752.44	76%
	(a) Direct Taxes	**...**	**11.51**	**...**	**...**	**11.90**	**...**
	(b) Indirect Taxes	**...**	**1873.57**	**...**	**...**	**1740.54**	**...**
	GROSS TAX REVENUE	**1235870.08**	**458171.80**	**37%**	**1077611.79**	**424896.00**	**39%**
	Of which netted against expenditure (Surcharge for financing National Calamity Contigency Fund)	4800.00	1872.00	39%	4620.00	1689.53	37%
	Balance Gross Tax Revenue	**1231070.08**	**456299.80**	**37%**	**1072991.79**	**423206.47**	**39%**
	Less *Assignment to States*	346991.76	148711.01	43%	301920.76	129394.64	43%
	NET TAX REVENUE	**884078.32**	**307588.79**	**35%**	**771071.03**	**293811.83**	**38%**

Annex continued

6. NON-TAX REVENUE

(₹ in crore)

DESCRIPTION	2013-2014			2012-2013		
	BE	ACTUALS upto 09/2013	%	BE	ACTUALS upto 09/2012	%
A. Interest receipts	32990.36	25089.67	76%	25230.69	16972.87	67%
Add Provisional Receipts on account of			0%			
(i) Railway		0.00	0%		0.00	
(ii) Telecom		0.00	0%		0.00	
Balance - Interest receipts	53475.55	25089.67	47%	44169.58	16972.87	38%
Less - *i) Receipts incidential to Market Borrowing taken in reduction of cost of borrowing*	14315.97	15648.88	109%	5010.00	9698.27	194%
ii) Waiver of Interest	910.00	910.00	100%	990.00	0.00	0%
Net Interest Receipts	**17764.39**	**8530.79**	**48%**	**19230.69**	**7274.60**	**38%**
B. Dividends and Profits	**73866.36**	**49158.04**	**67%**	**50152.55**	**27525.75**	**55%**
C. Non-Tax Revenue of U.T.s	**1165.91**	**580.64**	**50%**	**1135.78**	**515.02**	**45%**
D. Other Non-Tax Revenue						
Fiscal Services	87.82	72.70	83%	119.32	18.09	15%
Other General Services	25380.81	10320.04	41%	22988.94	8656.80	38%
Less: Other Receipts utilised to write-off loans etc.	1006.10	5.18	1%	1106.60	5.18	0%
Net - Other General Services	24374.71	10314.86	42%	21882.34	8651.62	40%
Social Services	2684.42	768.65	29%	1371.55	756.11	55%
Economic Services	77388.30	20946.94	27%	91147.49	18356.78	20%
Less - *(I) Other Receipts utilised to write-off loans*	4.50	4.26	95%	3.00	0.00	0%
Net Economic Services	77383.80	20942.68	27%	91144.49	18356.78	20%
Grants-in-Aid and Contributions	1456.13	544.59	37%	2887.20	254.31	9%
Total Other Non-Tax Revenue	**105986.88**	**32643.48**	**31%**	**117404.90**	**28036.91**	**24%**
Less : Commercial Departments	26531.16	8598.41	32%	23310.30	6276.25	27%
Net Other Non-Tax Revenue	**79455.72**	**24045.07**	**30%**	**94094.60**	**21760.66**	**23%**
Net Non-Tax Revenue (A+B+C+D)	**172252.38**	**82314.54**	**48%**	**164613.62**	**57076.03**	**35%**

Annex continued

7. CAPITAL RECEIPTS

(₹ in crore)

			2013-2014			2012-2013	
	DESCRIPTION	BE	ACTUALS upto 09/2013	%	BE	ACTUALS upto 09/2012	%
1	(a) Market Loans including Short term borrowings	503844.46	318239.62	63%	488000.00	331839.22	68%
	(b) Receipt under MSS (Net)	20000.00	0.00	0%	20000.00	0.00	0%
	(c) Treasury Bills(14 days)	0.00	-68372.94		0.00	-27549.47	
2	Securities against Small Savings	5797.52	-621.61	-11%	1197.52	-545.04	-46%
3	(i) External Loans						
	Gross Borrowings	27646.27	9706.61	35%	26047.94	7369.09	28%
	Less Repayments	17086.17	8893.80	52%	15899.74	8126.10	51%
	Net Borrowings	10560.10	812.81	8%	10148.20	-757.01	-7%
	(ii) Revolving Fund		13.27			-8.45	
	Non-Debt Capital Receipts (4&5)						
4	Recoveries of Loans and Advances						
	Gross Recoveries	22054.01	6561.17	30%	23095.20	5053.93	22%
	Less Recoveries of Ways & Means Advances and Loans to Govt. Servants	11400.01	981.84	9%	11445.00	198.75	2%
	Net Recoveries of Loans & Advances	10654.00	5579.33	52%	11650.20	4855.18	42%
5	Miscellaneous Capital Receipts	55814.00	1478.74	3%	30000.00	1371.82	5%
	(i) Disinvestment of Govt.'s Equity Holdings	40000.00	1478.74	4%	30000.00	1371.82	5%
	(ii) Issue of Bonus Shares	0.00	0.00		0.00	0.00	
	(iii) Other Misc. Receipts	15814.00	0.00	0%	0.00	0.00	
6	National Small Savings Fund	-7.63	28770.17	-377066%	5005.48	13593.00	272%
	(a) Small Savings, Public Provident Funds	14880.00	7392.46	50%	0.00	-1267.23	
	(b) Investment in Securities	3531.93	11570.90	328%	12122.24	11669.84	96%
	(c) Income & Expenditure of NSSF	-18419.56	9806.81	-53%	-7116.76	3190.39	-45%
7	State Provident Funds	10000.00	272.28	3%	12000.00	746.41	6%
8	Public Accounts (other than SPF& NSSF)	15387.60	-1210.51	-8%	313.57	-12853.00	
9	Other Internal Debt Receipts	-3083.43	52699.42	-1709%	-3074.32	-559.94	18%
10	Ways & Means Advances		0.00			0.00	
11	Investment (-)/disinvestment (+) of Surplus Cash		13978.00			14588.00	
12	Decrease in Cash Balance (Including difference between RBI & A/C)	0.00	67507.81		0.00	18410.14	
13	Cash held under MSS	-20000.00	0.00	0%	-20000.00	0.00	0%
	TOTAL	**608966.62**	**419146.39**	**69%**	**555240.65**	**343130.86**	**62%**

Annex continued

8. PLAN EXPENDITURE

(₹ in crore)

GRANT NO.	MINISTRY/ DEPARTMENT	2013-2014 BE	2013-2014 ACTUALS upto 09/2013	%	2012-2013 BE	2012-2013 ACTUALS upto 09/2012	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF AGRICULTURE		**27049.00**	**14278.59**	**53%**	**25338.00**	**12471.38**	**49%**
1	Department of Agriculture and Cooperation	21609.00	11587.78	54%	20208.00	9891.59	49%
2	Department of Agricultural Research and Education	3415.00	1697.39	50%	3220.00	1584.24	49%
3	Department of Animal Husbandry, Dairying and Fisheries	2025.00	993.42	49%	1910.00	995.55	52%
DEPARTMENT OF ATOMIC ENERGY		**5880.00**	**2039.18**	**35%**	**5600.00**	**872.64**	**16%**
4	Atomic Energy	5163.86	1912.12	37%	4601.73	867.19	19%
5	Nuclear Power Schemes	716.14	127.06	18%	998.27	5.45	1%
MINISTRY OF CHEMICALS AND FERTILISERS		**1657.00**	**1066.71**	**64%**	**2201.00**	**1595.97**	**73%**
6	Department of Chemicals and Petro-Chemicals	1200.00	1049.32	87%	1757.00	1577.39	90%
7	Department of Fertilisers	269.00	1.03	0%	256.00	0.83	0%
8	Department of Pharmaceuticals	188.00	16.36	9%	188.00	17.75	9%
MINISTRY OF CIVIL AVIATION		**5200.00**	**5035.59**	**97%**	**4500.00**	**3718.58**	**83%**
9	Ministry of Civil Aviation	5200.00	5035.59	97%	4500.00	3718.58	83%
MINISTRY OF COAL		**450.00**	**395.29**	**88%**	**450.00**	**135.93**	**30%**
10	Ministry of Coal	450.00	395.29	88%	450.00	135.93	30%
MINISTRY OF COMMERCE AND INDUSTRY		**3727.00**	**1604.01**	**43%**	**3465.00**	**1758.15**	**51%**
11	Department of Commerce	2226.00	1180.36	53%	2100.00	1002.13	48%
12	Department of Industrial Policy & Promotion	1501.00	423.65	28%	1365.00	756.02	55%
MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY		**9600.00**	**3343.58**	**35%**	**8600.00**	**3131.42**	**36%**
13	Department of Posts	800.00	98.22	12%	800.00	49.61	6%
14	Department of Telecommunications	5800.00	1953.81	34%	4800.00	2265.66	47%
15	Department of Information Technology	3000.00	1291.55	43%	3000.00	816.15	27%
MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION		**500.00**	**200.17**	**40%**	**367.00**	**16.31**	**4%**
16	Department of Consumer Affairs	241.00	77.71	32%	241.00	13.66	6%
17	Department of Food and Public Distibution	259.00	122.46	47%	126.00	2.65	2%
MINISTRY OF CORPORATE AFFAIRS		**34.00**	**8.14**	**24%**	**32.00**	**2.00**	**6%**
18	Ministry of Corporate Affairs	34.00	8.14	24%	32.00	2.00	6%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF CULTURE		**1435.00**	**798.40**	**56%**	**864.00**	**441.55**	**51%**
19	Ministry of Culture	1435.00	798.40	56%	864.00	441.55	51%
MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION		**2006.00**	**960.85**	**48%**	**1905.00**	**805.95**	**42%**
28	Ministry of Development of North Eastern Region	2006.00	960.85	48%	1905.00	805.95	42%
DEPARTMENT OF DRINKING WATER AND SANITATION		**15260.00**	**4942.64**	**32%**	**14000.00**	**5667.56**	**40%**
29	Department of Drinking Water Supply	15260.00	4942.64	32%	14000.00	5667.56	40%
MINISTRY OF EARTH SCIENCES		**1281.00**	**528.12**	**41%**	**1281.00**	**451.36**	**35%**
30	Ministry of Earth Sciences	1281.00	528.12	41%	1281.00	451.36	35%
MINISTRY OF ENVIRONMENT AND FORESTS		**2430.00**	**907.06**	**37%**	**2430.00**	**760.00**	**31%**
31	Ministry of Environment and Forests	2430.00	907.06	37%	2430.00	760.00	31%
MINISTRY OF EXTERNAL AFFAIRS		**3000.00**	**1669.10**	**56%**	**1500.00**	**1052.24**	**70%**
32	Ministry of External Affairs	3000.00	1669.10	56%	1500.00	1052.24	70%
MINISTRY OF FINANCE		**123089.00**	**38658.36**	**31%**	**119675.00**	**32069.90**	**27%**
33	Department of Economic Affairs	4040.00	1198.11	30%	4040.00	643.96	16%
34	Department of Financial Services	16088.00	1827.99	11%	16088.00	1300.00	8%
36	Transfers to State and UT Governments	102957.00	35631.26	35%	99543.00	30124.94	30%
39	Department of Expenditure	4.00	1.00	25%	4.00	1.00	25%
MINISTRY OF FOOD PROCESSING INDUSTRIES		**708.00**	**366.05**	**52%**	**660.00**	**424.90**	**64%**
46	Ministry of Food Processing Industries	708.00	366.05	52%	660.00	424.90	64%
MINISTRY OF HEALTH AND FAMILY WELFARE		**32745.00**	**15593.75**	**48%**	**30477.00**	**14042.29**	**46%**
47	Department of Health and Family Welfare	29165.00	14078.61	48%	27127.00	12643.95	47%
48	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy (Ayush)	1069.00	347.48	33%	990.00	294.58	30%
49	Department of Health Research	726.00	395.63	54%	660.00	291.23	44%
50	Department of Aids Control	1785.00	772.03	43%	1700.00	812.53	48%
MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		**595.00**	**443.11**	**74%**	**566.00**	**345.85**	**61%**
51	Department of Heavy Industry	585.00	439.56	75%	553.00	342.65	62%
52	Department of Public Enterprises	10.00	3.55	36%	13.00	3.20	25%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF HOME AFFAIRS		**12247.79**	**3701.03**	**30%**	**12140.89**	**3507.35**	**29%**
53	Ministry of Home Affairs	1360.98	96.31	7%	2139.01	671.11	31%
55	Police	8661.02	2795.12	32%	8045.99	2064.43	26%
56	Other Expenditure of the Ministry of Home Affairs	478.00	224.77	47%	315.00	95.73	30%
57	Transfers to UT Govts.	1747.79	584.83	33%	1640.89	676.08	41%
MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION		**1460.00**	**512.29**	**35%**	**1155.00**	**389.50**	**34%**
58	Ministry of Housing and Urban Poverty Alleviation	1460.00	512.29	35%	1155.00	389.50	34%
MINISTRY OF HUMAN RESOURCE DEVELOPMENT		**65857.00**	**32621.95**	**50%**	**61407.00**	**33007.67**	**54%**
59	Department of School Education and Literacy						
	Gross	74088.00	26185.03	35%	10996.00	26545.49	241%
	Less : Expenditure met from 'Prarambik Shiksha Kosh'	24429.00	0.00	0%	21670.00	0.00	0%
	National Investment Fund	0.00	0.00		131.25	0.00	0%
	Net	49659.00	26185.03	53%	45969.00	26545.49	58%
60	Department of Higher Education	16198.00	6436.92	40%	15438.00	6462.18	42%
MINISTRY OF INFORMATION AND BROADCASTING		**905.00**	**441.45**	**49%**	**905.00**	**313.59**	**35%**
61	Ministry of Information and Broadcasting	905.00	441.45	49%	905.00	313.59	35%
MINISTRY OF LABOUR AND EMPLOYMENT		**2446.10**	**772.36**	**32%**	**2403.88**	**904.33**	**38%**
62	Ministry of Labour and Employment	2446.10	772.36	32%	2403.88	904.33	38%
MINISTRY OF LAW AND JUSTICE		**1103.00**	**644.45**	**58%**	**1050.00**	**500.51**	**48%**
64	Law and Justice	1103.00	644.45	58%	1050.00	500.51	48%
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES		**2977.00**	**1323.66**	**44%**	**2835.00**	**960.91**	**34%**
66	Ministry of Micro, Small and Medium Enterprises	2977.00	1323.66	44%	2835.00	960.91	34%
MINISTRY OF MINES		**454.00**	**406.87**	**90%**	**232.00**	**121.57**	**52%**
67	Ministry of Mines	454.00	406.87	90%	232.00	121.57	52%
MINISTRY OF MINORITY AFFAIRS		**3511.00**	**1162.54**	**33%**	**3135.00**	**539.92**	**17%**
68	Ministry of Minority Affairs	3511.00	1162.54	33%	3135.00	539.92	17%
MINISTRY OF NEW AND RENEWABLE ENERGY		**1519.00**	**787.62**	**52%**	**1383.00**	**650.26**	**47%**
69	Ministry of New and Renewable Energy	1519.00	787.62	52%	1383.00	650.26	47%
MINISTRY OF PANCHAYATI RAJ		**7000.00**	**1279.19**	**18%**	**5350.00**	**1173.10**	**22%**
71	Ministry of Panchayati Raj	7000.00	1279.19	18%	5350.00	1173.10	22%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS		**279.00**	**96.13**	**34%**	**279.00**	**69.48**	**25%**
73	Ministry of Personnel, Public Grievances and Pensions	279.00	96.13	34%	279.00	69.48	25%
MINISTRY OF PETROLEUM AND NATURAL GAS		**43.00**	**0.00**	**0%**	**43.00**	**0.00**	**0%**
74	Ministry of Petroleum and Natural Gas	43.00	0.00	0%	43.00	0.00	0%
MINISTRY OF PLANNING		**8000.00**	**711.56**	**9%**	**2100.00**	**588.71**	**28%**
75	Ministry of Planning	8000.00	711.56	9%	2100.00	588.71	28%
MINISTRY OF POWER		**9642.00**	**2589.18**	**27%**	**9642.00**	**1492.94**	**15%**
76	Ministry of Power	9642.00	2589.18	27%	9642.00	1492.94	15%
MINISTRY OF ROAD TRANSPORT AND HIGHWAYS		**25859.91**	**11347.91**	**44%**	**25359.91**	**10964.05**	**43%**
82	Ministry of Road Transport and Highways						
	Gross	43284.10	19389.79	45%	41567.51	13439.79	32%
	Less : Less Expenditure met from						
	(a) 'Central Road Fund'	12504.19	5629.90	45%	12503.57	2452.94	20%
	(b) National Highways Permanent Bridges Fees Fund	4920.00	2411.98	49%	3704.03	22.80	1%
	Net	25859.91	11347.91	44%	25359.91	10964.05	43%
MINISTRY OF RURAL DEVELOPMENT		**80194.00**	**39430.54**	**49%**	**76376.00**	**29403.62**	**38%**
83	Department of Rural Development						
	Gross	113256.20	37695.13	33%	129876.20	31915.23	25%
	Less : Expenditure met from						
	(a) ''National Rural Employment Guarantee Fund"	33000.00	0.00	0%	50874.00	84.93	0%
	(b) 'Central Road Fund'	5827.20	0.00	0%	5827.20	4434.12	76%
	Net	74429.00	37695.13	51%	73175.00	27396.18	37%
84	Department of Land Resources	5765.00	1735.41	30%	3201.00	2007.44	63%
MINISTRY OF SCIENCE AND TECHNOLOGY		**6275.00**	**3473.26**	**55%**	**5975.00**	**3004.17**	**50%**
85	Department of Science and Technology	2777.00	1768.91	64%	2477.00	1336.21	54%
86	Department of Scientific and Industrial Research	2013.00	903.52	45%	2013.00	901.82	45%
87	Department of Bio-Technology	1485.00	800.83	54%	1485.00	766.14	52%
MINISTRY OF SHIPPING		**846.00**	**165.49**	**20%**	**812.00**	**164.11**	**20%**
88	Ministry of Shipping	846.00	165.49	20%	812.00	164.11	20%
MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT		**6625.00**	**1105.84**	**17%**	**5915.00**	**1836.14**	**31%**
89	Ministry of Social Justice & Empowerment	6625.00	1105.84	17%	5915.00	1836.14	31%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
DEPARTMENT OF SPACE		**5615.00**	**2018.37**	**36%**	**5615.00**	**1271.44**	**23%**
90	Department of Space	5615.00	2018.37	36%	5615.00	1271.44	23%
MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION		**4586.00**	**2127.47**	**46%**	**4586.00**	**1615.28**	**35%**
91	Ministry of Statistics and Programme Implementation	4586.00	2127.47	46%	4586.00	1615.28	35%
MINISTRY OF STEEL		**46.00**	**0.00**	**0%**	**46.00**	**10.47**	**23%**
92	Ministry of Steel	46.00	0.00	0%	46.00	10.47	23%
MINISTRY OF TEXTILES		**4631.00**	**1869.83**	**40%**	**7000.00**	**1554.77**	**22%**
93	Ministry of Textiles	4631.00	1869.83	40%	7000.00	1554.77	22%
MINISTRY OF TOURISM		**1282.00**	**530.93**	**41%**	**1210.00**	**432.96**	**36%**
94	Ministry of Tourism	1282.00	530.93	41%	1210.00	432.96	36%
MINISTRY OF TRIBAL AFFAIRS		**4279.00**	**2140.98**	**50%**	**4090.00**	**2172.89**	**53%**
95	Ministry of Tribal Affairs	4279.00	2140.98	50%	4090.00	2172.89	53%
U.T.s WITHOUT LEGISLATURE		**4483.30**	**1958.45**	**44%**	**4015.20**	**1294.47**	**32%**
96	Andaman & Nicobar Islands	1862.49	856.83	46%	1701.43	575.51	34%
97	Chandigarh	876.05	203.99	23%	737.23	172.10	23%
98	Dadra & Nagar Haveli	672.38	425.31	63%	607.68	317.02	52%
99	Daman & Diu	630.05	318.69	51%	568.25	137.84	24%
100	Lakshadweep	442.33	153.63	35%	400.61	92.00	23%
MINISTRY OF URBAN DEVELOPMENT		**7566.90**	**3042.78**	**40%**	**7012.12**	**2407.01**	**34%**
101	Department of Urban Development	7312.50	2978.46	41%	6783.25	2331.18	34%
102	Public Works	254.40	64.32	25%	228.87	75.83	33%
MINISTRY OF WATER RESOURCES		**1500.00**	**281.94**	**19%**	**1500.00**	**281.96**	**19%**
104	Ministry of Water Resources	1500.00	281.94	19%	1500.00	281.96	19%
MINISTRY OF WOMEN AND CHILD DEVELOPMENT		**20350.00**	**13155.62**	**65%**	**18500.00**	**9777.78**	**53%**
105	Ministry of Women and Child Development	20350.00	13155.62	65%	18500.00	9777.78	53%
MINISTRY OF YOUTH AFFAIRS & SPORTS		**1093.00**	**577.60**	**53%**	**1041.00**	**564.81**	**54%**
106	Ministry of Youth Affairs and Sports	1093.00	577.60	53%	1041.00	564.81	54%
RAILWAYS		**26000.00**	**13000.00**	**50%**	**24000.00**	**12000.00**	**50%**
	Ministry of Railways	26000.00	13000.00	50%	24000.00	12000.00	50%
GRAND TOTAL		**555322.00**	**236115.99**	**43%**	**521025.00**	**202739.75**	**39%**

Annex continued

9. NON-PLAN EXPENDITURE

(₹ in crore)

GRANT NO.	MINISTRY/ DEPARTMENT	2013-2014 BE	2013-2014 ACTUALS upto 09/2013	2013-2014 %	2012-2013 BE	2012-2013 ACTUALS upto 09/2012	2012-2013 %
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF AGRICULTURE		**2723.83**	**1522.65**	**56%**	**2593.59**	**1413.60**	**55%**
1	Department of Agriculture and Cooperation	324.50	114.38	35%	322.22	102.77	32%
2	Department of Agricultural Research and Education	2314.17	1346.87	58%	2172.00	1256.75	58%
3	Department of Animal Husbandry, Dairying and Fisheries	85.16	61.40	72%	99.37	54.08	54%
DEPARTMENT OF ATOMIC ENERGY		**3953.32**	**2573.43**	**65%**	**3632.00**	**2939.83**	**81%**
4	Atomic Energy	3285.78	2288.94	70%	3049.00	2130.10	70%
5	Nuclear Power Schemes	667.54	284.49	43%	583.00	809.73	139%
MINISTRY OF CHEMICALS AND FERTILISERS		**66183.34**	**45737.04**	**69%**	**61088.71**	**45002.40**	**74%**
6	Department of Chemicals and Petro-Chemicals	143.01	26.33	18%	45.62	34.34	75%
7	Department of Fertilisers	66000.00	45691.09	69%	61000.00	44947.61	74%
8	Department of Pharmaceuticals	40.33	19.62	49%	43.09	20.45	47%
MINISTRY OF CIVIL AVIATION		**682.18**	**224.10**	**33%**	**738.80**	**47.27**	**6%**
9	Ministry of Civil Aviation	682.18	224.10	33%	738.80	47.27	6%
MINISTRY OF COAL		**47.70**	**29.70**	**62%**	**48.35**	**12.61**	**26%**
10	Ministry of Coal	47.70	29.70	62%	48.35	12.61	26%
MINISTRY OF COMMERCE AND INDUSTRY		**3380.29**	**2170.48**	**64%**	**3125.25**	**2030.47**	**65%**
11	Department of Commerce	3165.00	2056.33	65%	2923.00	1937.99	66%
12	Department of Industrial Policy and Promotion	215.29	114.15	53%	202.25	92.48	46%
MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY		**12682.23**	**8717.27**	**69%**	**11082.16**	**8200.59**	**74%**
13	Department of Posts	6727.09	5798.25	86%	5737.12	5454.89	95%
14	Department of Telecommunications	5903.14	2886.45	49%	5294.04	2716.97	51%
15	Department of Information Technology	52.00	32.57	63%	51.00	28.73	56%
MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION		**91091.45**	**68962.61**	**76%**	**76502.45**	**67766.50**	**89%**
16	Department of Consumer Affairs	315.90	169.72	54%	361.29	233.26	65%
17	Department of Food & Public Distribution	90775.55	68792.89	76%	76141.16	67533.24	89%
MINISTRY OF CORPORATE AFFAIRS		**221.28**	**107.83**	**49%**	**213.50**	**98.98**	**46%**
18	Ministry of Corporate Affairs	221.28	107.83	49%	213.50	98.98	46%
MINISTRY OF CULTURE		**627.00**	**360.85**	**58%**	**583.00**	**339.26**	**58%**
19	Ministry of Culture	627.00	360.85	58%	583.00	339.26	58%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF DEFENCE		**253345.91**	**126482.06**	**50%**	**238205.53**	**104938.64**	**44%**
20	Ministry of Defence	5173.79	2082.56	40%	5798.24	3750.87	65%
21	Defence Pensions	44500.00	20423.69	46%	39000.00	16263.15	42%
DEFENCE SERVICES		**203672.12**	**103975.81**	**51%**	**193407.29**	**84924.62**	**44%**
22	Defence Services-Army	81833.93	43463.22	53%	78114.36	38935.31	50%
23	Defence Services-Navy	12194.43	5664.01	46%	12548.02	5812.31	46%
24	Defence Services-Air Force	18295.10	8880.32	49%	17705.81	7874.19	44%
25	Defence Ordnance Factories	-944.62	3238.90	-343%	-535.09	2415.58	-451%
26	Defence Services - Research and Development	5552.57	2443.37	44%	5995.56	2277.12	38%
27	Capital Outlay on Defence Services	86740.71	40285.99	46%	79578.63	27610.11	35%
MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION		**24.97**	**15.13**	**61%**	**24.33**	**15.09**	**62%**
28	Ministry of Development of North Eastern Region	24.97	15.13	61%	24.33	15.09	62%
MINISTRY OF DRINING WATER		**5.70**	**3.62**	**64%**	**5.24**	**2.94**	**56%**
29	Department of Drinking Water Supply	5.70	3.62	64%	5.24	2.94	56%
MINISTRY OF EARTH SCIENCES		**409.00**	**203.71**	**50%**	**387.00**	**205.70**	**53%**
29	Ministry of Earth Sciences	409.00	203.71	50%	387.00	205.70	53%
MINISTRY OF ENVIRONMENT AND FORESTS		**200.20**	**103.54**	**52%**	**199.41**	**110.14**	**55%**
30	Ministry of Environment and Forests	200.20	103.54	52%	199.41	110.14	55%
MINISTRY OF EXTERNAL AFFAIRS		**8719.00**	**4413.05**	**51%**	**8161.97**	**3849.45**	**47%**
31	Ministry of External Affairs	8719.00	4413.05	51%	8161.97	3849.45	47%
MINISTRY OF FINANCE		**507116.86**	**205840.01**	**41%**	**435380.00**	**171212.84**	**39%**
32	Department of Economic Affairs	25837.38	1433.93	6%	19125.01	5587.31	29%
33	Department of Financial Services	7281.39	4598.60	63%	8349.23	3280.31	39%
34	Interest Payments	370684.49	160027.04	43%	319759.43	131164.75	41%
35	Transfers to State and UT Governments	62459.40	23293.36	37%	58682.46	17269.49	29%
36	Loans to Govt. Servants etc.	-175.00	-111.68	64%	-195.00	-119.42	61%
37	Repayment of Debt	0.00	0.00		0.00	0.00	
38	Department of Expenditure	136.12	62.69	46%	131.25	46.03	35%
39	Pensions	20049.00	10767.35	54%	18800.00	8970.99	48%
40	Indian Audit and Accounts Department	2623.87	1476.85	56%	2415.70	1291.82	53%
41	Department of Revenue	9818.08	132.08	1%	769.64	161.29	21%
42	Direct Taxes	4359.89	2172.12	50%	3878.46	1698.80	44%
43	Indirect Taxes	3979.00	1977.44	50%	3600.58	1851.28	51%
44	Department of Disinvestment	63.24	10.23	16%	63.24	10.19	16%
MINISTRY OF FOOD PROCESSING INDUSTRIES		**11.11**	**6.35**	**57%**	**10.54**	**5.01**	**48%**
45	Ministry of Food Processing Industries	11.11	6.35	57%	10.54	5.01	48%
MINISTRY OF HEALTH AND FAMILY WELFARE		**4585.00**	**2422.74**	**53%**	**4011.00**	**2687.32**	**67%**
46	Department of Health and Family Welfare	4113.00	2151.84	52%	3575.00	2481.57	69%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
47	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy (Ayush)	190.00	66.93	35%	188.00	117.90	63%
48	Department of Health Research	282.00	203.97	72%	248.00	87.85	35%
	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES	**453.36**	**232.73**	**51%**	**465.60**	**200.08**	**43%**
50	Department of Heavy Industry	443.97	228.26	51%	456.67	195.92	43%
51	Department of Public Enterprises	9.39	4.47	48%	8.93	4.16	47%
	MINISTRY OF HOME AFFAIRS	**46993.84**	**26046.05**	**55%**	**42308.10**	**23016.83**	**54%**
52	Ministry of Home Affairs	812.88	408.46	50%	835.69	461.49	55%
53	Cabinet	403.00	109.83	27%	741.87	465.22	63%
54	Police	43603.79	24479.71	56%	38586.26	21165.06	55%
55	Other Expenditure of the Ministry of Home Affairs	1587.17	804.30	51%	1558.28	632.56	41%
56	Transfers to UT Govts.	587.00	243.75	42%	586.00	292.50	50%
	MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION	**8.02**	**4.52**	**56%**	**8.00**	**3.63**	**45%**
57	Ministry of Housing and Urban Poverty Alleviation	8.02	4.52	56%	8.00	3.63	45%
	MINSTRY OF HUMAN RESOURCE DEVELOPMENT	**13594.00**	**7134.86**	**52%**	**12649.00**	**5024.18**	**40%**
58	Department of School Education and Literacy	3042.00	1575.60	52%	2812.00	1339.93	48%
59	Department of Secondary Education and Higher Education	10552.00	5559.26	53%	9837.00	3684.25	37%
	MINISTRY OF INFORMATION AND BROADCASTING	**2130.65**	**1502.77**	**71%**	**1832.32**	**919.65**	**50%**
60	Ministry of Information and Broadcasting	2130.65	1502.77	71%	1832.32	919.65	50%
	MINISTRY OF LABOUR AND EMPLOYMENT	**2635.10**	**2204.62**	**84%**	**1929.80**	**1735.02**	**90%**
61	Ministry of Labour and employment	2635.10	2204.62	84%	1929.80	1735.02	90%
	MINISTRY OF LAW AND JUSTICE	**910.38**	**528.87**	**58%**	**669.54**	**252.54**	**38%**
62	Election Commission	68.50	32.22	47%	72.17	20.73	29%
63	Law and Justice	712.47	424.81	60%	485.62	167.67	35%
64	Supreme Court of India	129.41	71.84	56%	111.75	64.14	57%
	MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES	**312.71**	**151.12**	**48%**	**320.66**	**152.30**	**47%**
65	Ministry of Micro, Small and Medium Enterprises	312.71	151.12	48%	320.66	152.30	47%
	MINISTRY OF MINES	**537.08**	**275.86**	**51%**	**466.44**	**276.08**	**59%**
66	Ministry of Mines	537.08	275.86	51%	466.44	276.08	59%
	MINISTRY OF MINORITY AFFAIRS	**19.98**	**9.22**	**46%**	**19.70**	**7.03**	**36%**
67	Ministry of Minority Affairs	19.98	9.22	46%	19.70	7.03	36%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF NEW AND RENEWABLE ENERGY		**14.55**	**6.76**	**46%**	**14.79**	**7.52**	**51%**
68	Ministry of New and Renewable Energy	14.55	6.76	46%	14.79	7.52	51%
MINISTRY OF OVERSEAS INDIANS AFFAIRS		**115.79**	**36.55**	**32%**	**114.77**	**25.81**	**22%**
69	Ministry of Overseas Indians Affairs	115.79	36.55	32%	114.77	25.81	22%
MINISTRY OF PANCHAYATI RAJ		**0.70**	**0.30**	**43%**	**0.74**	**0.28**	**38%**
70	Ministry of Panchayati Raj	0.70	0.30	43%	0.74	0.28	38%
MINISTRY OF PARLIAMENTARY AFFAIRS		**13.28**	**5.75**	**43%**	**11.72**	**5.16**	**44%**
71	Ministry of Parliamentary Affairs	13.28	5.75	43%	11.72	5.16	44%
MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS		**740.94**	**388.99**	**52%**	**615.67**	**339.35**	**55%**
72	Ministry of Personnel, Public Grievances and Pensions	740.94	388.99	52%	615.67	339.35	55%
MINISTRY OF PETROLEUM AND NATURAL GAS		**65145.41**	**54286.88**	**83%**	**43716.85**	**39935.74**	**91%**
73	Ministry of Petroleum and Natural Gas	65145.41	54286.88	83%	43716.85	39935.74	91%
MINISTRY OF PLANNING		**81.51**	**42.75**	**52%**	**77.03**	**40.76**	**53%**
74	Ministry of Planning	81.51	42.75	52%	77.03	40.76	53%
MINISTRY OF POWER		**431.07**	**593.53**	**138%**	**-122.89**	**56.71**	**-46%**
75	Ministry of Power	431.07	593.53	138%	-122.89	56.71	-46%
THE PRESIDENT, PARLIAMENT, UNION PUBLIC SERVICE COMMISSION AND THE SECRETARIAT OF THE VICE-PRESIDENT		**1033.53**	**498.47**	**48%**	**902.98**	**453.38**	**50%**
76	Staff, Household and Allowances of the President	34.54	19.59	57%	30.24	15.51	51%
77	Lok Sabha	535.98	246.71	46%	435.00	230.75	53%
78	Rajya Sabha	301.34	139.30	46%	284.05	135.33	48%
79	UPSC	157.92	91.16	58%	150.57	70.12	47%
80	Secretariat of the Vice-President	3.75	1.71	46%	3.12	1.67	54%
Department of Road Transport and Highways		**5442.23**	**1527.79**	**28%**	**5438.21**	**1272.57**	**23%**
81	Department of Road Transport and Highways	5442.23	1527.79	28%	5438.21	1272.57	23%
DEPARTMENT OF RURAL DEVELOPMENT		**56.50**	**27.26**	**48%**	**54.02**	**29.96**	**55%**
82	Department of Rural Development	48.65	22.74	47%	46.82	25.91	55%
83	Department of Land Resources	7.85	4.52	58%	7.20	4.05	56%
MINISTRY OF SCIENCE AND TECHNOLOGY		**1982.33**	**1005.28**	**51%**	**1882.61**	**955.82**	**51%**
85	Department of Science and Technology	407.27	217.65	53%	396.22	212.23	54%
86	Department of Scientific and Industrial Research	1558.00	778.42	50%	1471.00	734.76	50%
87	Department of Biotechnology	17.06	9.21	54%	15.39	8.83	57%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS		**866.67**	**467.45**	**54%**	**867.49**	**188.06**	**22%**
88	Department of Shipping	866.67	467.45	54%	867.49	188.06	22%
MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT		**100.32**	**59.78**	**60%**	**93.30**	**48.91**	**52%**
89	Ministry of Social Justice & Empowerment	100.32	59.78	60%	93.30	48.91	52%
DEPARTMENT OF SPACE		**1177.00**	**659.01**	**56%**	**1100.00**	**603.76**	**55%**
90	Department of Space	1177.00	659.01	56%	1100.00	603.76	55%
MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION		**365.68**	**212.48**	**58%**	**357.54**	**190.61**	**53%**
91	Ministry of Statistics and Programme Implementation	365.68	212.48	58%	357.54	190.61	53%
MINISTRY OF STEEL		**66.87**	**32.88**	**49%**	**69.29**	**32.35**	**47%**
92	Ministry of Steel	66.87	32.88	49%	69.29	32.35	47%
MINISTRY OF TEXTILES		**800.59**	**464.00**	**58%**	**836.41**	**412.51**	**49%**
93	Ministry of Textiles	800.59	464.00	58%	836.41	412.51	49%
MINISTRY OF TOURISM		**75.30**	**35.30**	**47%**	**72.98**	**32.70**	**45%**
94	Ministry of Tourism	75.30	35.30	47%	72.98	32.70	45%
MINISTRY OF TRIBAL AFFAIRS		**16.94**	**10.44**	**62%**	**18.00**	**8.93**	**50%**
95	Ministry of Tribal Affairs	16.94	10.44	62%	18.00	8.93	50%
U.Ts WITHOUT LEGISLATURE		**4253.22**	**2525.53**	**59%**	**3706.92**	**2340.56**	**63%**
96	Andaman & Nicobar Islands	1325.60	813.97	61%	1276.61	643.62	50%
97	Chandigarh	2193.32	1238.22	56%	1804.78	1223.39	68%
98	Dadra & Nagar Haveli	122.28	58.29	48%	106.56	54.05	51%
99	Daman & Diu	126.91	83.55	66%	113.20	108.78	96%
100	Lakshadweep	485.11	331.50	68%	405.77	310.72	77%
MINISTRY OF URBAN DEVELOPMENT		**2796.85**	**1621.23**	**58%**	**2673.87**	**1419.49**	**53%**
101	Department of Urban Development	984.24	563.58	57%	946.13	475.27	50%
102	Public Works	1718.72	1037.32	60%	1625.40	904.69	56%
103	Stationery and Printing	93.89	20.33	22%	102.34	39.53	39%
MINISTRY OF WATER RESOURCES		**576.55**	**297.58**	**52%**	**541.00**	**291.22**	**54%**
104	Ministry of Water Resources	576.55	297.58	52%	541.00	291.22	54%
MINISTRY OF WOMEN AND CHILD DEVELOPMENT		**90.00**	**47.46**	**53%**	**84.00**	**40.66**	**48%**
105	Department of Women and Child Development	90.00	47.46	53%	84.00	40.66	48%
MINISTRY OF YOUTH AFFAIRS & SPORTS		**126.00**	**85.86**	**68%**	**111.00**	**80.17**	**72%**
106	Ministry of Youth Affairs and Sports	126.00	85.86	68%	111.00	80.17	72%
MINISTRY OF RAILWAYS		**0.00**	**0.00**		**0.00**	**0.00**	
	Ministry of Railways	0.00	0.00		0.00	0.00	
	Expenditure from Contingency Fund	0.00	7.66		0.00	0.00	
	GRAND TOTAL	**1109975.32**	**572933.76**	**52%**	**969900.29**	**491278.97**	**51%**

Annex continued

10. RESOURCES TRANSFERRED TO STATE & UT GOVERNMENTS

(₹ in crore)

DESCRIPTION		2013-2014 BE	2013-2014 ACTUALS upto 09/2013	2013-2014 %	2012-2013 BE	2012-2013 ACTUALS upto 09/2012	2012-2013 %
(1)		(2)	(3)	(4)	(5)	(6)	(7)
1	**States' share of Taxes & Duties**	**346992**	**148711**	**43%**	**301921**	**129395**	**43%**
2	**Non-plan Grants & Loans**	**77060**	**28575**	**37%**	**64296**	**20138**	**31%**
	Grants	76980	28545	37%	64211	20102	31%
	Loans	80	30	38%	85	36	42%
	Ways and Means Advances (Net)		0			0	
3	**Central Assistance for State & UT Plans**	**127802**	**44148**	**35%**	**122014**	**38561**	**32%**
	Grants	116802	39652	34%	111014	34735	31%
	Loans	11000	4496	41%	11000	3826	35%
4	**Assistance for Central & Centrally sponsored Schemes**	**43776**	**28762**	**66%**	**41592**	**26041**	**63%**
	Grants	43776	28762	66%	41592	26041	63%
	Loans						
5	**Total Grants & Loans (2+3+4)**	**248638**	**101485**	**41%**	**227902**	**84740**	**37%**
	Grants	237558	96959	41%	216817	80878	37%
	Loans	11080	4526	41%	11085	3862	35%
6	***Less : Recovery of Loans & Advances***	**8548**	**4187**	**49%**	**8529**	**3817**	**45%**
7	**Net Resources transferred to State & UT Governments (1+5-6)**	**587082**	**246009**	**42%**	**521294**	**210318**	**40%**
	(i) Of Which State Govts.	583809	244967	42%	518182	209121	40%
	(ii) Of Which UT. Govts.	3273	1042	32%	3112	1197	38%