Mid-Year Review
2008-2009

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 2008-2009

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 REVIEW

CONTENTS

Chapter I

OVERVIEW OF THE ECONOMY

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 mandates a review of trends in receipts and expenditure in relation to the Budget on a quarterly basis. This mid-year review is the second quarterly review as required under Section 7(1) of the FRBM Act, 2003.

The mid-year review reports the developments in the economy in the first half of 2008-09. It analyses the performance of the real and the financial sectors of the economy and presents the status of the finances of the Central Government in the first half of the fiscal year. The document presents the issues, emerging challenges and policy priorities for the short term. While Annex I of the document summarises the progress in respect of the implementation of the Budget announcements, Annex II puts together statistical tables covering key economic indicators and other relevant details.

A. Growth and Macroeconomic Developments

1.1 Fiscal 2008-09 started off on a note that the economy was decidedly on a higher growth path with the macro-economic fundamentals inspiring confidence and a general optimism about the medium to long term prospects of the economy. The economy was expected to slowdown marginally from the three years of 9 per cent plus growth in real Gross Domestic Product (GDP), reflecting a cyclical downturn in the global economy and expectations were that growth would be 8.5 to 9 per cent. High oil prices and domestic inflation were definite areas of concern, as was the possibility of a worsening of the international financial crisis which had surfaced in 2007. As it happened, the global situation deteriorated massively after mid September 2008 following the collapse of Lehman Brothers, one of the top five investment banks in the US, the collapse of AIG and also of the mortgage lenders Freddie Mae and Fannie Mae. There has been a massive choking of credit since then and a global crash in stock markets. The slowdown that was expected in the global economy became much worse with the US, Europe and Japan moving into recession.

1.2 A crisis of this magnitude in industrialized countries is bound to have an impact around the world, and it did. Most emerging market countries have slowed down significantly and India has also been affected. GDP growth in real terms in the first half of the fiscal year has been at 7.8 per cent, which is fairly robust. However, it is likely to be significantly slower in the second half as the impact of slower export growth and weaker domestic demand, including a possible dampening of private investment, begin to be felt. It is difficult to make a precise forecast about growth prospects for the whole year at this stage because of uncertainty, though the expectation is that it would be in the range of 7 to 8 per cent. However, we should be prepared for growth in 2008-09 as a whole to be around 7 per cent.

1.3 For the current year, Central Statistical Organisation has released the second quarter estimates (Q2, July - September) for GDP. The GDP at factor cost, at 1999-2000 prices grew at 7.6 per cent in the second quarter of 2008-09. With first quarter (Q1 April-June) growth of 7.9 per cent, the GDP growth for the first six months of the fiscal 2008-09 (H1) is estimated at 7.8 per cent.

There has been a slow down in the growth rate in Q2, in comparison to the preceding quarter, across all sectors except electricity, gas and water supply, which recorded a growth of 3.6 per cent as against 2.6 per cent in Q1. Financing, real estate and business services at 9.2 per cent in Q2 have nearly maintained the growth of 9.3 per cent recorded in Q1. Growth in construction and trade, hotels, transport & communication sectors, though marginally lower than the Q1 estimates, was still impressive at 9.7 and 10.8 per cent respectively.

Table 1.1

Growth of GDP at factor cost by Economic Activity

(at 1999-2000 prices)

	Industry	Growth				Percentage share in GDP			
		2004-05	2005-06	2006-07 (Q)	2007-08 I	2004-05	2005-06	2006-07 (Q)	2007-08 I
1	Agriculture, forestry & fishing	-0.1	5.9	3.8	4.5	20.2	19.6	18.5	17.8
2	Industry	10.3	10.2	11.0	8.6	26.2	26.4	26.7	26.6
a	Mining & quarrying	8.2	4.9	5.7	4.8	2.2	2.1	2.0	2.0
b	Manufacturing	8.7	9.0	12.0	8.8	15.1	15.1	15.4	15.4
c	Electricity, gas & water supply	7.9	4.7	6.0	6.3	2.3	2.2	2.1	2.1
d	Construction	16.1	16.5	12.0	9.8	6.6	7.1	7.2	7.3
3	Services	9.1	10.3	11.1	10.8	53.6	54.0	54.7	55.6
a	Trade, hotels, transport & communication	10.7	11.5	11.8	12.0	25.8	26.3	26.8	27.5
b	Financing , insurance, real estate & business services	8.7	11.4	13.9	11.8	13.5	13.8	14.3	14.7
c	Community, social & personal services	6.9	7.2	6.9	7.3	14.2	14.0	13.6	13.4
4	GDP at factor cost	7.5	9.4	9.6	9.0	100.0	100.0	100.0	100.0

(Q): Quick estimates I: Revised Estimate

1.4 For the H1 2008-09, the growth rate at 7.8 per cent is lower than 9.3 per cent recorded in the H1 2007-08. At the sectoral level, growth in H1 2008-09 is higher in mining and quarrying (4.4), construction (10.5) and in community, social and personal services (8.0), but substantively lower in agriculture, manufacturing and electricity, gas & water supply vis-à-vis the corresponding period in 2007-08. There has been some slowdown in the growth rate of Gross Fixed Capital Formation (not the same as investment rate) from an average of 15.4 per cent per annum over the last three years (2005-2008) to 11.4 per cent for H1 2008-09, though its growth rate in 2008-09 Q2 at 13.8 per cent was higher than 9.0 per cent in Q1. There has also been some slackening in the growth rate of Private Final Consumption Expenditure from an average of 8 per cent per annum in the last three years (2005-08) to 6.5 per cent in for H1 2008-09. Its growth in 2008-09 Q2 at 5 per cent dropped from 8 per cent in Q1.

1.5 It turns out that there has been a moderation both in the 'aggregate demand growth drivers' i.e. investment and private consumption, as well as in the growth rates of the 'sectoral growth drivers', including manufacturing, agriculture, construction and communication that explained the recent spurt of the Indian economy to a higher trend GDP growth of around 8.9 per cent per annum (Economic Survey 2007-08). Economic Advisory Council (EAC) to the Prime Minister in their Economic Outlook for 2007-08 had provisionally estimated domestic savings and investment rates to be 36.2 per cent and 37.4 per cent, respectively, of GDP. From the CSO's Q2 estimates of GDP, investment rate is estimated at 39.6 per cent for HI 2008-09. Under the current circumstances, external as well as domestic, even if there is considerable moderation in the growth rate of investment, GDP growth rate of 7 to 8 per cent for the fiscal year 2008-09 as a whole is feasible.

Table 1.2

Quarterly Estimates of GDP

(Percentage change over previous year)

Sector(s)	2006/07				2007/08				2008/09	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Agriculture, forestry & fishing	**2.7**	**3.2**	**4.0**	**4.9**	**4.4**	**4.7**	**6.0**	**2.9**	**3.0**	**2.7**
Industry	10.8	11.0	10.4	11.6	9.1	9.4	8.2	7.6	6.9	6.1
2. Mining & quarrying	4.1	3.9	6.0	8.2	1.7	5.5	5.7	5.9	4.8	3.9
3. Manufacturing	11.7	12.2	11.3	12.8	10.9	9.2	9.6	5.8	5.6	5.0
4. Electricity, gas & water supply	4.3	6.6	7.6	5.4	7.9	6.9	4.8	5.6	2.6	3.6
5. Construction	13.1	12.0	10.8	12.2	7.7	11.8	7.1	12.6	11.4	9.7
Services	11.5	11.5	11.1	10.3	11.0	10.5	10.4	11.2	10.0	9.6
6. Trade, hotels, transport & communication	10.9	12.7	12.1	11.6	13.1	11.0	11.5	12.4	11.2	10.8
7. Financing, insurance, real estate & bus. Services	13.6	13.9	14.7	13.4	12.6	12.4	11.9	10.5	9.3	9.2
8. Community, social & personal services	10.3	7.2	5.6	5.1	5.2	7.7	6.2	9.5	8.4	7.6
9. GDP at factor cost	**9.6**	**10.1**	**9.3**	**9.7**	**9.2**	**9.3**	**8.8**	**8.8**	**7.9**	**7.6**

1.6 It is instructive to consider India's growth performance in the short run against the global developments. As per the World Economic Outlook (WEO) of the IMF released in November 2008, global real GDP growth on a purchasing power parity basis, is expected to decelerate from 5.0 per cent in 2007 to 3.7 per cent in 2008 and further to 2.2 per cent in 2009. The US economy is expected to slow from 2.0 per cent in 2007 to 1.4 per cent in 2008 and further to (-) 0.7 per cent in 2009. Growth in the Euro area is projected to decline from 2.6 per cent in 2007 to 1.2 per cent in 2008 and further to (-) 0.5 per cent in 2009. The World Trade volume of goods and services are estimated to decline from 7.2 per cent in 2007 to 4.6 per cent in 2008 and is projected at 2.1 per cent in 2009 with imports by advanced economies declining from 4.5 percent to 1.8 per cent in 2008 and (-) 0.1 per cent in 2009.

1.7 The global slowdown has its implications on the domestic economy, primarily through the moderation in capital flows, the financial markets and trade (real sector). The deepening of the crisis post August 2008 and subsequent deleveraging and risk aversion in the global markets has directly affected the Indian equity and the foreign exchange markets. Indirectly, the money, debt and credit markets have also been impacted. However, so far the macroeconomic impact of the global financial turmoil has been relatively muted due to the overall strength of domestic demand and the predominantly domestic nature of financing of investment, nevertheless some slow down is inevitable. The challenge now is to get the right policy mix so as to ensure that the economy is able to minimise the dislocation to its growth trend.

1.8 The real economy will be affected mainly through the trade channel through Terms of Trade gains/losses which impact external positions and therefore the Current Account Deficits. The Indian growth being largely domestically driven and its export markets not concentrated, the impact of global crisis would be relatively lower as compared to countries with strong trade links to the US and Europe. The meltdown in global commodity prices led by a decline in crude and food prices would help bridge the current account deficit. While this might ultimately feed into the growth process through lower input costs and improvement in corporate profit margins, the resilience of the Indian economy lies in the predominant domestic nature of financing with net external demand playing only a complementary role.

1.9 As per the Fourth Advance Estimates of agricultural production released by the Directorate of Economics & Statistics, the total foodgrains production in 2007-08 has been estimated at 230.7 million tonnes, 13 million tonnes higher than the 217.3 million tonnes in 2006-07 (final estimate). For three consecutive years, foodgrains production has recorded an average annual increase of over 10 million tonnes. The cumulative South West monsoon season rainfall was marginally lower than the long period average with spacial and regional disparities. During 2008-09 the area sown under Kharif was 2.3 per cent less than the normal area sown of 1018.83 lakh hectares. In the first advance estimates of kharif production for 2008-09, production of foodgrains, oilseeds, cotton and sugarcane is estimated at 115.3 million tonnes, 17.9 million tonnes, 23.9 million bales and 294.7 million tonnes, respectively. While compared to the First Advance Estimates of 2007-08, this represents an increase of 2.8 per cent in foodgrains production, compared to the Fourth Advance Estimate, it shows a decline of 4.7 per cent. This decline is across most coarse cereals and pulses. Rice output, however, is expected to record modest gains. Output of kharif oilseeds, cotton and sugarcane is also expected to decline. There is, however, encouraging news for Rabi 2008-09. Sown area in most crops has increased with the expectation of a rich harvest in Rabi 2008-09.

1.10 As per the index of industrial production (IIP) data for April-September 2008 released by CSO, the overall growth in April-September 2008 is estimated at 4.9 per cent year-on-year basis compared to a growth of 9.5 per cent in April-September 2007. The moderate growth phase which kicked in towards the second half of 2007-08 has continued in the 2008 H1. Deceleration in growth was significant for manufacturing and electricity sectors, and somewhat moderate for the mining sector. The Index of six core-infrastructure industries having a combined weight of 26.7 per cent in the IIP registered a growth of 5.1 per cent (provisional) compared to a growth of 5.8 per cent in September 2007. During April-September 2008-09, six core-infrastructure industries registered a growth of 3.9 per cent (provisional) as against 6.9 per cent during the corresponding period of the previous year. However growth during September 2008 at 5.1 per cent is only marginally lower than the growth of 5.5 per cent in the corresponding period of 2007-08. In terms of use based classification, while basic goods, capital goods and intermediate goods registered a decline in growth during 2008-09(Apr- Sep) as compared to corresponding period of previous year, consumer goods registered an increase in growth. The growth in consumer goods was led by growth in consumer durables.

1.11 The headline WPI inflation rate for the 34th week ending November 22, 2008 was 8.40 per cent compared to 3.11 per cent in the corresponding week last year (week-ending November 24, 2007). For the 4th week in a row inflation is in single digit (after remaining in double-digit territory for 22 weeks since June 2008) with the decline being 44 basis points as compared to 6 basis points preceding week. There has been considerable increase in inflation in H1 2008 as against H1 2007 on all the indices WPI as well as the various consumer price indices. Inflation measured in terms of consumer price indices generally ruled higher than WPI in 2007-08. This trend reversed in the current year. The year-on-year inflation rate for October, 2008 varied from a high of 11.14 per cent for CPI (Agricultural and Rural Labour) to 9.50 per cent for CPI (UNME) as against WPI rate of 12.04 per cent (provisional). In respect of CPI for industrial workers, for the month of October 2008, the year-on-year inflation rate crossed into double digits for the first time in ten years when it touched 10.45 per cent. For the same month, CPI for agricultural as well as rural labour was recorded at 11.41 per cent as against monthly WPI inflation of 10.97 per cent.

1.12 The declining trend in the WPI monthly inflation rate since September 2008 has not been transmitted to the CPI (IW), CPI(AL) and the CPI(RL), primarily on account of the higher weight for food articles in the CPIs, which continue to register an increase in WPI inflation so far. There is also some lag in transmission of change in prices between the wholesale and retail markets.

1.13 India's external sector continued to be robust and reflected the strengths of the economy in 2007-08. Merchandise exports during the first seven months of 2008-09 (April- October) valued at US $ 108 billion was higher by 23.7 per cent (in US dollar terms) over the previous year. However, exports during October 2008 registered a negative growth rate of (-) 12.1 per cent over October 2007, mainly due to a spike in the growth rate to 48.8 per cent registered in October 2007. For the same period, total value of imports was US $ 181 billion registering a growth rate of 36.2 per cent over the corresponding period of the previous year. The trade deficit, for this period is estimated at US$ 73 billion, which is 60 per cent higher than the deficit of US $ 45.6 billion during April-October, 2007. India is diversifying its exports to various other countries. For example, during the first quarter of this financial year there has been an increase in the share of India's exports to China, Singapore, Netherlands and Saudi Arabia. China remained the major source of imports followed by UAE, Saudi Arabia and USA in the first quarter of this year.

1.14 India has evolved a liberal and transparent policy on foreign direct investment (FDI). Except for a small negative list, FDI is allowed mostly on the automatic route. A liberal investment regime is complemented by a tax regime that is moderate and stable. FDI equity inflows during April-September 2008 were US $ 17.21 billion, representing a growth of 137 per cent over the previous year (US $ 7.25 billion). The sectors attracting the highest FDI equity inflows have been the services sector, construction activities including roads and highways, housing and real estate, and computer hardware and software.

1.15 The growth in monetary aggregates during the period end-March to November 7, 2008 revealed signs of moderation though the expansion in bank credit and growth in broad money (M_3) were above the indicative trajectory of the Reserve Bank of India. Broad money (M_3) posted a growth of 6.6 per cent during the first half of the current financial year (from end-March to September 26, 2008) as compared to an increase of 8.2 per cent in the corresponding period of the previous year. On year- on-year basis, the increase in M_3 during 2008 was lower at 19.0 per cent, compared to 21.5 per cent of 2007. The real money growth decelerated more sharply. The Reserve Bank of India continued with its policy of curtailing liquidity untill September of the current financial year through the use of the Cash Reserve Ratio (CRR), and Open Market Operations (OMO), including Market Stabilization Scheme (MSS) and Liquidity Adjustment Facility (LAF), and other policy instruments at its disposal, flexibly till international developments impacted on domestic liquidity. Thereafter, with the deepening of the financial crisis and the slowdown in the global economy, it changed direction with steps to ease liquidity conditions.

1.16 Foreign exchange reserves (excluding Gold, SDRs and Reserve Tranche Position in the IMF) stood at US $ 244.0 billion at the end of October, 2008. Rupee depreciated against US dollar and Japanese Yen steeply in October 2008 touching Rs. 50.09 /US$ and Rs. 53.69 per 100 Yen on October 27. Against Pound Sterling and Euro it exhibited two way movements. The policy of careful monitoring and management of exchange rates with flexibility, without a fixed target or a pre-announced target or a band, taking into account the changing composition of the balance of payments and 'liquidity risk' associated with different types of flows, coupled with the ability to intervene, as and when necessary has held India in good stead.

1.17 In the first six months of the current year (April-September 2008), gross tax revenue increased by 25.3 per cent over the corresponding period of the last year. During the same period total expenditure grew by 23.6 per cent (after netting the onetime expenditure of Rs.35,531 crore for the acquisition of RBI's stake in SBI) and plan expenditure grew by 25 per cent. After similar adjustment for the acquisition of RBI's stake in SBI, the non-plan expenditure grew by 23 per cent and the capital expenditure grew by 11.1 per cent over the corresponding period of the last year. The fiscal deficit during the first six months of the current year was higher as compared to the corresponding period of last year, but well within the target set in 2008-09 budget. However, revenue deficit was higher both as compared to corresponding period of last year and the target set in the 2008-09 budget.

B. Output and Prices

1. Agriculture

1.18 In recent years, the agriculture sector has shown signs of revival after having grown at about 2.5 per cent during the Ninth and Tenth Five Year Plan periods. The Eleventh Five Year Plan targets the per annum growth rate of agriculture and allied activities at 4.1 per cent with growth in crops targeted at 2.7 per cent, horticulture at 5 per cent, livestock at 6 per cent and fisheries at 6 per cent.

1.19 The Agricultural GDP growth stood at 4.5 per cent in 2007-08 as against a negative growth in 2004-05. However there was a slowing down in agricultural growth in H1 2008-09 at 2.9 per cent as compared to the growth of 4.5 per cent in the corresponding period of the previous year. There has been a continuous decline in the share of agriculture in the GDP from 20.2 per cent in 2004-05 to 17.8 per cent in 2007-08.

1.20 The Central plan outlay for agriculture and allied activities has increased to Rs. 10,074 crore in 2008-09 from a level of Rs. 8,544 crore in 2007-08 which constitutes an increase of 17.9 per cent. For 2008-09 credit has been targeted at Rs. 2,80,000 crore. The outlay for National Food Security Mission is placed at Rs. 993 crore in 2008-09. The Rashtriya Krishi Vikas Yojana has been allocated Rs. 25,000 crore, during the Eleventh Five Year Plan Period, of which Rs. 3153 crore is allocated for 2008-09. It is important to note that in recent years there has been an increase in the gross capital formation in agriculture, as a proportion of agriculture GDP (at constant 1999-2000 prices). It has improved from 11.1 per cent in 2003-04 to 13.4 per cent in 2006-07.

Production

1.21 The Directorate of Economics & Statistics in its fourth advance estimates of agricultural production (July 2008) has placed total foodgrains production at 230.7 million tonnes, 13 million tonnes higher than the 217.3 million tonnes in 2006-07 (final estimate). For three consecutive years, foodgrains production has recorded an average annual increase of over 10 million tonnes. While the production of *kharif* foodgrains is expected to be 10.4 million tonnes (9.4 per cent) higher than the production in 2006-07, *rabi* production is expected to be higher by 3.0 million tonnes. The production of cereals is expected to be 215.6 million tonnes as against 203.1 million tonnes in 2006-07 (final estimate). The production of pulses is expected to increase by 0.9 million tonnes (6.4 per cent). In case of wheat and rice, the production in 2007-08 at 78.4 million tonnes and 96.4 million tonnes, respectively, is an all time high. Production of oilseeds is also expected to increase from 24.3 million tonnes in 2006-07 to 28.8 million tonnes in 2007-08 (a growth of 18.7 per cent). This is largely due an increase of 92 per cent in the production of groundnut. The production of cotton has also remained buoyant.

1.22 As per the first Advance Estimates of kharif production for 2008-09 released by Department of Agriculture (DAC) the production of foodgrains, oilseeds, cotton and sugarcane is estimated at 115.3 million tonnes, 17.9 million tonnes, 23.9 million bales and 294.7 million tonnes, respectively. While compared to the First Advance Estimates of 2007-08, this represents an increase of 2.8 per cent in foodgrains production, compared to the Fourth Advance Estimate, it shows a decline of 4.7 per cent. Decline is across most coarse cereals and pulses. Rice output, however, is expected to record modest gains. Output of kharif oilseeds, cotton and sugarcane is also expected to decline.

1.23 A decline in Kharif output of major crops may moderate the GDP growth, both overall and the GDP originating from agriculture. Assuming that 2007-08 revised GDP had factored in the output as per the Fourth Advance Estimate, overall impact of GDP growth may be around 0.3 (30 basis points). Much of this moderation has, however, already been factored in by forecasters.

1.24 The impact of decline in output of coarse cereals, pulses, cotton and sugarcane on prices is likely to be moderate. In case of edible oils and coarse cereals, current market prices may not witness any sharp increases because of a moderation in global commodity prices. In case of rice, though production increase is moderate and lower than the growth of consumption, adequate stocks with FCI may help in containing expectations concerning prices.

1.25 In 2008-09, global output of foodgrains and oilseeds is expected to increase. Increase in production of foodgrains is expected to be largely due to bumper wheat crop. Favourable weather conditions and better price expectations have resulted in an increase in area under wheat cultivation. Global cotton output, however, expected to get further moderated to 112 million bales

Area Coverage

1.26 Area sown under Kharif crops is reported to be nearly normal at 1014.81 lakh hectares as on 17th October 2008. However it is 2.3 per cent lower than in the corresponding estimates for last year. The area sown under sugarcane has declined by 16.6 per cent followed by a 15.4 per cent decline in pulses as seen in Table 1.3.

Table 1.3

All India Crop Situation- Kharif (2008-09) as on 17-10-08(in lakh hectares)

Crop name	IVth Adv Est 2007-08	Normal Area	Area sown reported			change over previous year	
			2008-09	% of normal	2007-08	Absolute	Per cent
Rice	393.83	391.17	384.75	98.4	373.79	11.0	2.9
Total cereals	619.94	617.71	584.6	94.6	585.16	-0.6	-0.1
Total Pulses	115.9	108.71	104.32	96	123.33	-19.0	-15.4
Total Foodgrains	735.84	726.42	688.92	94.8	708.49	-19.6	-2.8
Total oilseeds(nine)	178.68	158.97	183.45	115.4	177.42	6.0	3.4
Cotton	94.23	83.73	90.92	108.6	92.11	-1.2	-1.3
Sugarcane	50.43	41.47	44.15	106.5	52.95	-8.8	-16.6
Jute	8.16	8.24	7.37	89.4	8.26	-0.9	-10.8
All crops	1067.34	1018.83	1014.81	99.6	1039.23	-24.4	-2.3

Source: Crop & TMOP Divisions, DAC

Minimum Support Price (MSP)

1.27 The Government fixed the MSP for the Kharif Crops of 2008-09 season of Fair Average Quality with the aim of giving adequate price incentives to farmers to produce more. The MSP for paddy (Common) was fixed at Rs. 850 per quintal and that of Paddy (Grade A) at Rs.880 per quintal. The MSP of Arhar (Tur) increased by 25.8 per cent over the MSP plus bonus of the previous year. The MSP of Groundnut in shell, Soyabean(yellow) and medium staple cotton, increased by 35.5 per cent,32.4 per cent and 38.9 per cent respectively over the MSP of the previous year. The increase in MSP of many crops may keep the food inflation from falling in the current year.

Central Issue Price

1.28 The issue prices of wheat and rice for the beneficiaries under the targeted public distribution system, however, remained unchanged since July 2002. While the policies relating to minimum support prices for agricultural crops and the central issue price for PDS served the twin objectives of providing remunerative prices to the farmers and affordable prices to consumers, the spread between the economic cost (as also the market prices) and the issue price, widened leading to an increase in food subsidy.

1.29 The Government has decided to create a strategic reserve of 5 million tons of food grains (3 million tons of wheat and 2 million tons of rice) out of domestic procurement, in addition to the buffer stocks held by FCI every year.

Agricultural Credit

1.30 Agricultural credit flow as at the end of the month of September 2008 stood at approximately 34 per cent of the target for 2008-09 as detailed in Table 1.4. The Kisan Credit Cards (KCC) Scheme introduced in August 1998, has since stabilised, with major share of crop loans being routed through it. KCC limit can cover the crop loan, marketing credit limit, consumption loan and investment credit. As on 31.08.2008 a total of approx 7,57,10,155 Kisan Credit Card, introduced in August 1998, have been issued by Commercial Banks, Coop. Banks and RRBs with the sanctioned amount of Rs. 2,84,312 crore.

Table 1.4

Credit Flow in 2008-09

Agency	Credit flow in 2008-09			
	Target	Achievement (1 Apr.2008 – 30 Sept. 2008)		
		No. of A/Cs in lakh	Amount Rs crore	Per cent Achievement.
Commercial Banks	195,000	72.95	64,988.65	33.33
Coop. Banks	55,000	68.47	19,442.33	35.35
RRBs	30,000	31.17	10,633.18	35.74
Total	280,000	172.59	95,064.16	33.95

1.31 To bring the 'financially excluded' population within the formal financial system, many policy initiatives have been taken, such as making available a basic banking 'no frills' account either with 'nil' or very low minimum balances, issuing of General Credit Cards to eligible beneficiaries without insistence on security, purpose or end use of credit, introduction of KCCs to remove procedural hassles and ensure availability of credit, allowing banks to utilise the services of NGOs, SHGs, Micro Finance Institutions and other Civil Society Organisation as intermediaries in providing financial services, credit linking of SHGs, establishing Micro-Finance Development and Equity Fund of Rs.200 crore for support to MFIs and enactment of 'the Micro Financial Sector (Development and Regulation) Bill, 2007 to develop and regulate the MFIs and constitution of Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) of Rs.500 crore each to strengthen the institutional and technological infrastructure for greater financial inclusion.

1.32 Based on the recommendations of the interim report of the Committee on Financial Inclusion, headed by Shri C. Rangarajan, the Government has decided to constitute the "Financial Inclusion Fund (FIF)" for meeting the cost of developmental and promotional interventions for ensuring financial inclusion, and the "Financial Inclusion Technology Fund (FITF)," to meet the cost of technology adoption. Besides, the Finance Minister, in the Union Budget Speech for 2007-08, had also announced the constitution of these two funds with an overall corpus of Rs. 500 crore each with initial funding to be contributed by the Central Government, Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD). Accordingly, creation of two Funds has now been finalised by the Government. These funds shall consist of an overall corpus of Rs. 500 crore each, to be contributed by the Government of India, RBI and NABARD in a ratio of 40:40:20, in a phased manner over five years, depending upon utilisation of funds. For the year 2007-08, a contribution of Rs.25 crore has been made to each of these funds by the Government of India, RBI and NABARD in the ratio 40:40:20. The Government of India has already contributed Rs. 10 crore in each of these two Funds. Both the funds would be housed in NABARD. The Guidelines and the Advisory Boards for these two Funds have also been formulated and NABARD is convening the meetings of these Advisory Boards to plan the strategy and consider proposals for financial inclusion.

Rural Infrastructure Development Fund

1.33 RIDF has been established with NABARD, contributions to which are made by public and private sector banks having shortfall in their lending to the priority sector and/or agriculture lending target. This fund is to be utilized to lend to State Governments to build rural infrastructure in the areas of roads, minor irrigation, soil conservation, drainage, forests, plantation etc. For the year 2007-08 total sanctions under RIDF XIII stood at 12,795.01 crore (allocation Rs. 12,000) while the disbursement is Rs. 2,666.04 crore. NABARD has sanctioned RIDF projects involving loan of Rs. 76,730.90 crore to various State Governments under various tranches of RIDF-I to XIV against which cumulative disbursement stood at Rs.46,659.01 crore as on 31 May, 2008. Allocation of Rs 14,000 crore has been made for the year 2008-09 under RIDF-XIV. In addition to this, allocations of Rs 4000 crore each has also been approved for the years 2006-07, 2007-08 and 2008-09 for funding rural roads under the Bharat Nirman project.

1.34 To achieve the growth targets for agriculture and allied activities in the Eleventh Five year Plan, it is essential to have strong institutional support services in position for extension, credit, risk management, marketing and price support. Wide differences exist between yield levels of various crops among states. It is important to address the issue of stagnation in agricultural production in some states which have a large potential. There is a need to address the issue of adequate irrigation coverage, low irrigation (micro irrigation) cover, slow pace of technology dissemination, lack of rural infrastructure and warehousing facilities, lack of genetic up gradation in live stock and large untapped potential in fisheries so as to stabilize agricultural production and incomes. In some states like Assam, Jharkhand, Chhattisgarh, Maharashtra, Orissa, and Madhya Pradesh, the irrigation cover is below the national average of 43 per cent. The coverage of area through micro irrigation systems is also small.

1.35 There is need to further increase the quantum of flow of financial resources to the agricultural sector. Inability of majority of farmers to access long term capital to meet requirements of farm investments towards, adoption of new technology, infrastructure and land improvement stunts the growth potential in agriculture. This requires focused attention on the creditworthiness of farmers and their low asset base.

2. Industry

1.36 The industrial sector showed robust performance during 2004-05 to 2007-08, with the Index of Industrial Production (IIP) growing on an average at 9.2 per cent, per annum during the period. Growth started to slacken from the second half of 2007-08, which has continued since then. Growth in IIP halved to 4.9 per cent during H1 2008, as compared to 9.5 per cent during H1 2007. Among the major industrial groups, while mining sector almost kept pace with the last year, growth in manufacturing and electricity generation declined sharply.

Table 1.5

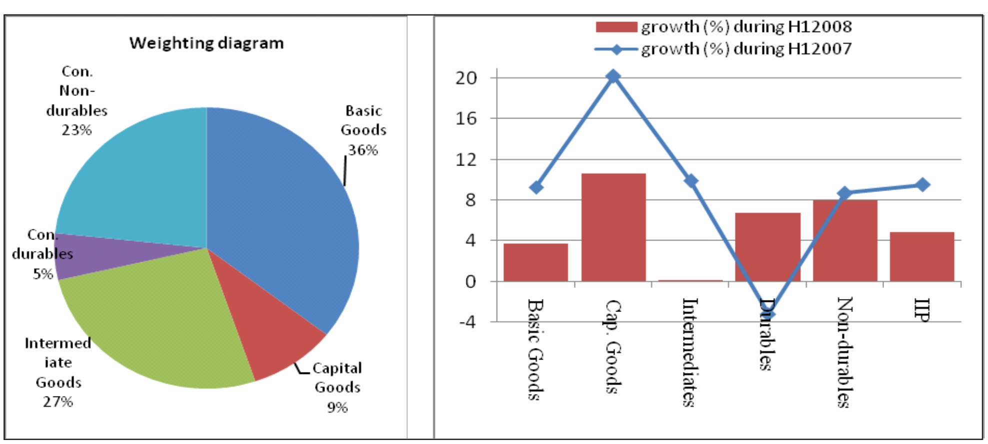
Growth of IIP September 2008 (per cent)

Industry Group	Weight	2006-07	2007-08	H1 2007-08	H1 2008-09
Growth by sectors					
Mining	10.47	5.4	5.1	4.9	3.8
Manufacturing	79.36	12.5	9.0	10.0	5.2
Electricity	10.17	7.2	6.4	7.7	2.5
Growth by use-based industrial groups					
Basic Goods	35.57	10.3	7.0	9.3	3.7
Capital Goods	9.26	18.2	18.0	20.2	10.6
Intermediate Goods	26.51	12.0	9.0	9.9	0.1
Consumer Goods	28.66	10.1	6.1	5.5	7.7
Durables	5.37	9.2	-1.0	-3.2	6.8
Non-durables	23.30	10.4	8.6	8.7	8.0
General Index	100.00	11.6	8.5	9.5	4.9

1.37 The use-based industrial groups present a mixed picture during H1 2008. The growth in capital goods at 10.6 per cent during H1 2008 is still impressive, particularly because this topped a record 20.2 per cent during H1 2007. Consumer durables that went through negative growth during 2007-08 staged a modest recovery during H1 2008-09. However, the basic goods and intermediate goods, which together accounted for over 62 per cent of the total weight of the IIP grew at a sluggish rate of 3.7 per cent and 0.1 per cent respectively during H1 2008, compelling the over-all IIP growth to be less than 5 per cent. These patterns are summarized in Figure 1.1

1.38 The slack in growth of basic goods during H1 2008 can mostly be explained in terms of the low growth of 2.5 per cent in electricity, 3.8 per cent in mining and 4.3 per cent in steel, which together account for more than 72 per cent of the total weight for basic goods. Among other important items, cement grew at 6.0 per cent and nitrogenous fertilizers at a paltry 1.8 per cent. The fact that around 35 per cent of the industrial items subsumed under intermediate goods experienced negative growth during H1 2008, explains the near-stagnancy exhibited by this group during the period.

Figure 1.1



1.39 In the capital goods segment, the automobile and industrial machinery components were the main growth drivers. A sharp contraction in the growth of computer systems and poor growth in laboratory and scientific equipments moderated the overall growth in this segment. The consumer durables performed better during H1 2008, primarily on the strength of their automobile components like passenger cars and motor cycles. While wireless tele-connectivity showed 50.8 per cent growth during this period, IIP, which covers only the wire-line segment, indicated a negative growth in the production of telephone instruments. Among the important non-durables, sugar which recorded an impressive growth in production during H1 2007 contracted steeply in the current year. Among vegetable oils, the production of mustard oil and coconut oil declined, while that of groundnut oil increased substantially; edible hydrogenated oil too grew significantly. Among textile items, cotton hosiery cloth grew at 3.5 per cent while the production of cotton non-hosiery cloth and non-cotton cloth declined.

1.40 At the two-digit level disaggregation of the IIP, out of the seventeen industry groups, five groups grew at a higher rate, twelve groups witnessed a decline in growth during H1 2008 and eight industry groups suffered a negative growth. On a positive note, the growth of automobiles, which had slumped to an indifferent 1.8 per cent during H1 2007-08, increased to 12.8 per cent during H1 2008-09. The growth in machinery and equipments close to 10 per cent on a high base is encouraging. This got reflected in the strong growth in capital goods and, to an extent, in consumer durables. The growth momentum in the beverages and tobacco group that has continued for some years has been sustained during H1 2008. The slump in the growth of wood products, jute textiles and food products must be seen against their outstanding growth during H1 2007.

Table 1.6

Growth in industrial groups at two digit level

Industry group	Weight	2006-07	2007-08	Apr-Sep 07	Apr-Sep 08
Industrial groups with higher growth in April-Sep 08 (than Apr-Sep 07)					
Beverages, Tobacco	2.38	11	12.0	9.2	23.3
Textile Products	2.54	11.5	3.7	3.2	3.8
Transport Equipments	3.98	15.0	2.9	1.8	12.8
Paper Products	2.65	8.7	2.7	0.9	3.0
Metal Products	2.81	11.4	-5.6	-1.1	1.3
Industrial groups with lower growth in April-Sep 08 (than Apr-Sep 07)					
Chemicals	14.00	9.6	10.6	8.7	6.1
Non-Met Min Products	4.40	12.8	5.7	8.6	0.6
Basic Metals	7.45	22.9	12.1	18.5	6.2
Machinery & equipments	9.57	14.2	10.4	11.2	9.8
Industrial groups with negative growth in April-Sep 08					
Food Products	9.08	8.6	7.0	13.3	-1.4
Cotton Textiles	5.52	14.8	4.3	6.1	-0.5
Leather Products	1.14	0.6	11.7	9.7	-0.3
Wool, silk & m-m textiles	2.26	7.8	4.8	4.7	-0.2
Jute Textiles	0.59	-15.8	33.1	18.9	-5.5
Wood Products	2.70	29.1	40.5	78.8	-10.4
Rubber & Petroleum	5.73	12.9	8.9	11.9	-4.2
Others	2.56	7.8	19.8	12.8	-1.1

1.41 Growth in the areas of energy, transport and communications, is closely related to industrial growth. The half-yearly picture of energy support to industrial growth is mixed. On a positive note, coal production grew at 7.9 per cent during H1 2008, compared to 2.8 per cent in the previous year. The growth in the production of natural gas also improved from 2.4 per cent to 4.8 per cent during the period. On the flip side, the negative growth experienced in crude oil production during H1 2007 continued in the current year. The growth in petroleum refinery products, at 4.5 per cent, during H1 this year, was almost half of that in H1 2007.

1.42 The biggest drag on the energy front is the slackening growth in electricity generation. The growth in electricity generation has been on a declining trend since September 2007, which got intensified in the current fiscal, reducing the growth achieved during H1 2008 to 2.6 per cent compared to 7.6 per cent during H1 2007. It is the 5.7 per cent growth in the generation of thermal power that kept the overall power generation from turning negative, given the negative growth in the other two components. Correspondingly, the peak deficit in power availability increased during H1 2008.

1.43 In the transport sector, growth in the movement of goods showed mixed achievements during H1 2008. The revenue-earning freight in the railways recorded year-on-year increase of 8.5 per cent during H1 2008, compared to 7.5 per cent during H1 2007. Cargo handled at major ports grew at 7.2 per cent during H1 2008 over a high base created by a 13.7 per cent growth in H1 in 2007. During the period, the growth in port traffic was affected by a reduced nomination of vessels for POL, thermal coal, fertilizer raw materials and other cargo, inclement weather conditions due to monsoon in coastal areas and dredging problems in some ports. While the growth in export cargo handled by airports improved, growth in their import cargo declined steeply during H1 2008.

1.44 Communication services sustained their momentum during H1 2008. The year-on-year growth in telephone connectivity of nearly 42 per cent achieved in September 2008 can be disaggregated into a 50.8 per cent increase in the wire-less connections and 3.1 per cent decline in the wire-line connections. The growth in rural connections at 78.7 per cent far exceeded the growth in urban connections at 31 per cent; the ratio of rural to total number of connections went up from 23.6 per cent in September 2007 to 29.6 per cent in September 2008. The over-all tele-density improved from 21.8 per cent in September 2007 to 30.6 per cent in Septembert 2008. The rural tele-density improved from 7.3 per cent to 12.9 per cent while the urban tele-density improved from 56.9 per cent to 73.0 per cent.

Prices of industrial products

1.45 The relative inflation of a manufacturing product has been measured as the rate of growth in the ratio of the wholesale price index of that product group to the overall whole sale price index (WPI). The over-all WPI grew at 10.99 per cent during April-October 2008, while manufacturing WPI grew at 10.08 per cent. In a period of high inflation, textiles have kept their price line which is reflected in a steep fall in the relative prices. The abnormal increase in the relative prices of metals and metal products in the current year reflects the spurt in domestic and international steel prices. Product groups like paper products and leather products that suffered from indifferent production growth had inflation rate below 4 per cent during April-October 2008. Cement, which is one of the major items of non-metallic mineral products, recorded reasonable production growth and experienced mild inflation.

Table 1.7

Growth in relative prices of industries

Item Groups	Growth (%) in industrial relative prices			
	2006-07	2007-08	2007-08 Apr-Oct	2008-09 Apr-Oct (prov)
Coal Mining	-5.1	-1.9	-4.3	-1.0
Electricity	-2.1	-4.0	-3.2	-8.6
Mineral oils	2.3	-3.6	-6.5	9.3
Manufactured products	-1.0	0.3	0.6	-0.8
Manufacturing groups with declining relative prices				
Textiles	-3.1	-5.5	-3.9	-6.5
Transport Equipment & Parts	-3.7	-1.9	-2.7	-4.2
Manufacturing groups with rising relative prices				
Basic Metals& Metals Products	1.3	2.1	2.9	9.5
Manufacturing groups with varying relative prices				
Food Products	-2.1	-0.4	-1.1	1.1
Beverages & Tobacco Products	1.8	5.3	6.3	-1.4
Paper & Paper Products	1.4	-2.7	-2.2	-6.8
Leather & Leather Products	-9.3	-0.5	1.7	-9.1
Rubber & Plastic Products	1.1	2.4	2.6	-4.7
Chemicals & Chemical Products	-2.3	0.9	0.3	-1.5
Non-Met Mineral Products	7.0	4.0	4.5	-5.8
Machinery & Machine Tools	0.2	2.3	3.8	-4.8

1.46 Comparing the domestic prices with the international prices, it turns out that the domestic prices for crucial industrial items like crude oil, iron ore and fertilizers (items for which comparable data are available) have been significantly lower than their international levels during January-October 2008.

Investment, capacity expansion and its financing

1.47 The gross capital formation (GCF) in manufacturing grew at an annual rate of 33.6 per cent during 2001-02 to 2006-07 at current prices. GCF in registered manufacturing grew at an annual rate of 32.8 per cent while that in unregistered manufacturing grew by 38.6 per cent annually. However, GCF in infrastructure sectors recorded significantly lower growth during the period. While the National Accounts data on capital formation in manufacturing is available only up to 2006-07, the sample study conducted by CMIE has shown impressive growth in investment intentions during April-June 2008. The capacity addition programme in the major infrastructure sectors during H1 2008 is examined in the following.

1.48 ***Power***: The Eleventh Five Year Plan has targeted to add power generation capacity of 78577 MW during the plan period, an increase of 70 per cent over the preceding Five Year Plan. The addition to generation capacity during the first six months of 2008-09 works out to 2.2 per cent of the total Eleventh Five Year Plan target and 33.7 per cent of the target for H1 2008. Table 1.8 gives the details.

Table 1.8

Capacity addition during H1 2008

Scheme	Target (MW)		Achievement (MW)	
	2008-09	Apr-Sep 08	Apr-Sep 08	Achievement (%)
Thermal	9304.20	4347.20	1319.80	30.4
Hydro	1097.00	439.00	439.00	100.0
Nuclear	660.00	440.00	0.00	0.0
Total	**11061.20**	**5226.20**	**1758.80**	33.7
Central	3570.00	1690.00	250.00	14.8
State	4054.20	1701.20	1258.80	74.0
Private	3437.00	1835.00	250.00	13.6

1.49 ***Road transport***: About 1153 km of National highways was upgraded by the NHAI during April-September 2008-09 as compared to 702 km during April-September 2007-08. Major initiatives taken in the roads sector during the current year include: decision to upgrade 5,000 km of single/ intermediate/two lane National Highways to two lane with paved shoulders under NHDP Phase-IVA on BOT basis at an estimated cost of Rs.6950 crore; decision taken to have 4-lane connectivity to Itanagar under SARDP-NE Phase 'A' with a length of 150 km at an estimated cost of Rs.3150 crore and to develop NH linkages for providing connectivity to Integrated Check Posts along the international borders in phased manner.

1.50 ***Railways***: Railways intends to leverage private capital through public-private partnerships (PPPs). A new dedicated freight corridor (DFC), initially covering about 2700 km, at an approximate cost of Rs. 28000 crore, linking the ports of western and eastern India is planned to be implemented by a special purpose vehicle created through a mix of engineering, procurement and construction (EPC) and PPP methods. Also, pre-feasibility studies are being awarded for identified corridors for linking of metropolises with high speed rail links. In the first stage, 24 railway stations have been identified to be developed to world class levels by attracting private investments. The production capacity of locomotives and coaches is planned to be augmented in the existing units and with new units through joint venture under PPP. The new wagon investment scheme is another PPP initiative. Further, concession agreements with 15 private operators have been signed to manage rail-borne container services. Policy framework to facilitate setting up of Multi-modal Logistics Parks (MLPs) with rail connectivity has been formulated. Call Centres are being planned under PPP for information dissemination to customers. Luxurious services on the pattern of 'Palace on Wheel' in partnership with interested State Governments are also being planned.

1.51 ***Ports***: Additional capacity for handling 27.32 million tonnes of cargo was created during 2007-08. During 2008-09, additional capacity of 2 million tonnes has already been added and addition of another 3 million tonne capacity is anticipated by March 2009.

Public-private partnerships in different sectors

1.52 Delivering infrastructure services through Public Private Partnership (PPP) has garnered substantial pace after 2000. As per the survey of the 300 PPP projects in the main sectors of focus, undertaken at the instance of Ministry of Finance, the government's active promotion of PPPs in the key infrastructure sectors has resulted in a total estimated investment of Rs. 1,35,876 crore in 20 states. The road sector accounted for 62 per cent of total number of projects; but constituted only 35.1 per cent by value of total project investment on account of the small average size of projects. Ports, with a much larger average size of project, account for 12.7 per cent of the total number of projects and 31.7 per cent by total of value of projects. Airport and energy sectors accounted for 14.7 per cent and 13.1 per cent share of the value of the sample projects. Further, among States, seven of them accounted for 80 per cent of the total value of PPPs in the sample. In terms of main types of PPP contracts, most contracts have been of the BOT/BOOT type or close variants. Majority, in the sample of 300 projects, were competitively bid.

Industrial financing

1.53 In the liberalized investment policy regime, Indian industry has been tapping investment resources from domestic and international sources in significant proportions. The major sources are reflected in Table 1.9.

1.54 The FDI equity flows stood at US $ 17.21 billion during H12008. This represented a growth of 137 per cent over the corresponding period in the previous year. Despite reduced international business optimism, the FDI equity inflows during September 2008 recorded a growth of 259 per cent over the same month in the previous year. However, the mobilization of resources through private placements, initial public offers and external commercial borrowings (ECBs) have significantly declined during the current year.

Table 1.9

Financing of investments

Sources	Category	2006-07	2007-08	Growth 07-08 (%)	2007-08 (H1)	2008-09 (H1)	Growth H1 08-09 (%)
	Private Placement-Private sector NFIs (Rs. Crore)	33426	41371	23.8	17144 (Apr-Jun)	9791 (Apr-Jun)	-42.9
	Private Placement-Public sector NFIs (Rs. Crore)	11908	26861	125.6	7031 (Apr-Jun)	6508 (Apr-Jun)	-7.4
	Private Placement-total (NFIs) (Rs. Crore)	45334	68232	50.5	4175 2(Apr-Jun)	16299 (Apr-Jun)	-32.6
	Equities (Rs. Crore)	32901	79739	159.7	31350 (Apr-Sept)	12361 (Apr-Sept)	-60.6
Domestic	Industrial credit (outstanding) (Rs. Crore)	697334	871900	25.0	714067 (Aug 31)	932313 (Aug,29)	30.6
	FDI- equity capital component (US$ Mil)	15726	24579	56.3	7250 (Apr- Sept)	17210 (Apr-Sept)	128.7
	ADRs/GDRs (US $ million)	3776	8769	132.2	2793 (Apr-Sept)	1135 (Apr-Sept)	-59.4
External	Gross ECBs	20973	29851	42.3	8273 (Apr-Jun)	2782 (Apr-Jun)	-66.4

Source*:* RBI, SEBI and DIPP.

1.55 ***Industrial Credit*****:** The biggest change in the sectoral composition of outstanding industrial credit during the post-2000 period has been the marked decline in the share of engineering goods and chemicals and an impressive increase in the share of infrastructure sectors, from 3.6 per cent in March 2000 to 23.2 per cent in March 2008 mostly on account of the power sector. In the recent years, around half of the bank credit to industry has been employed for non-working capital requirements. Table 1.10 shows that the growth in industrial credit outstanding as of August 2008 has been significantly higher on year-on-year basis. However, this growth in industrial credit is also accompanied by a realignment of the relative importance of the different sources of financing, which is, perhaps, indicative of financing constraints.

Table 1.10

Growth in industrial credit

Industry	% Growth (Y-o-Y)		% Share of the total Industrial credit	
	Aug-07	Aug-08	Aug-07	Aug-08
Mining and Quarrying (including coal)	49.09	81.99	0.98	1.37
Food Processing	28.96	25.57	5.62	5.41
Beverage & Tobacco	29.30	39.14	0.66	0.70
Textiles	27.07	23.13	11.03	10.40
Leather & Leather Products	10.65	20.92	0.69	0.64
Wood and Wood Products	58.99	42.36	0.35	0.38
Paper & Paper Products	20.37	23.90	1.63	1.55
Petroleum, Coal Products and Nuclear Fuels	32.93	91.78	4.56	6.70
Chemicals and Chemical Products	15.26	27.14	7.70	7.50
Rubber, Plastic & their Products	26.82	30.39	1.30	1.30
Basic Metals and Metal Products	20.57	32.18	12.15	12.30
Iron and Steel	21.60	33.67	9.25	9.47
All Engineering	24.81	24.44	6.37	6.07
Vehicles, parts & Transport Equipments	34.25	27.50	3.65	3.56
Infrastructure	31.99	35.83	21.59	22.46
Power	29.76	21.68	11.29	10.53
Tele-communications	0.56	79.44	2.60	3.58
Roads & Ports	39.64	32.92	3.87	3.94
Industrial credit (total amount in Rs. crore)	25.18	30.56	7,14,067	9,32,313

Source: Reserve Bank of India

3. Inflation

1.56 Headline inflation measured in terms of the WPI, was in the range of 3 to 7.5 per cent during April-March 2007-08. The current fiscal year started with inflation at close to 8 per cent and reached double digits in the first week of June. It rose to a high of 12.91 per cent in the first week of August and continued to be over 12 per cent in September. In October 2008 it came down to 11.0 per cent and subsequently witnessing a sharp fall into single digits in the first week of November 2008. It has continued to decline since then and as of the week ending 22 November 2008 was 8.40 per cent.

1.57 There are four consumer price indices for measuring the inflation for different consumer groups- industrial workers (CPI-IW), urban non-manual employees (CPI-UNME), agricultural labourers (CPI-AL) and rural labourers (CPI-RL), which differ on account of the commodity basket specific, to each group. Inflation measured in terms of the Consumer Price Indices (CPIs), has generally remained lower than the WPI in H1 2008. However, for October, inflation in CPI-AL and

CPI-RL was marginally higher than WPI and also higher than inflation of CPI-IW and CPI-UNME (Table 1.11).

Table 1.11

Year-on-year inflation in monthly price indices

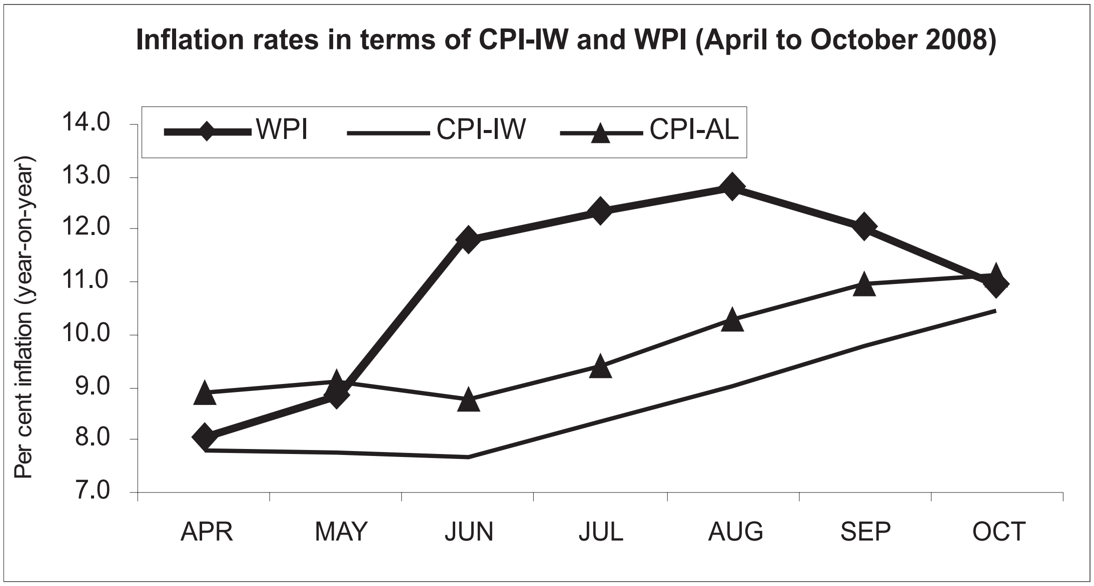
Month	WPI (1993-94=100)		CPI-IW (2001=100)		CPI-UNME (1984-85=100)		CPI-AL (1986-87=100)		CPI-RL (1986-87=100)	
	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09
April	6.28	8.04	6.67	7.81	7.74	6.99	9.44	8.88	9.12	8.61
May	5.46	8.86	6.61	7.75	6.79	6.76	8.22	9.11	7.90	8.84
June	4.53	11.82	5.69	7.69	6.08	7.31	7.84	8.77	7.53	8.75
July	4.71	12.36	6.45	8.33	6.86	7.39	8.60	9.41	8.02	9.41
August	4.14	12.82	7.26	9.02	6.40	8.54	8.80	10.29	8.51	10.29
September	3.51	12.04	6.40	9.77	5.74	9.50	7.89	10.98	7.61	10.98
October	3.11	10.97	5.51	10.45	5.48	-	6.99	11.14	6.72	11.14
November	3.25		5.51		5.06		6.15		5.88	
December	3.84		5.51		5.07		5.90		5.63	
January	4.50		5.51		4.84		5.63		5.88	
February	5.27		5.47		5.23		6.38		6.11	
March	7.48		7.87		6.02		7.91		7.63	
Average (Apr-Sep)	4.77	10.99	6.51	8.40	6.60	7.75	8.47	9.57	8.12	9.48
Average (Apr-Mar)	**4.67**	**10.99**	**6.21**	**8.69**	**5.94**	**7.75**	**7.48**	**9.80**	**7.21**	**9.72**

WPI is provisional for the period of August and September, 2008.

1.58 It can be seen from the table 1.11 that there is considerable increase in inflation in H1 2008 as against H1 2007 on all the indices. The increase varied from 246 basis points for CPI-UNME to 641 basis points for WPI. While inflation measured in terms of WPI remained above CPIs during 2003-04, 2004-05 and most of 2005-06, between November 2005 to March 2008 it was lower on WPI than CPIs. During current fiscal year again WPI inflation has been higher than CPI from April to September 2008. In respect of CPI for industrial workers, for the month of October 2008, the year-on-year inflation rate crossed into double digits for the first time in ten years when it touched 10.45 per cent. For the same month, CPI for agricultural as well as rural labour was recorded at 11.41 per cent as against monthly WPI inflation of 10.97 per cent. The declining trend in the WPI monthly inflation rate (Figures 1) since September 2008 has not been transmitted to the CPI (IW), CPI(AL) and the CPI(RL), primarily on account of the higher weight for food articles in the CPIs, which continue to register an increase in WPI inflation so far. There is also some lag in transmission of change in prices between the wholesale and retail markets.

1.59 The annualized monthly deseasonalised WPI inflation rate has been negative during September and October, suggesting a continuing moderation in WPI inflation in the coming months. For the month of October 2008, the deseasonalised inflation for primary food showed some increase, though there was significant decline in inflation rate of manufactured food. The overall monthly deseasonalised inflation in manufactured products shows a continuing decline since September 2008.

Figure 1.2



Wholesale Price Index

1.60 Annual (year-on-year) WPI inflation rate stood at 8.40 per cent on November 22, 2008 compared to 3.11 per cent on November 24, 2007. Inflation for the three broad groups of commodities given in Table 1.12 and 1.13 indicate hardening of prices for all the three major groups over the previous year, but some moderation in inflation for fuel and power and manufactured products over the previous week. The continued rise in the inflation for primary articles has its implications for the food index as well as the index for essential commodities.

Table 1.12

Year-on-year rate of Inflation

(in per cent)

Item	Weight (%)	Rate of Inflation for the week ended		
		24-Nov-07	15-Nov-08	22-Nov-08
All Commodities	100.00	3.11	8.84	8.40
Primary Articles	22.02	4.97	11.90	11.98
Fuel & Power,	14.23	0.31	7.81	5.28
Manufactured Products	63.75	3.53	8.01	8.15

Table 1.13

Major contributors to inflation

Commodities	Weight	Year-on-year inflation and Contribution (%)			
		24-Nov-07		22-Nov-08	
		Inflation	W-C	Inflation	W-C
ALL COMMODITIES	100.00	3.11	100.00	8.40	100.00
Primary Articles	22.03	4.97	35.92	11.98	32.61
Food Articles	15.40	3.01	15.40	10.48	19.83
Non-Food Articles	6.14	11.38	20.40	10.83	7.77
Minerals	0.48	0.59	0.19	43.65	4.96
Fuel and Power	14.23	0.31	2.19	5.28	13.60
Administered oils	5.44	-4.07	-12.94	12.36	13.55
Rest mineral oils	1.55	19.12	19.18	-7.73	-3.32
Manufactured Prod.	63.75	3.53	62.77	8.15	53.89
Food Products	11.54	1.70	5.68	4.44	5.42
Non-food Products	52.21	3.95	57.09	8.98	48.47
Food index combined	25.43	1.20	9.56	8.81	25.51
Essential Commodities	17.63	0.96	5.32	8.66	17.45
Rice	2.45	6.66	4.56	12.85	3.37
Wheat	1.38	0.35	0.17	3.95	0.70
Pulses	0.60	-11.54	-2.89	13.22	1.05
Vegetables	1.46	4.54	2.06	24.91	4.26
Sugar	3.62	-14.23	-13.03	14.18	4.00
Edible Oils	2.76	10.77	7.25	3.70	0.99

Essential commodities

1.61 Thirty essential commodities with weights of 17.63 per cent in WPI consumption basket registered a year-on-year annual inflation rate of 8.66 per cent on the week ending November 22, 2008 compared to 0.96 per cent a year ago, and contributed 17.45 per cent to overall inflation. Table 1.14 below classifies these 30 essential items according to respective inflation range.

Table-1.14

Grouping of essential items according to price rise

(As on November 22, 2008)

1. Decline of absolute prices over last year or no increase	Potatoes, onions, groundnut oil, kerosene and long-cloth/sheeting
2. Positive inflation: up to 5 per cent	Wheat, jowar, fish-inland, atta and dhoties-sarees etc.
3. Annual inflation: 5 per cent to 10 per cent	Gram, arhar, vanaspati, bajra, milk and lounary soap.
4. Annual inflation above 10 per cent	Rice (12.85 per cent), tea (55.34 per cent), sugar (14.18 per cent), mustard oil (19.34 per cent), salt (26.17 per cent), moong (21.54 per cent), masur (26.89 per cent), urad (13.72 per cent), mutton (15.33 per cent), chillies (25.25 per cent), gur (20.22 per cent), coconut oil (22.85 per cent), coking coal (10.33 per cent) and safety matches (26.92 per cent).

Domestic retail prices

1.62 Ministry of Consumer Affairs and Public Distribution, (Department of Consumer Affairs) monitors the prices of 14 commodities. Actual price of these commodities and increase in prices are indicated in Table 1.15.

Table 1.15

Month end retail prices in Delhi centre during 2008 (Rs./kg or Lt.)

Items	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Total Increase in Rs. since Jan-Nov
Rice	17.0	18.0	18.0	18.0	18.0	20.0	20.0	20.0	22.0	22.0	22.0	5.0
Wheat	13.0	13.0	13.0	12.5	13.0	13.0	13.0	13.0	13.0	13.0	13.0	0.0
Atta wheat	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	0.0
Gram	35.0	37.0	39.0	37.0	35.0	34.5	36.0	36.0	37.0	37.0	37.0	2.0
Tur/Arhar	41.0	42.0	42.0	42.0	42.0	43.0	43.5	45.5	50.0	50.0	50.0	9.0
Sugar	17.0	17.0	18.0	18.0	17.0	17.0	19.0	22.0	20.0	20.0	20.0	3.0
Groundnut Oil	121.0	121.0	121.0	120.0	121.0	121.0	121.0	121.0	118.0	114.0	113.0	-8.0
Mustard Oil	69.0	75.0	80.0	71.0	74.0	83.0	85.0	82.0	78.0	78.0	78.0	9.0
Vanaspati	68.0	69.0	78.0	71.0	69.0	74.0	74.0	71.0	62.0	59.0	59.0	-9.0
Tea (Loose)	107.0	108.0	107.0	108.0	107.0	117.0	121.0	128.0	133.0	137.0	140.0	33.0
Milk	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	21.0	21.0	21.0	1.0
Potato	8.0	9.0	9.0	7.0	8.0	9.0	11.5	13.0	13.0	13.0	11.0	3.0
Onion	9.0	9.0	10.0	8.0	8.0	10.0	13.0	15.5	15.0	16.0	17.0	8.0
Salt iodized	10.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0	11.0	11.0	11.0	1.0

Price variation over previous month (%)

											Total Increase Jan-Nov
Rice	5.9	0.0	0.0	0.0	11.1	0.0	0.0	10.0	0.0	0.0	27.0
Wheat	0.0	0.0	-3.8	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Atta wheat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gram	5.7	5.4	-5.1	-5.4	-1.4	4.3	0.0	2.8	0.0	0.0	6.3
Tur/Arhar	2.4	0.0	0.0	0.0	2.4	1.2	4.6	9.9	0.0	0.0	20.5
Sugar	0.0	5.9	0.0	-5.6	0.0	11.8	15.8	-9.1	0.0	0.0	18.8
Groundnut Oil	0.0	0.0	-0.8	0.8	0.0	0.0	0.0	-2.5	-3.4	-0.9	-6.7
Mustard Oil	8.7	6.7	-11.3	4.2	12.2	2.4	-3.5	-4.9	0.0	0.0	14.5
Vanaspati	1.5	13.0	-9.0	-2.8	7.2	0.0	-4.1	-12.7	-4.8	0.0	-11.6
Tea(Loose)	0.9	-0.9	0.9	-0.9	9.3	3.4	5.8	3.9	3.0	2.2	27.7
Milk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	0.0	0.0	5.0
Potato	12.5	0.0	-22.2	14.3	12.5	27.8	13.0	0.0	0.0	-15.4	42.5
Onion	0.0	11.1	-20.0	0.0	25.0	30.0	19.2	-3.2	6.7	6.3	75.0
Salt iodized	0.0	0.0	0.0	0.0	0.0	0.0	10.0	0.0	0.0	0.0	10.0

Movement in World Commodities Price

1.63 The hardening of international commodity prices which had started since 2004-05 saw a sudden spurt in December 2007 for most commodity groups and in particular energy, food, metals and energy intensive products. The increase in prices continued in Q1 and for some part of Q2 in 2008. With the slackening of global demand and the uncertainty associated with the global financial crisis, July 2008 onwards there was some moderation in prices across most commodities and the trend has continued since then. Non-energy prices decelerated by 106 basis points in October 2008 over previous month, continuing the plunge of the past two months. Price declines accelerated sharply in early October as concerns on global demand intensified. Crude oil prices have also decelerated by 205 basis points in October 2008 from September of this year and further to around 40 USD/bbl in November 2008. The slump was due to sharply declining demand in the U.S. and Europe, and expectations of slowing demand in developing countries as the global economy slows.

1.64 Agriculture prices dropped 8.3 per cent in September and 18.7 per cent in October 2008—the third consecutive monthly decline—on weakening demand and improved supply prospects. The largest declines were in edible oils which plunged between 18-40 per cent, led by a 40.6 per cent drop in palm oil prices due to slowing down of import demand and a reduction in Indonesia’s export tax which had fuelled the recent spike. Wheat prices fell 46.1 per cent due to a projected 10 per cent increase in global production. The soybean meal fell 20.3 per cent on expectations of slowing demand in China and lower demand for biodiesel. However, steel prices increased to 69.9-81.8 per cent since January to October, 2008 and sugar was also increased to 11.5 per cent in this period. Mostly items are moderated or decline in the last phase of 2008 (Table1.16).

Table 1.16

World Prices of select commodities

Commodity	Unit	Annual averages		Monthly averages						Cumulative change (%) Jan Dec
		Jan-Dec 2006	Jan-Dec 2007	Mar 2007	Dec 2007	Mar 2008	June 2008	Sep 2008	Oct 2008	
Coal	$/mt	49.1	65.7	55.2	91.0	118.3	159.8	150.0	111.3	22.3
Crude oil	$/bbl	64.3	71.1	60.6	89.5	101.8	131.5	99.7	72.7	-18.8
Palm oil	$/mt	478	780	622	950	1249	1213	771	564	-40.6
Soybean oil	$/mt	599	881	718	1164	1476	1537	1226	945	-18.8
Soybean meal	$/mt	209.0	307.0	258.0	425.3	443.0	512.0	407.0	339.0	-20.3
Rice	$/mt	305.0	326.0	319.0	360.7	594.0	757.0	684.0	609.0	68.8
Wheat	$/mt	159	239	169	345	420	255	224	186	-46.1
Maize	$/mt	122.0	164.0	171.0	180.3	234.4	287.0	234.0	183.0	1.5
Sugar	c/kg	32.6	22.2	23.0	23.5	29.1	26.7	29.8	26.2	11.5
Cotton	c/kg	127.0	140.0	129.0	153.0	176.8	170.0	162.0	137.0	-10.5
Aluminium	$/mt	2570	2638	2762	2382	3005	2958	2526	2121	-11.0
Copper	$/mt	6722	7118	6452	6588	8439	8261	6991	4926	-25.2
Gold	$/toz	604	697	655	803	968	889	830	807	0.5
Steel cr coil sheet	$/mt	694	650	650	650	800	1100	1100	1100	69.2
Steel hr coil sheet	$/mt	600	550	550	550	750	1000	1000	1000	81.8
Tin	c/kg	878	1454	1389	1626	1980	2223	1837	1440	-11.4
Zinc	c/kg	328	324	327	235	251	189	174	130	-44.7

Rising inflation in emerging markets

1.65 Inflation increased in a number of emerging market economies over the past year and continued into the first half of the current year, when it started moderating to levels that are still quite high in comparison to the previous year. While inflation in developed markets had also risen, the problem has been especially acute in emerging markets because food articles with higher inflation in the present instance account for a larger proportion of consumer price indexes. In addition, many countries are working close to full capacity thus pushing up wage inflation. There is evidence that the sharp rise in food and energy prices is also seeping through to core inflation (in other words, inflation excluding food and energy). Pakistan, Sri Lanka and Iran reported a year-on-year inflation rate above 20 per cent in 2008, growth forecasts have been cut. Rising food prices had also become a core problem in China. The effect of price rises and the policy responses have also given rise to some concerns. Measures such as subsidies, price controls and export bans can only produce, at best, short-term relief and probably end up distorting prices and the medium to long-term supply response of the economy.

Table- 1.17

CPI Inflation- Across Emerging Market Economies (per cent)

Country/ Year	India	Brazil	China	Israel	Paki-stan	Sri Lanka	Thail-and	Iran	South Africa	Austr-alia
2000	4.0	7.0	0.3	1.1	4.4	6.2	1.6	14.5	5.3	4.5
2001	3.7	6.8	0.5	1.1	3.1	14.2	1.6	11.3	5.7	4.4
2002	4.4	8.5	-0.8	5.7	3.3	9.6	0.6	14.3	9.2	3.0
2003	3.8	14.7	1.2	0.7	2.9	6.3	1.8	16.5	5.9	2.8
2004	3.8	6.6	3.9	-0.4	7.4	7.6	2.8	14.8	1.4	2.3
2005	4.2	6.9	1.8	1.3	9.1	11.6	4.5	13.4	3.4	2.7
2006	5.8	4.2	1.5	2.1	7.9	13.7	4.6	11.9	4.6	3.5
2007	6.4	3.6	4.8	0.5	7.6	17.5	2.2	17.2	7.1	2.3
Jan-08	5.5	4.5	7.1	3.5	11.9	21.6	4.3	19.2	9.3	3.9
Feb-08	5.5	4.6	8.7	3.6	11.3	24.0	5.4	20.2	9.8	4.2
Mar-08	7.9	4.7	8.3	3.7	14.1	23.8	5.3	-	10.6	4.3
Apr-08	7.8	5.0	8.5	4.7	17.2	25.0	6.2	-	11.1	4.5
May-08	7.8	5.6	7.7	5.4	19.3	26.2	7.6	-	-	4.5
Jun-08	7.7	6.1	7.1	4.8	21.5	-	8.9	-	12.2	4.5
Jul-08	8.3	6.4	6.3	4.8	24.3	-	9.2	-	13.4	5.0
Aug-08	9.0	6.2	4.9	5.0	25.3	-	6.4	-	13.7	5.0
Sep-08	9.8	6.3	4.6	5.5	23.9	-	6.0	-	13.1	5.0

The monthly inflation is year-on-year and for India CPI-IW has been reflected in this table.

Measures to contain the inflation

1.66 Government has been conscious of the rise in prices and took fiscal, monetary and administrative measures, including measures to improve domestic availability of some of the important consumer items. Given the commodity-centric drivers of inflation, many of the measures have been commodity-specific along the lines of duty rationalization/ reduction, export restrictions towards better supply management. The details are given in Box 1.

Box 1.1 : Measures taken by Government to contain price rise

Fiscal and Administrative Measure

- The Government took various fiscal and other measures for stabilizing the steel prices, such as exempting pig iron, non alloy steel and steel making inputs like zinc, Ferro-alloys and met-coke from custom duty; exempting import of Thermo-Mechanically Treated (TMT) bars from countervailing duty;
- Besides the customs duty exemptions withdrawal of DEPB benefits on export of various categories of steel products and bringing back railway freight on iron ore from classification 180 to 170 for domestic steel producers. In addition, the Government has also imposed 15 per cent export duty on pig iron, sponge iron, semi-finished non-alloy steel and long steel products to improve domestic availability;
- Major producers were persuaded to enter price contracts for deliveries to SMEs for at least three months and directly service them even smaller quantities;
- The effective rate of duty on iron ore was enhanced to a uniform rate of 15 per cent ad valorem, irrespective of iron content, to help conserve iron ore and ensure its availability to domestic industry at a reasonable price;
- Reduction of import duties to zero – for rice, wheat, pulses, edible oils (crude) and maize and butter and ghee;
- Reduction of import duties on refined and hydrogenated oils and vegetable oils to 7.5 per cent;
- Restricting pass through of global price rise in crude and maintaining petrol and diesel, prices stable since June 7, 2008;
- Banning export of non-basmati rice, wheat, edible oils (except castor oil, coconut oil and oils produced from minor forest produce, except sesame oil) and pulses (except kabuli chana);
- Imposition of stock limit orders in the case of rice, wheat, pulses, edible oils and oilseeds;
- No changes in Tariff Rate Values of edible oils;
- The periodic enhancements in MSP- currently Rs 1000 per quintal for wheat, Rs 850 per quintal for common rice and Rs 880 per quintal for Grade A rice;
- The import duty on Skimmed Milk Powder (SMP) was reduced from 15 per cent to 5 per cent on 29 April 2008;
- Using Minimum Export Price (MEP) to regulate exports of onion and basmati rice;
- Maintaining the Central Issue Price (CIP) for rice (at Rs 5.65 per kg for BPL and Rs 3 per kg for AAY) and wheat (at Rs 4.15 per kg for BPL and Rs 2 per kg for AAY) since 2002;
- Forward Markets Commission (FMC) had on 23.01.07 delisted all contracts of tur and urad and closed all outstanding positions in all Tur and Urad contracts at the closing price on 23.01.07;
- Similarly, FMC had on, 27.2.2007, directed all the three National Exchanges that no new futures contracts in wheat and rice were be launched;
- The FMC, on 7.5.08, suspended futures trading in soy oil, potato, chana (gram), and rubber for a period of four months and subsequently extended up to 30.11.08;
- The Government on 03.07.2008 prohibited the export of maize until 15th October 2008;

- As per initiative of Government, the State agencies (NAFED, PEC Ltd, MMTC and STC) have contracted to import about 1.4 Million Metric Tonnes (MMT) of pulses during 2007-08, out of which 14.26 lakh tonnes have arrived and 11.89 lakh tonnes have been dispersed up to 25.9.2008;
- During the year 2008-09, State agencies have further contracted to import pulses about 168724 metric tonnes, out of which 39496 metric tonnes have arrived up to 25.09.2008;
- Government launched a Scheme on 28-7-2008 to distribute one million tons of edible oils to State Governments at the subsidy of Rs.15 per kg. Orders were placed for import of 3.12 lakh tons of edible oils. Of which about 2.24 lakh tons of edible oil were shipped. Till 15.09.2008, 2.21 lakh tons of edible oils had landed at various ports in India. As on 15.09.2008, 1.03 lakh tons of edible oil had been delivered to various States for distribution to ration card holders @ 1 kg per ration card per month.

Monetary Measures

The Reserve Bank of India took the following steps to reduce liquidity in the system by increasing the cash reserve ratio (CRR) during 2008-09:

- 7.5 to 7.75 per cent from April 26 and to 8 per cent from May 10 2008;
- 8 to 8.25 per cent from May 24, 2008;
- 8.25 to 8.5 per cent from fortnight beginning July 5 and then to 8.75 per cent from fortnight beginning July 19;
- 8.75 to 9 per cent from July 28, 2008;
- RBI took steps to ease the liquidity situation by reducing CRR (350 basis points with the effective rate at 5.50 per cent);
- RBI has decided to reduce the fixed repo rate by 100 basis points from 7.5 per cent to 6.5 per cent and the reverse repo rate by 100 basis points from 6 per cent to 5 percent with effect from December 8, 2008. All other terms and conditions of the current LAF Scheme remain unchanged.

Medium Term Measures:

In the medium term, Government has taken initiatives such as the National Food Security Mission (NFSM), Rashtriya Krishi Vikas Yojna (RKVY) to improve production and productivity in agriculture.

C. External and Financial Developments

1. Impact of the global financial crisis on Indian financial markets

1.67 The global financial turmoil simmering since August 2007, repressed as it was temporarily by the actions of monetary authorities worldwide, began unleashing its full fury in September 2008 with a series of failures of major financial institutions. The IMF placed the estimated world output growth at 3.9 per cent in 2008 in World Economic Outlook (WEO), October 2008, which represented a significant slide from a level of about 5.0 per cent in 2006 and 2007. The recent developments suggest that impact is likely to be more protracted and deeper than envisaged by the IMF, including at least a technical recession in the Euro Area. Net private capital flows to emerging and developing economies, according to WEO October 2008, has been projected to fall from a level of US $ 632.8 billion in 2007 to a level of US $ 528.6 billion in 2008 and further to US $ 286.6 billion in 2009. In an increasingly globalised economic milieu, these external developments have a major impact on world economy, including the emerging market economies and developing countries through both direct and indirect transmission channels.

1.68 The direct impact on the financial sector could be through: exposure to stressed global financial assets; and the dynamic linkages with the money and foreign exchange markets. Indian banks have very limited exposure to the US mortgage market, directly or through derivatives, and to the failed and stressed international financial institutions. The deepening of the global crisis and subsequent deleveraging and risk aversion in the global markets affected the Indian equity and the foreign exchange markets. Besides, money, debt and credit markets were impacted indirectly through the dynamic linkages. The macroeconomic impact of the global financial turmoil has been relatively muted due to the overall strength of domestic demand and the predominantly domestic nature of financing of investment; nevertheless some slow down is inevitable. The fundamentals of the Indian economy have been strong and continue to be strong; restoration of confidence in global financial markets (de-freezing of money markets and a bottoming out of the US economy) could restore the growth momentum.

Banks

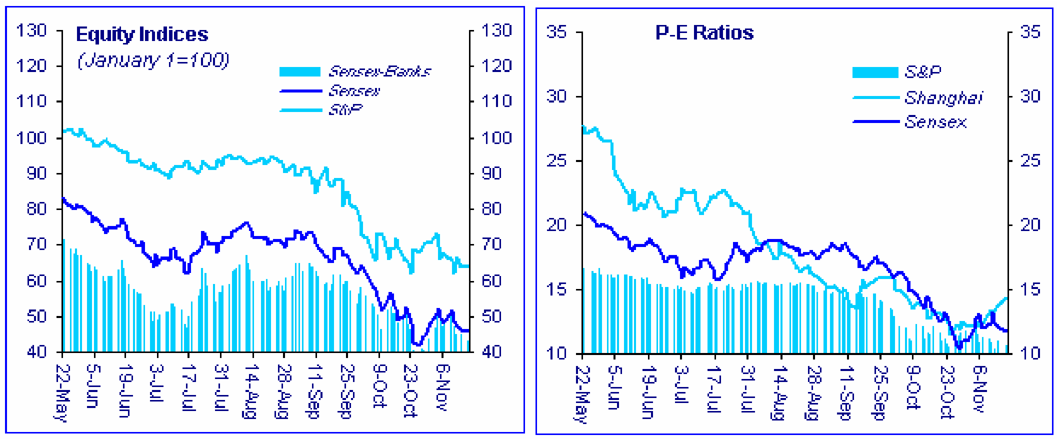
1.69 A study undertaken by the RBI (September 2007) in regard to the impact of the sub-prime crisis on the Indian banks had revealed that none of the Indian banks or the foreign banks in India had any direct exposure to the sub-prime markets in the U.S or other markets. The overseas exposure of Indian Banks (ten public sector and two private sector banks) towards credit derivatives mainly comprised of Credit Default Swaps (CDS), Credit Linked Notes, Collateralised Debt Obligations (CDO), etc. and 'Other investments' comprised of Asset Backed Commercial Papers, Asset Backed / Mortgage Backed Securities, etc. A few banks had invested in the CDOs / bonds which had underlying entities with sub-prime exposures. Banks had suffered mark-to-market losses caused by the widening of the credit spreads due to adverse impact of the sub-prime crisis on the term liquidity in the market. The majority of such exposures were towards India-based entities. The large fluctuation in mark-to-market losses in different months as reported by the banks are primarily due to changes in credit spreads in the market. The additional provisioning requirements towards mark-to-market losses arising from a widening of the credit spreads were not significant for the banks relative to the size of their balance sheets and level of profits. The exposure towards credit derivatives and other investments of overseas operations of public and private sector banks and related mark-to-market losses are being monitored by the RBI on a monthly basis.

Equity Market

1.70 Securities markets exhibited large volatility around a strong declining trend; mainly through overall FII outflows. The bellwether BSE sensex reached a peak of 20873 on January 8, 2008; subsequently declined to reach a low of 12575 points on July 16, 2008. After recovering to 14678 points on Aug 20, 2008 it declined again on global cues (Figure 1.3) and closed at 12595 points on September 29, 2008. It has been ruling well below the 10000 mark continuously since October 2008. The fall in indices of Indian Securities Market is in line with the fall in the major indices, world over. A large part of the above movement is attributable to FII outflows and associated dip in the domestic sentiments. While FII flows remained negative on a net basis, gross flows on both sides continue to be large indicating that investor views on India are not one sided (Figure 1.4).

Figure 1.3

Equity indices and P/E ratios

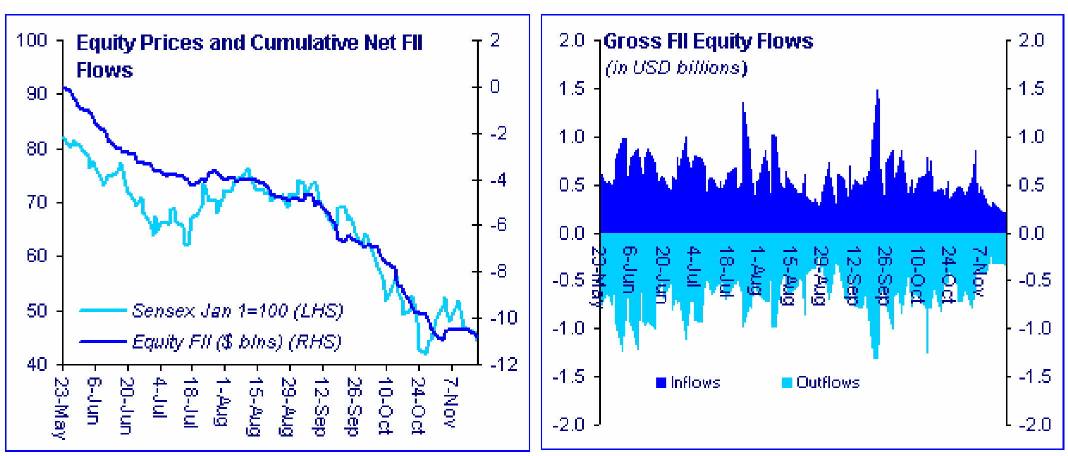


Source: Reuters

1.71 Resource mobilisation from the primary market was sluggish in the first five months of the financial year 2008-09. The slump was manifest both in terms of number of issues and amount mobilized through public, rights and Qualified Institutions Placement (QIP) issues. There was a decline in the number of total issues in primary markets from 58 to 26. There were only 17 initial public offerings (IPOs) in the current financial year 2008-09 (April-August) as compared to 39 IPOs during the same period in the previous year. The amount mobilised by IPOs witnessed a sharp decline during April-August 2008 to Rs. 1,984 crore, from Rs. 17,193 crore over the same period in 2007. During April-August 2008, no Follow-on Public Offer (FPO) was made and only one QIP was made.

Figure: 1.4

Equity prices and FII flows



Source: Reuters

1.72 During April-September 2008, net amount mobilised by mutual funds declined sharply by 97.7 per cent to Rs. 2,477 crore from Rs.1,05,614 crore during the corresponding period in the previous year. Huge net outflows were noticed in both the liquid/ money market and gilt schemes. The cumulative assets under management of Mutual funds, however, increased by 1.32 per cent to Rs. 4,83,270 crore as on September 30, 2008 as compared to Rs. 4,76,989 crore as on September 30, 2007.

Foreign exchange markets

1.73 The surge in capital inflows in 2007-08 (9.2 per cent of GDP) led to a sharp appreciation of the rupee (9.0 per cent between end-March 2007 and end-March 2008). While FII flows turned negative in January 2008, quarter-on-quarter, there was a growth of 46 per cent in capital account inflows in Q4 of 2007-08. Thus, the exchange rate of the rupee against the dollar, driven primarily by capital flows in recent years, remained in the range of Rs.39.5 to 40.5 per US dollar during January-March 2008. The depreciation in the exchange rate of the rupee against the US dollar in the current financial year can be analysed in terms of two sub-periods, namely April –August 2008 and the subsequent period since September 2008. This is necessary to distinguish the impact of the most recent global events from the earlier general depreciation. After remaining in the same range of Rs.39.5 to 40.5 per US dollar in April 2008, it started moving up in 2nd week of May 2008 to reach a level of Rs.42.95/US $ by end-June 2008.

1.74 There was a net capital account inflow of US $ 13 billion in the first quarter of 2008-09. With higher levels of current account deficit at US $ 10.7 billion, even with a reserve increase of the order of US $ 2.2 billion, there was depreciation in the first quarter of 2008-09 by 4.41 per cent over the fourth quarter of 2007-08. The rupee started to depreciate further in August 2008 in tandem with the worsening global financial developments, but still ended with a monthly average of Rs.42.91/US $. With the deepening of the global crisis in September 2008 and the subsequent sharp levels of appreciation of the US $ against all major currencies, the rupee depreciated to reach a monthly average of Rs.45.56/US $ (average for September 08). In October 2008, this process accelerated and the rupee breached the Rs.50/US $ mark on October 27, 2008 (Figure 1.5). The rupee was at Rs.48.97 /US$ on November 17, 2008.

Figure 1.5

Exchange rates

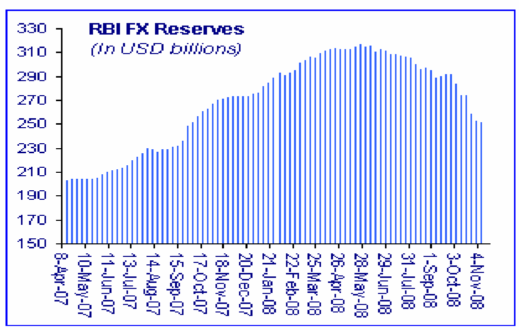
Source: Reuters

1.75 The recent weakening of the rupee also reflected significant short sales in offshore markets as this is seen as a "one-way" bet. Impact of short sales in offshore markets (particularly the Non Deliverable Forward (NDF) market) is channelled on to the onshore forward and spot markets in India. The rupee depreciation has been stronger in the offshore NDF market than the on-shore market. The RBI has announced a slew of measures to augment foreign currency liquidity in the market (Box 1.2). Besides, the RBI intervened in the foreign exchange markets to protect the rupee against excessive volatility arising from disorderly conditions in the market. This had an impact on the level of foreign exchange reserves.

Foreign exchange reserves

1.76 Foreign exchange reserves (including gold, SDRs and Reserve Tranche Position in IMF) rose from US$ 309.72 billion at end-March 2008 to a level of US$ 314.614 billion as of end-May 2008. With the rupee coming under some strain, initially due to FII outflows and higher import demand, the level of reserves started to decline in June 2008. The foreign exchange reserves were at US$ 286.3 billion at end-September 2008. With the deepening of global crisis affecting supply of foreign exchange on the one hand and demand remaining strong, the RBI had to sell foreign exchange on the other coupled with the fact that appreciation of the US dollar against major currencies led to valuation losses on the stock of reserves, there was a steady decline in foreign exchange reserves since September 2008 (Figure 1.6). The level of foreign exchange reserves was placed at US $ 251.4 billion on November 7, 2008. The intervention by the RBI in the foreign exchange market through sales of US dollars, in turn, led to indirect impact including the observed tightening in the money markets.

Fig 1.6 Forex reserves



Source: Reuters

Money, G-Sec and credit markets

1.77 The first half of 2008 was characterised by excess liquidity conditions and the RBI trying to absorb liquidity. By mid-June 2008, point-to-point WPI inflation had spiked dramatically to double digits and there was a need to ensure that banks did not have excess liquidity that could turn into credit to fuel inflation or inflationary expectations. Monetary Policy was tightened as both repo rates and banks' cash reserve ratio (CRR) was increased in a series of steps: the repo rate was raised from 7.75 per cent to 9.0 per cent between June 11-July 29, while the CRR was raised from 7.5 per cent to 9.0 per cent over April 26-August 30. The initial tightening in the interbank liquidity was thus purely intentional. The impact of the intentional tightening was limited to about Rs. 30,000-40,000 crore till September 2008. But as conditions remained tight, the banks' holding of excess government securities over and above the mandated statutory liquidity requirement (SLR) fell to the bare minimum levels. Consequently, banks did not have the cushion of excess government securities to repo with the RBI and meet the additional liquidity demand. The precipitate conditions in the global financial markets since mid-September 2008, in conjunction with seasonal factors (liquidity pressures due to festive demand, advance tax payments and Government borrowing) resulted in serious tightening of the liquidity conditions and the RBI had to inject funds in excess of Rs. 80,000-90,000 crore for a number of days.

1.78 Reflecting the conditions in the interbank market: between January-June 2008, the call money rate was contained in the repo-reverse repo corridor; but subsequently, call money rates overshot the upper bound of the corridor on a number of occasions reaching up to 15-16 per cent in September 2008. Interest rates in the collateralised segments of the money market – the market repo (outside the LAF) and the Collateralised Borrowing and Lending Obligation (CBLO)– moved in tandem with call rates and remained below the call rate during the second quarter of 2008-09. During the period after September 15 2008, the call rate was volatile breaching the repo-reverse repo corridor several times.

1.79 The CBLO and the Market repo were also volatile during the second half of September 2008 but less volatile than the Call Money rate. The CBLO and the Market repo peaked on September 30, 2008 to 11.94 per cent and 10.16 per cent respectively. While the volatility continued during October, 2008 it was relatively less volatile than the Call Money rate. While the CBLO peaked on October 10, 2008 to 14.00 per cent, it remained close to the upper bound of the repo-reverse repo corridor. The Market repo which peaked on October 1, 2008 has been close to the upper bound of the repo-reverse repo corridor, breaching it occasionally. Table 1.18 details the movement of these rates during October 2008.

1.80 The 5-year OIS (overnight indexed swap - of floating rate instruments with fixed rate instruments), which is an indicator of market expectations of future call money and, by inference, the repo rate, has been ruling below the repo rate since September 2, 2008. This reflected, in turn, lower domestic inflation expectations following the easing of global commodity prices. The precipitous fall in equity indices following the global financial turmoil and net outflows under FIIs led to the flight to safety by investors resulting in the benchmark 10-year G-sec yield going down considerably to 7.7 per cent on October 13, 2008 from a level of 9.4 per cent on July 31, 2008. The G-Sec yield was at 7.5 per cent on November 17, 2008.

1.81 The outstanding amount of Commercial Paper (CP) issued by corporates increased substantially from Rs. 32,592 crore at end-March 2008 to Rs. 54,182 crore at mid- September 2008 in line with the seasonal pattern observed in case of CP issuances. Leasing and Finance Companies continued to be the major issuers of CP, followed by 'manufacturing and other companies' and financial institutions. The CP issuance was dominated by the prime-rated companies. The discount rate range on CP moved from a range of 9.50-14.25 per cent at end-March 2008 to 10.25-14.25 per cent at mid-September 2008. The Weighted Average Discount Rate (WADR) on CP declined from 10.38 per cent on March 31, 2008 to 8.57 per cent as on mid-May 2008 but thereafter increased to 11.51 per cent on September 15, 2008.

1.82 The outstanding amount of certificates of deposit (CDs) increased from Rs. 1,47,792 crore at end-March 2008 (6.0 per cent of aggregate deposits of CDs issuing banks) to Rs. 1,78,280 crore (6.5 per cent of aggregate deposits) by September 12, 2008. Most of the CDs

Table 1.18

Movement of market rates during October 2008

Date	Weighted Call Money Market Rate	Market Repo	CBLO	Repo rate	Reverse Repo rate
01-10-2008	16.51	11.77	11.44	9.00	6.00
02-10-2008	16.51	11.77	11.44	9.00	6.00
03-10-2008	14.21	8.25		9.00	6.00
04-10-2008	8.21	9.00	6.84	9.00	6.00
05-10-2008	8.21	9.00	6.84	9.00	6.00
06-10-2008	11.33	9.41	9.34	9.00	6.00
07-10-2008	10.64	9.27	9.19	9.00	6.00
08-10-2008	10.48	9.12	9.59	9.00	6.00
09-10-2008	10.48	9.12	9.59	9.00	6.00
10-10-2008	18.53	9.14	14.00	9.00	6.00
11-10-2008	9.39	7.79	5.72	9.00	6.00
12-10-2008	9.39	7.79	5.72	9.00	6.00
13-10-2008	9.92	9.13	8.97	9.00	6.00
14-10-2008	9.95	9.13	9.03	9.00	6.00
15-10-2008	10.04	9.29	9.05	9.00	6.00
16-10-2008	6.94	6.67	6.29	9.00	6.00
17-10-2008	6.60	6.65	5.95	9.00	6.00
18-10-2008	4.16	5.94	4.08	9.00	6.00
19-10-2008	4.16	5.94	4.08	9.00	6.00
20-10-2008	6.78	6.55	5.32	8.00	6.00
21-10-2008	6.78	6.55	5.32	8.00	6.00
22-10-2008	6.09	6.04	5.38	8.00	6.00
23-10-2008	6.14	5.84	5.10	8.00	6.00
24-10-2008	5.81	4.50	2.88	8.00	6.00
25-10-2008	8.56	8.49	8.28	8.00	6.00
26-10-2008	8.56	8.49	8.28	8.00	6.00
27-10-2008	9.35	8.20	8.08	8.00	6.00
28-10-2008	9.35	8.20	8.08	8.00	6.00
29-10-2008	11.26	8.85	8.36	8.00	6.00
30-10-2008	11.26	8.85	8.36	8.00	6.00
31-10-2008	17.89		4.11	8.00	6.00

The conditions reflected the emerging tight liquidity situation.

issued were of more than six months duration. The WADR of CDs declined from 10.0 per cent at end-March 2008 to 9.16 per cent at end-June 2008, but thereafter increased to 11.09 per cent in September 12, 2008.

1.83 The global financial turmoil has resulted in a rise in costs of and problems in accessing external finance. The increase in CDS spreads indicates repricing of the risk of Corporate India. With sources abroad almost drying up in October 2008, these corporates sought recourse to the domestic banking system for meeting their investment needs, which in conjunction with the scheduled programme of Government borrowing put pressure on the system. Government and the RBI responded swiftly through close monitoring and responded with a slew of measures.

2. Balance of Payments developments in 2008-09

1.84 The surge in capital flows witnessed in the second quarter of 2007-08, continued through the third quarter before moderating somewhat in the fourth quarter to a level of US$ 25.4 billion. Thus, net capital flows in 2007-08 was placed at US$ 108.0 billion (Table 1.19). With current account deficit at US$ 17.4 billion in 2007-08, reserve increase was of the order of US$92.2 billion. In the current financial year, as per the data on BOP released by the RBI for the first quarter: trade deficit was placed at US$ 31.6 billion up from a level of US$ 20.7 billion in the corresponding period last year; Goods and service deficit was at US $ 21.1 billion; and current account deficit was at US$10.7 billion. With a net capital inflow of US$13.2 billion, there was a modest reserve increase of US$2.2 billion in April-June 2008 as against levels of US$ 11.2 billion in April-June 2007 and subsequent quarters (Appendix Table II).

Table 1.19
BALANCE OF PAYMENTS (BOP)-SUMMARY

(US$ million)

	2006-07 PR	2007-08 P	2007-08 Q1	2008-09 Q1
Exports, f.o.b	128,083	158,461	35,752	43,703
Imports, c.i.f	191,254	248,521	56,453	75,277
TRADE BALANCE	**-63,171**	**-90,060**	**-20,701**	**-31,574**
Invisibles (net)	53,405	72,657	14,400	20,850
G&S balance	**-31,361**	**-52,150**	**-11,972**	**-21,113**
CURRENT A/C BALANCE	**-9,766**	**-17,403**	**-6,301**	**-10,724**
Commercial Borrowings (net)	16,155	22,165	6,990	1,559
Foreign Investment (net)	15,541	44,806	10,116	5,909
Non-Resident Deposits (net)	4,321	179	-447	813
Other capital flows (net)*	10,355	42,417	842	4,678
TOTAL CAPITAL A/C (net)	**46,372**	**109,567**	**17,501**	**12,959**
RESERVE MOVEMENT (-) increase	**-36,606**	**-92,164**	**-11,200**	**-2,235**

* includes external assistance, rupee debt service and errors and omissions

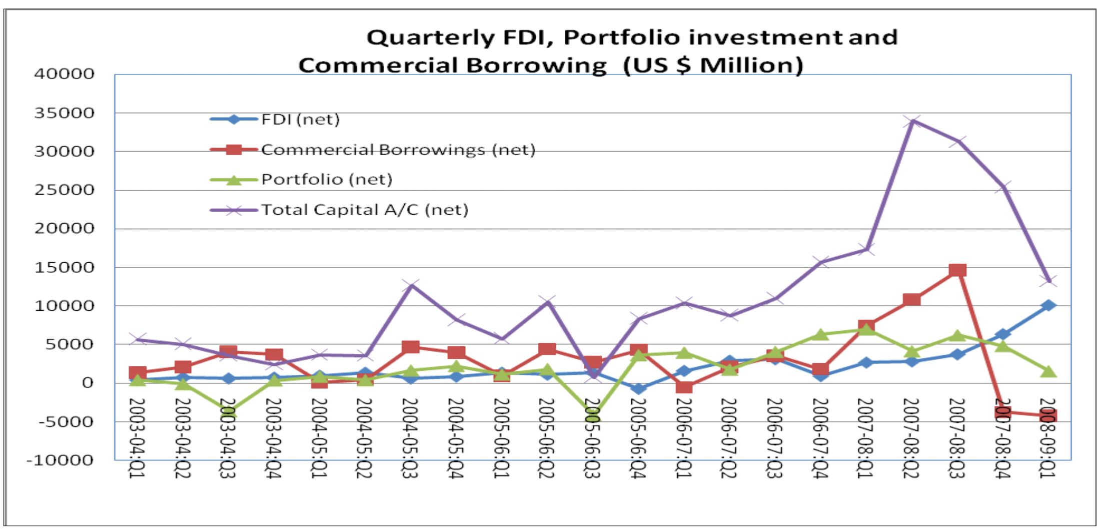
Current account

1.85 During April-June 2008, on BOP basis, merchandise exports grew by 22.2 per cent, higher than the levels recorded in April-June 2007 (20.7 per cent). Imports grew by 33.3 per cent in value terms reflecting higher oil imports (accounting for 51 per cent of the increase). Crude oil cost was US $ 118.8/bbl in Q1 of 2008-09 against US $ 66.4/bbl in Q1 of 2007-08 (on customs basis). Thus trade deficit rose sharply to a level of US $ 31.6 billion in Q1 of 2008-09 as against a level of US $ 20.7 billion in corresponding quarter last year. Invisibles (net) surplus, mainly driven by private transfers (growth at 52.6 per cent) and non factor services (growth at 19.8 per cent), increased sharply from a level of US $ 14.4 billion in Q1 of 2007-08 to a level of US $ 20.9 billion in Q1 of 2008-09 - a growth of 44.8 per cent. While invisible receipts grew by 29.7 per cent in Q1 of 2007-08 (16.7 per cent in Q1 of 2006-07), growth in invisible payments moderated to 14.8 per cent in Q1 of 2008-09 from 22.6 per cent in Q1 of 2007-08. The high trade deficit was thus moderated by net invisibles surplus resulting in a current account deficit of US $ 10.7 billion in Q1 of 2008-09 (US $ 6.3 billion in Q1 of 2007-08)

Capital account

1.86 Reflecting the contagion effects of the global financial turmoil, there was a decline in total capital account (net) by 26 per cent in Q1 of 2008-09 as against robust growth recorded in the first quarter of previous two years. In Q1 of 2008-09 and in gross terms, capital flows remained high with inflows at US $ 88.4 billion (US$ 68.6 billion in Q1 of 2007-08); but higher outflows at US $ 75.2 billion (US$ 51.2 billion in Q1 of 2007-08) brought down the level of net capital account inflows. This was mainly on account of: portfolio flows being net outflows to the extent of US $ 4.2 billion in April-June 2008 as against positive inflows of US $7.5 billion in April-June 2007; and lower levels of net external commercial borrowings (US$ 1.6 billion in April-June 2008 as against US$6.99 billion in April-June 2007). In gross basis, portfolio inflows grew by 17.5 per cent in April-June 2008 over April-June 2007; but as outflows grew even faster at 65.2 per cent in the same period, there have been net outflows on this account. Portfolio flows have remained volatile even in the immediate past and the pickup in the magnitude of ECBs is of recent origin (Figure 1.7).

Figure 1.7



1.87 Short-term credits are an important component of the capital account for its financing of the import payments. In April-June 2008, short-term credits inflows grew by 31.5 per cent and repayments grew by 35.0 per cent over April-June 2007. On a net basis, there has been a growth of 20.5 per cent in April-June 2008. Foreign direct investment (net) accelerated in April-June 2008 with a growth of 280.6 per cent to reach US$ 10.1 billion . This composed of a decline in outward investment of 55.3 per cent with a robust growth of 59.8 per cent in net inflows into India. Non-resident deposits (net) have remained net inflows at a modest level of US$ 813 million in April-June 2008 (US$ -413 million in April-June 2007) and external assistance remains stable; both remain minor sources of flows.

1.88 Out of the four major sources of capital inflows, two, namely FDI and short-term credit, were strong in the first quarter of the current financial year and the other two namely, portfolio investment and ECBs, have acted as dampeners. Beyond the RBI BOP data for the first quarter, available data on FII flows (SEBI data on equity and debt) indicates that the trend in outflows continues and was placed at US$ 9.3 billion in April-October 2008. Gross FDI inflows into India have been placed at US $ 19.3 billion in April-September 2008 and NRI deposits has remained at about the same levels as at the end of the first quarter.

1.89 Thus the lower levels of supply of foreign exchange and a somewhat strong demand have put pressure on the rupee in nominal terms. The nominal effective exchange rate (NEER) of the Indian rupee (6 currency trade based weights), which is the weighted average of bilateral nominal exchange rates of the home currency in terms of foreign currencies, of the RBI depreciated by 8.5 per cent between March 2008 and September 2008. By October 17, 2008 it had depreciated by 12.4 per cent over its end-March 2008 level. The NEER (36 currency, Base 1993-94) as per the export based weight based index depreciated by 7.2 per cent. The real effective exchange rate (REER-6 currency, trade based weights with 1993-94 as Base) after depreciating by 3.7 per cent in September 2008 over its level in March 2008, subsequently worsened to 8.2 per cent. The REER (36 currency, export based weights with 1993-94 as Base) depreciated by 5.7 per cent in September 2008 over its level in March 2008. It is interesting to note that the movement of the rupee against the dollar is in tandem with the movement of the dollar vis-a-vis other major currencies. The US dollar has been appreciating against the other major currencies in the second half of this year and the rupee depreciating against the dollar for the same period. The Broad dollar index shows that US dollar started appreciating against other currencies since August 2008 with the appreciation in November 2008 over July 2008 at 14.9 per cent. In tune with this,

Box 1.2 : Measures taken to modulate exchange rate movements

The following measures were taken to address foreign currency liquidity:

- Reserve Bank of India will continue to sell foreign exchange (US dollar) through agent banks to augment supply in the domestic foreign exchange market or intervene directly to meet any demand-supply gaps.
- Reserve Bank of India to resume special market operations to meet the foreign exchange requirements of public sector oil marketing companies when the oil bonds become available.
- Reserve Bank of India has instituted a rupee-dollar swap facility for Indian banks with overseas branches to give them comfort in managing their short term funding requirements.
- The interest rate ceilings on FCNR (B) and NR(E)RA term deposits has been increased in two stages by a cumulative 175 basis points each.
- Banks have been allowed to raise borrowings from their head offices, overseas branches, and correspondents up to 50 per cent of their unimpaired Tier 1 capital, as against 25 per cent earlier.
- Systemically Important Non-Deposit taking non-banking financial companies (NBFCs) and Housing Finance Companies (HFCs) registered with National Housing Bank (NHB) have been permitted to raise short-term foreign currency borrowings under the approval route as a temporary measure.
- External Commercial Borrowings (ECBs) norms relaxed: (a) All-in-cost ceilings for ECBs for average maturity period of three years and up to five years have been enhanced to 300 basis points and over five years enhanced to 500 basis points above LIBOR; (b) The overall ceiling for ECB has been increased; (c) Definition of infrastructure expanded to include mining exploration and refining sectors for the purposes of ECB; and (d) 3 G Spectrum will be considered an eligible end-use
- All-in-cost ceiling in respect of trade credits have been raised (by up to 125 basis points) to 200 basis points over LIBOR [from LIBOR + 75 basis points].
- Indian corporates allowed to buy-back/pre-pay their foreign currency convertible bonds (FCCBs).
- RBI to provide a refinance facility to the EXIM Bank with a view to mitigating the pressures on Indian export companies.

the rupee also depreciated against the dollar since August 2008 with depreciation in November over July 2008 by 12.6 per cent.

Outlook

1.90 The short-term BOP outlook is clouded by the external environment wherein there is a flight to safety of capital and systemic crisis preventing the efficient market mechanism from correcting the temporary liquidity mismatches. The RBI has stepped in to provide domestic and foreign currency liquidity to the markets and continues to do so. The down-side risk to oil price in the current account so strongly manifest till recently has receded and thus the likely rise in trade deficit due to slowdown in exports may be offset. Though the risk of enhanced levels of net FII outflows remain, barring distress sales, this is somewhat bounded by the present low levels of equity markets. Out of the short term credits of US$ 45.3 billion by original maturity at end June 2008, (from a total external debt of US$ 221.3 billion) trade related credits (up to six months) accounted for US$ 21.0 billion. This is related to import payments which are in the nature of normal liability on account of import/export trade and poses no risk. In respect of trade related credits (above six months and up to one year) amounting to US$ 24.3 billion, the country's reserve provide enough cushion to meet the payment obligations. In view of the deterioration in the external environment since September 2008, Government and the RBI are monitoring closely the developments in the foreign exchange and money markets for calibrating policies to adjust to emerging situations.

3. Trade

1.91 Despite the global financial crisis and slow down, India's merchandise exports during the first seven months of 2008-09 (April- October) valued at US $ 108 billion were higher by 23.7 per cent (in US dollar terms) over the previous year. However, exports during October 2008 registered a negative growth rate of (-) 12.1 per cent over October 2007, mainly due to the spike in the growth rate to 48.8 per cent in October 2007.

1.92 Total value of merchandise imports for the same period was US $ 181 billion registering a growth rate of 36.2 per cent over the corresponding period of the previous year. POL imports grew by 60 per cent valued at US $ 66 billion in 2008-09 (April-October). Non POL imports are valued at US $ 115 billion in 2008-09 (April-October), registering a growth of 25.5 per cent over the corresponding period of the last year. However, Gold and Silver import growth was negative (-0.3) per cent in 2008-09 (April-October) compared to a high growth rate of 41.3 per cent in 2007 (April-October). Non POL and Non bullion imports, which largely represent capital imports, grew by 29.4 per cent in 2008-09 (April-October). The growth performance of exports and imports (in US dollar terms) for the first half and also the first two quarters of current year is given in Table 1.20.

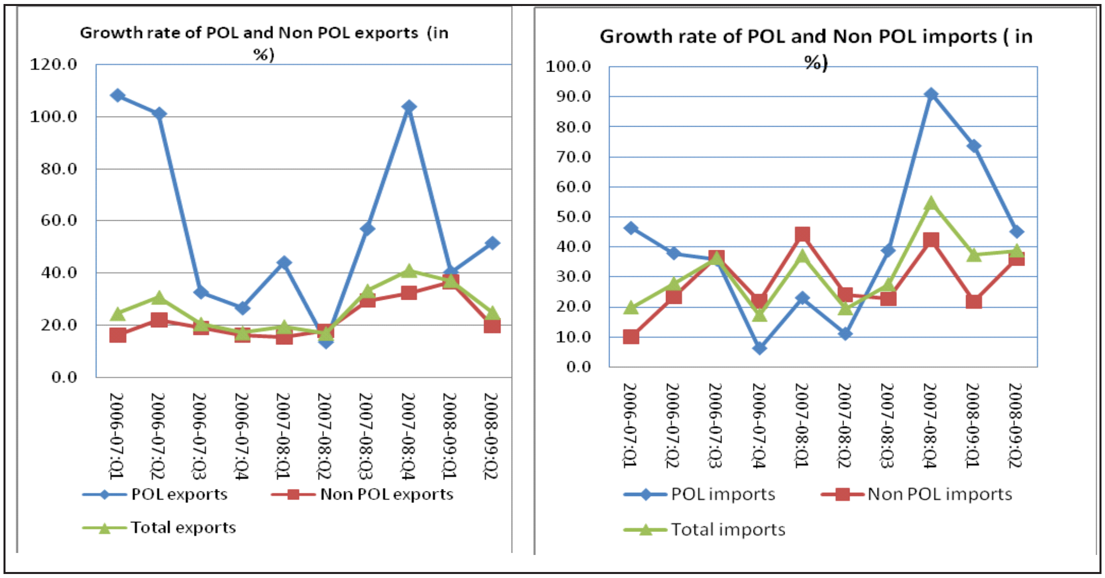
Table 1.20

Year-on-Year growth rate of exports and imports (per cent)

	2006-07			2007-08			2008-09		
	Q1	Q2	Half-Yearly	Q1	Q2	Half-Yearly	Q1	Q2	Half-Yearly
Exports	24.5	30.9	27.8	19.6	17.0	18.2	37.2	25.0	30.9
Imports	19.9	27.8	24.0	37.1	19.5	27.8	37.3	38.8	38.1
POL	46.3	37.9	41.7	23.0	10.9	16.5	73.8	45.1	59.2
Non-POL	9.9	23.2	16.5	44.2	24.0	33.4	21.7	35.9	28.7
Net POL	28.1	18.0	22.6	12.9	9.6	11.2	94.2	41.6	67.0

Source: Department of Commerce

Figure 1.8



1.93 The merchandise trade deficit, on customs basis, for the period April-October, 2008 estimated at US$ 73 billion was higher than the deficit at US $ 45.6 billion during April-October, 2007 by 60 per cent.

Composition and direction of exports

1.94 The first quarter of 2008-09 (April-June) witnessed a robust export growth in items like petroleum products, engineering goods and agriculture and allied products. Leather, gems and jewellery, have witnessed lower growth (Table 1.21). Negative growth has been recorded in handicrafts. The share of petroleum products in total exports has increased from 18.3 per cent in the first quarter of 2007-08 to 18.7 per cent in the first quarter of 2008-09, despite the oil price hike during this period. An analysis of exports to US, EU and rest of the world shows that exports to US of important items like marine products, gems and jewellery, electronic goods, textiles, handicrafts and carpets show negative growth in Q1 of 2008-09. In some of these items there was negative growth even in Q1 of 2007-08 and Economic Survey, 2007-08, had pointed out the impact of US slow down (which has now turned into a recession) on India's exports in first half of 2007-08. This continued in second half of 2007-08 for most of the items except engineering goods and chemicals and related products. In the case of EU also, the slow down effect can be seen in Q1 of 2008-09 in India's exports of leather manufactures, gems and jewellery, chemicals and related products, and handicrafts. In the case of rest of the world, also the slow down impact can be seen in Q1 of 2008-09 with respect to India's exports of leather manufactures, gems and jewellery, electronic goods and handicrafts. In the case of total exports, only export growth to USA is low in Q1 2008-09 as in Q1 of 2007-08.

1.95 The top 10 destinations of exports for the period 2008-09 (April-June) accounted for 52.6 per cent of the total exports. USA continued to be the top-most destination of exports with 10.4 per cent share followed by UAE (10.1 per cent) and Singapore (6.8 per cent). Among the top 10 export destinations, the highest export growth was in the case of India's exports to Netherlands (128 per cent), followed by Singapore (100 per cent), Saudi Arabia (79.8 per cent). However, the growth of exports to USA was low at 7.4 per cent. Negative growth of 2.4 per cent was observed in respect of export to Japan.

Composition and Sources of imports

1.96 During the period 2008-09 (April-June), POL imports accounted for about 38 per cent of India's total imports (Table 1.22). Other import items recording a high growth during this period are machine tools, machinery, project goods. Low import growth was witnessed for transport equipment. China remained the major source of imports with a share of 11.2 per cent in India's total imports followed by UAE (7.4 per cent), Saudi Arabia (7.1 per cent) and USA (5.1 per cent) in the first quarter of 2008-09. With a dramatic fall in the demand from OECD countries, China may try to push manufactured goods into India.

1.97 Among the major sources of imports, the highest import growth rate of 99.1 per cent was recorded from Kuwait followed by Iraq (76.3 per cent), UAE (68.1 per cent), and Saudi Arabia (66.7 per cent), mainly due to high value of oil imports. Negative import growth was recorded from Australia and Switzerland.

Table 1.21

Share and Growth rate of export of some principal commodities

Commodity	Share		Growth rate in US $ terms			
	2007-08 (Apr-Mar)	2008-09 Q1	2006-07 (Apr-Mar)	2007-08 (Apr-Mar)	2007-08 Q1	2008-09 Q1
Agri & Allied Products (incl plantation)						
World	8.3	9.5	20.4	55.5	16.0	94.1
USA	6.5	7.7	-17.2	50.2	7.7	39.5
EU	7.5	9.4	19.9	28.2	17.9	84.4
Others	9.8	10.6	27.8	58.5	42.7	59.7
Marine Products						
World	1.1	0.6	11.2	-2.6	-6.7	6.3
USA	1.1	0.7	-18.9	-22.4	-19.8	-10.7
EU	1.8	1.1	22.3	7.7	0.4	4.3
Others	0.8	0.5	18.4	-3.0	-6.3	12.8
Ores & Minerals						
World	5.6	4.8	13.5	30.3	13.3	26.5
USA	2.0	1.4	8.5	1.4	0.7	-22.1
EU	2.0	1.5	19.6	9.6	47.0	-22.7
Others	7.4	6.4	13.4	34.4	11.5	36.3
Leather & Mnfrs.						
World	2.2	1.8	11.7	16.2	20.1	13.8
USA	1.5	1.6	0.5	-1.1	1.0	14.2
EU	6.6	5.4	14.5	20.2	28.5	17.5
Others	0.8	0.7	10.5	13.1	13.5	5.6

Commodity	Share		Growth rate in US $ terms			
	2007-08 (Apr-Mar)	2008-09 Q1	2006-07 (Apr-Mar)	2007-08 (Apr-Mar)	2007-08 Q1	2008-09 Q1
Gems & Jewellery						
World	12.1	9.7	2.8	23.3	25.9	4.2
USA	24.0	19.3	13.8	-0.1	24.4	-16.4
EU	7.6	6.3	1.7	28.5	23.9	12.3
Others	11.2	9.4	-2.1	34.9	28.5	11.1
Chemical & Related Products						
World	13.7	12.1	17.9	21.4	16.7	20.5
USA	12.3	13.1	21.7	26.2	20.8	19.0
EU	13.3	9.8	25.5	27.1	21.3	5.6
Others	14.1	10.4	15.4	18.9	2.5	15.7
Engineering Goods						
World	20.7	22.2	37.1	27.3	23.9	46.3
USA	21.0	22.4	37.0	14.7	-13.4	36.2
EU	22.9	26.7	49.4	31.1	51.7	58.6
Others	19.9	20.7	33.4	28.7	26.1	43.6
Electronics Goods						
World	2.1	1.8	29.4	19.2	14.3	18.8
USA	3.4	3.2	29.3	-7.0	-0.8	-17.1
EU	2.8	2.8	33.8	34.1	14.3	50.9
Others	1.7	1.3	27.6	25.4	27.0	19.1
Textiles						
World	11.3	9.9	5.7	12.5	0.2	15.6
USA	19.8	19.2	1.0	-1.0	-6.2	-4.8
EU	19.3	16.0	3.6	12.4	1.8	8.8
Others	7.3	6.3	11.2	23.3	1.4	35.2
Handicrafts						
World	0.3	0.1	-5.3	16.1	30.0	-70.3
USA	0.6	0.2	-16.0	-7.7	-4.9	-71.8
EU	0.4	0.2	6.4	-25.6	-1.7	-56.8
Others	0.2	0.0	-7.6	134.2	146.7	-79.8
Carpets						
World	0.6	0.5	8.8	1.7	-7.7	6.7
USA	1.8	1.4	2.8	-4.0	-16.7	-11.3
EU	1.1	0.9	5.9	2.9	-11.2	20.5
Others	0.2	0.2	36.8	11.9	0.6	49.6
Petroleum Products						
World	17.4	18.7	60.3	52.0	44.0	40.3
USA	3.2	1.7	-60.9	136.0	311.7	-59.1
EU	11.5	11.0	-19.4	99.3	99.4	124.0
Others	22.0	23.9	94.2	44.7	38.4	36.2
Total Exports						
World	100.0	100.0	22.5	29.0	19.6	37.2
USA	100.0	100.0	8.7	9.8	7.0	7.4
EU	100.0	100.0	15.4	28.5	22.5	44.8
Others	100.0	100.0	29.1	33.5	23.1	40.9

Table 1.22

Import of some principal commodities

Commodity	Share 2007-08 (Apr-Mar)	Share 2008-09 Q1	Growth rate 2006-07 (Apr-Mar)	Growth rate 2007-08 (Apr-Mar)	Growth rate 2007-08 Q1	Growth rate 2008-09 Q1
BULK IMPORTS	**44.6**	**51.0**	**37.8**	**33.3**	**29.9**	**59.2**
Of which						
Fertilizers	2.2	3.3	47.7	72.1	42.9	255.6
Edible Oil	1.0	0.8	4.1	21.5	28.3	-10.3
Non-ferrous metals	1.4	1.3	41.1	34.7	24.9	33.7
Metalliferrous ores & products	3.1	3.1	114.8	-5.1	54.4	-4.3
Iron & Steel	3.5	3.0	40.4	35.4	72.8	0.9
Petroleum crude & products	31.7	38.0	29.9	39.5	23.0	73.8
PEARLS, PRECIOUS & SEMI-PRECIOUS STONES	**3.2**	**2.2**	**-18.1**	**6.6**	**26.8**	**-26.1**
MACHINERY	**18.0**	**12.3**	**24.6**	**69.1**	**38.3**	**44.9**
PROJECT GOODS	**0.5**	**1.0**	**103.3**	**-27.9**	**-42.1**	**135.5**
OTHERS	**33.8**	**33.6**	**15.6**	**29.5**	**50.1**	**16.1**
Of which						
Pulses	0.5	0.4	53.7	55.3	104.8	-3.8
Coal,coke&briquettes	2.6	3.4	18.2	40.5	38.1	79.6
Organic&Inorganic chmls.	3.9	4.5	12.0	26.6	30.6	48.2
Dyeing,tanning matrl.	0.3	0.3	18.4	25.2	18.0	29.1
Medicinal&Pharma.prds.	0.7	0.6	26.0	29.1	34.7	29.7
Artf.resins, etc.	1.5	1.4	13.9	42.7	36.2	26.1
Chemical products	0.6	0.7	25.5	23.1	0.3	48.3
Manufactures of metals	1.1	1.1	32.3	66.2	33.0	84.4
Profl. instruments, etc.	1.2	1.4	18.6	31.1	24.5	54.8
Electronic goods	8.2	7.3	20.5	29.4	28.7	18.7
Gold & Silver	7.1	6.6	29.3	22.1	139.5	-28.9
Total imports	**100.0**	**100.0**	**24.4**	**35.5**	**37.1**	**37.3**

Source: Department of Commerce.
Note: Q1 refers to April-June

4. Money and Banking

1.98 Despite expansion in bank credit and growth in broad money (M_3) being above the indicative trajectory of the Reserve Bank of India, growth in monetary aggregates and parameters during the period of a little over seven months of the current year (from end-March to November 7, 2008) revealed signs of moderation. The emergent liquidity tightening particularly in the second quarter of the year, owed to the slowdown in capital inflows (due to the decline in inflows of Foreign Institutional Investment, FII) reversing the past trends, which was further accentuated by the unfolding turbulence in the global financial markets and the volatility in the domestic capital market.

1.99 Though in absolute numbers the monetary aggregates of Reserve Money (M_0), and Broad Money (M_3) showed increase during the period under review, the slackening effective the second quarter of the year is visible. (Table 1.23) In the past three years, 2005-06, 2006-07, and 2007-08, the growth in the second quarter of each of these aggregates was higher than the corresponding quarter of the previous year; however in 2008-09, the second quarter growth has posted lower levels.

Table 1.23

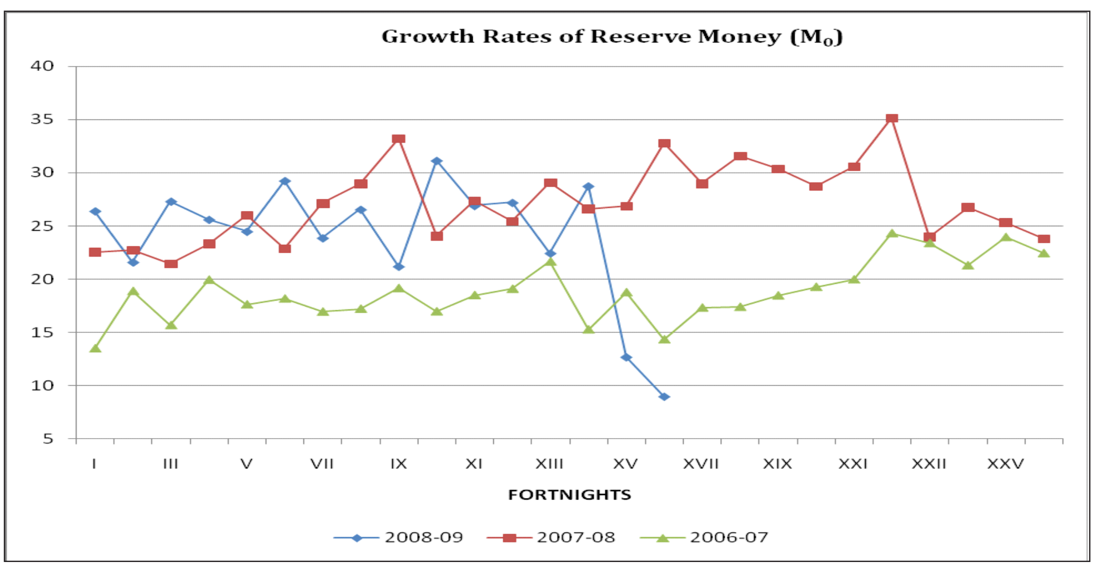
Quarterly growth rates of select monetary aggregates

Items	Percentage change over the corresponding quarter of the previous year													
	2005-06				2006-07				2007-08				2008-09	
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II
M_0	15.5	17.5	14.9	17.2	18.2	21.7	18.5	23.7	22.9	29.1	30.4	30.9	29.3	22.5
M_1	17.6	23.1	21.1	21.1	18.7	19.2	17.4	16.9	16.6	15.8	17.9	19.1	17.4	15.8
M_3	13.7	18.6	17.8	17.0	18.0	19.0	19.3	21.5	21.7	21.5	22.8	20.8	20.8	19.0

Reserve money (M_0)

1.100 Expansion of Reserve Money (M_0) during the first six months of the current financial year (from end-March to September 26, 2008) at Rs. 28,128 crore was much lower than the level of Rs. 72,318 crore during the corresponding period of last year. This represented an increase of 3.0 per cent, as compared to the increase in reserve money by 10.2 per cent, during the corresponding period of 2007-08. The situation reversed with a decrease in M_0 as on November 7, 2008 (over the level of March 31, 2008) at Rs. (-) 59,750 crore, compared to an expansion of Rs. 88,269 crore in the corresponding period of last year. This contraction of Reserve Money (M_0) till November 7, 2008, during the current financial year, translated into a decrease of (-) 6.4 per cent compared to an increase of 12.4 per cent during the corresponding period of last year. Movement of M_0 during the current and last three years is given in figure 1.9.

Figure 1.9



1.101 The growth in an important source of M_0, namely the Net Foreign Exchange Assets (NFA) of RBI, during the first six months of the current financial year (from end-March to September 26, 2008) was Rs. 114,269 crore, translating to an increase by 9.2 per cent which was lower than the level of Rs. 116,686 crore for the corresponding period of last year (13.5 per cent growth). With the inclusion of data for three subsequent fortnights, the situation has shown a reversal; NFA for the period March 31, 2008 to November 7, 2008 decreased by (-) Rs. 36,559 crore compared to an expansion of Rs. 194,946 crore in the corresponding period of last year. This contraction of NFA of RBI during the current financial year translated to a decrease of (-) 3.0 per cent compared to an increase of 22.5 per cent during the corresponding period of last year. On November 7, 2008, on year on year (y-o-y) basis, NFA of RBI recorded a growth of 13.0 per cent compared to 42.3 per cent in the previous year.

1.102 The liquidity unwound through MSS from end-March to November 14, 2008 was at Rs.16,026 crore as compared with absorption of Rs.1,14,310 crore during the corresponding period of the previous year, reflecting the sharp fall in capital inflows.

1.103 Analyzed in terms of quarters, M_0 reached a peak growth rate of 30.9 per cent in Q IV of 2007-08, measured over the corresponding quarter of the previous year. The percentage increase during Q 1 of 2008-09 at 29.3 per cent was higher than 22.9 per cent during Q 1 of 2007-08 indicating a comfortable position. However, the percentage increase during Q 2 of 2008-09 at 22.5 per cent was lower than 29.1 per cent during Q 2 of 2007-08 indicating curtailment of reserve money.

Narrow money (M_1)

1.104 Narrow Money (M_1) during the current financial year (from end-March to November 7, 2008) decreased by (-) 1.8 per cent compared to an increase of 4.2 per cent during the corresponding period of last year. On y-o-y basis, as on November 7, 2008, M_1 grew at the rate of 12.3 per cent, as compared to 18.2 per cent on corresponding date of previous year.

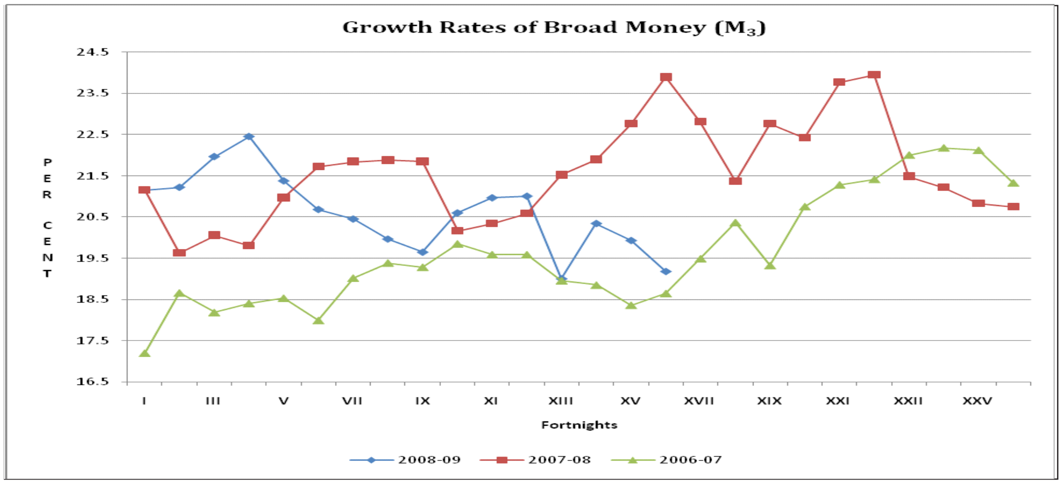
Broad Money (M_3)

1.105 Broad money (M_3) during the first half of the current financial year (from end-March to September 26, 2008) posted a growth of 6.6 per cent as compared to an increase of 8.2 per cent in the corresponding period of the previous year. Even on year on year basis, the increase in M_3 during 2008 was lower at 19.0 per cent, compared to 21.5 per cent of 2007. As of November 7, 2008, the growth in M_3 over the level of March 31, 2008 was 9.3 per cent compared to 10.8 per cent during the corresponding period of last year. On y-o-y basis the growth rate of M_3 was 19.2 per cent as on November 7, 2008 and was lower than 23.9 per cent a year ago. Movement of M_3 during the current and last two years is given in figure 1.10.

1.106 Analyzed in terms of quarters, M_3 reached a peak growth rate of 22.8 per cent in Q III of 2007-08 measured over the corresponding quarter of the previous year. The percentage increase during Q 1 and Q 2 of 2008-09 at 20.8 per cent and 19.0 per cent was lower than 21.7 per cent and 21.5 per cent during Q 1 and Q 2 of 2007-08.

1.107 Of the important components of broad money, Currency with the public (which is also a component of M_1) grew by 17.4 per cent on y-o-y as on November 7, 2008 compared to 16.7 per cent a year ago. Growth in demand deposits (which is also a component of M_1) on y-o-y as on November 7, 2008 at 6.4 per cent was significantly lower than 20.3 per cent recorded a year ago.

Figure 1.10



The growth in time deposits in 2008-09 at 21.8 per cent on y-o-y as on November 7, 2008 was lower than 26.2 per cent recorded a year ago.

Credit extended by Scheduled Commercial Banks

1.108 Non-food credit by scheduled commercial banks (SCBs) expanded by 27.5 per cent on y-o-y basis as on November 7, 2008, higher than 24.0 per cent a year ago. However, for the same period real credit growth decelerated significantly from 20 per cent in November 2007 to 17 per cent in November 2008. The higher expansion in credit growth relative to the expansion in deposit growth was reflected in the credit-deposit ratio on y-o-y of SCBs at 74.92 per cent as on November 7, 2008 compared to 70.82 per cent recorded a year ago.

1.109 As per RBI's disaggregated sectoral data available up to September 26, 2008 about 48 per cent of incremental non-food credit (y-o-y) was absorbed by industry as compared with 41 per cent in the corresponding period of the previous year. The agricultural sector absorbed around 9 per cent of the incremental non-food bank credit expansion as compared with 13 per cent in the corresponding period of the previous year. Personal loans accounted for nearly 15 per cent of incremental non-food credit; within personal loans, the share of incremental housing loans was at 38 per cent. The outstanding credit under credit card witnessed a sharp increase. Growth in loans to commercial real estate remained high at 45.9 per cent.

1.110 Despite a higher growth of non-food credit by SCBs, there was emerging a shortage of funds reflected by large scale liquidity injections by the RBI under the Liquidity Adjustment Facility (LAF) and a sharp increase in the Inter-Bank Call Rate. This mystic shortage of funds could possibly be explained by a number of factors such as the relatively higher rate of inflation reducing the credit expansion in real terms, drying up of alternate sources of credit like suppliers/ buyers credit from non-formal financial sources and so not captured in the RBI statistics, impact of continuous sliding down of the BSE Sensex and Nifty inflicting both real and notional losses on investors, sluggish resource mobilization in the primary market, large volume of funds blocked in the foreign exchange market to hedge against depreciation of the rupee, difficulties with external sources of credit, uncertainty in the real estate market on future expansion programmes and large scale redemption from fixed maturity plans schemes of mutual funds.

Interventions in the Money Market

1.111 The Reserve Bank of India which continued with its policy of monetary tightening till September of the current financial year through the use of the Cash Reserve Ratio (CRR), and Open Market Operations (OMO), including Market Stabilization Scheme (MSS) and Liquidity Adjustment Facility (LAF), and other policy instruments at its disposal flexibly till international developments impacted on domestic liquidity. Thereafter it reversed direction with steps to ease monetary expansion. Steps taken to ease the liquidity situation and related interventions by the RBI before and after the liquidity crisis are given in the accompanying boxes. The movement of key policy rates is given in Table 1.24. Measures introduced by the RBI have provided immediate relief to the money market and reduced the Inter-Bank Call money market rate. However, the situation continues to be fluid and regular monitoring with periodic interventions would be required to ensure that the tight liquidity conditions do not restrict credit availability for growth of the economy. It will be necessary to identify and quantify the impact on the money market of a number of parameters, the exposure of Indian financial institutions to the global financial and US sub-prime crises, the decline in the Indian stock market and its impact on mutual funds and the Indian realty sector.

Box 1.3

Measures to curb liquidity Rate Increases

Cash Reserve Ratio (CRR) was increased by 150 basis points from 7.5 per cent at the beginning of the financial year to 9.0 per cent on August 30, 2008 of Net Demand and Time Liabilities (NDTL) in six stages.

Repo rate for lending under the Liquidity Adjustment Facility (LAF) was increased by 125 basis points from 7.75 per cent at the beginning of the financial year to 9.0 per cent on July 29, 2008 in three stages.

Table 1.24

Movement in Key Policy Rates

Effective since	Reverse repo rate	Repo rate	Effective since	Bank rate	Effective since	Cash Reserve Ratio (CRR)
1	2	3	4	5	6	7
March 31, 2007	6.00	7.75	April 30, 2003	6.00	November 10, 2007	7.50
June 12, 2008	6.00	8.00			April 26, 2008	7.75
June 25, 2008	6.00	8.50			May 10, 2008	8.00
July 30, 2008	6.00	9.00			May 24, 2008	8.25
October 20, 2008	6.00	8.00			July 5, 2008	8.50
November 03, 2008	6.00	7.50			July 19, 2008	8.75
					August 30, 2008	9.00
					October 11, 2008	6.50
					October 25, 2008	6.00
					November 8, 2008	5.50

Box 1.4 : Measures to address the liquidity crunch

Monetary Measures

Cut in the repo rate for lending under the Liquidity Adjustment Facility (LAF) by 150 basis points from 9.0 to 7.5 per cent in two stages.

Rate Cuts

Cut in Cash Reserve Ratio (CRR) by 350 basis points from 9.0 per cent to 5.5 per cent of Net Demand and Time Liabilities (NDTL).

Cut in the Statutory Liquidity Ratio (SLR) by 100 basis points from 25 per cent to 24 per cent of the NDTL first as a temporary measure and then permanently.

Special/ Additional Liquidity Auctions

Second LAF (SLAF) conducted on reporting Fridays, introduced with effect (wef) from August 1, 2008 was converted to a daily facility wef September 17, 2008.

Term repo facility for an amount of Rs. 60,000 crore has been instituted under the LAF to enable banks to ease liquidity stress faced by mutual funds (MFs) and non-banking financial companies (NBFCs) with associated SLR exemption of 1.5 per cent of NDTL.

Reserve Bank provided an advance of Rs. 25,000 crore to financial institutions under the Agricultural Debt Waiver and Debt Relief Scheme pending release of money by the Government.

Special refinance facility introduced for scheduled commercial banks (excluding regional rural banks or RRBs) with a limit of 1.0 per cent of each bank's NDTL as on October 24, 2008 at the LAF repo rate up to a maximum period of 90 days. During this period, refinance can be flexibly drawn and repaid.

Government securities under the Market Stabilisation Scheme (MSS) are to be bought-back calibrated with the market borrowing programme of the Government of India.

To provide comfort on liquidity and to impart flexibility in liquidity management to banks, on November 1, 2008, the Reserve Bank introduced a special refinance facility under Section 17(3B) of the Reserve Bank of India Act, 1934 under which all scheduled commercial banks (excluding RRBs) are provided refinance from the Reserve Bank equivalent to upto 1.0 per cent of each bank's NDTL as on October 24, 2008 at the LAF repo rate up to a maximum period of 90 days. Banks are encouraged to use this facility for the purpose of extending finance to micro and small enterprises.

As a counter-cyclical prudential measure, the general provisioning requirement on standard advances for residential housing loan beyond Rs.20 lakh has been progressively increased from 0.25 per cent to 1.0 per cent, while that on standard advances in the commercial real estate sector, personal loans including outstanding credit card receivables, loans and advances qualifying as capital market exposure and non-deposit taking systemically important NBFCs has been progressively increased from 0.25 per cent to 2.0 per cent. In view of the current macroeconomic, monetary and credit conditions, it has been decided, consistent with the practice of dynamic provisioning, that the provisioning requirements for all types of standard assets will stand reduced to a uniform level of 0.40 per cent except in case of direct advances to agricultural and SME sector which shall continue to attract provisioning of 0.25 per cent, as hitherto. The revised norms will be effective prospectively, but the provisions held at present should not be reversed.

Risk weights on banks' exposures to certain sectors, which had been increased counter cyclically, were also revised downward in view of the current macroeconomic, monetary and credit conditions. All unrated claims on corporates shall attract a uniform risk weight of 100 per cent as against the risk weight of 150 per cent for such exposures prescribed earlier which was applicable for exposures above Rs 50 crore from April 1, 2008 and for exposures above Rs 10 crore from April 1, 2009. Claims secured by commercial real estate shall attract a risk weight of 100 per cent as against the earlier risk weight of 150 per cent. Claims on rated as well as unrated non-deposit taking systemically important non-banking financial companies (NBFC-ND-SI) shall be uniformly risk weighted at 100 per cent. As regards the claims on asset financing companies (AFCs), there is no change in the risk weights, which would continue to be governed by the credit rating of the AFCs, except the claims that attract a risk weight of 150 per cent under the new capital adequacy framework, stands reduced to a level of 100 per cent.

Measures to augment foreign exchange inflows and stabilize the Rupee

Reserve Bank announced intent to sell foreign exchange (US dollar) directly or through agent banks to augment supply in the domestic foreign exchange market to meet any demand-supply gaps.

Entities with bulk forex requirements can approach the Reserve Bank through their banks for their foreign exchange requirement.

Reserve Bank announced intent to institute special market operations to meet the foreign exchange requirements of public sector oil marketing companies against oil bonds when they become available.

Interest rate ceiling on Foreign Currency Non-Resident (Banks) FCNR (B) deposits of all maturities fixed at Libor/Euribor/Swap rates minus 75 basis points were increased by 175 basis points in three stages, *i.e.*, to the interest rate ceiling of Libor/Euribor/Swap rates plus 100 basis points.

Interest rate ceiling on Non-Resident (External) Rupee Account NR(E)RA for one to three years maturity was hitherto not to exceed the Libor/Euribor/Swap rates for US dollar of corresponding maturity was revised by 175 basis points in three stages, *i.e.*, to Libor/Euribor/Swap rates plus 175 basis points.

Banks were also allowed to borrow funds from their overseas branches and correspondent banks up to a limit of 50 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million, whichever is higher, as against the existing limit of 25 per cent.

External commercial borrowings (ECBs) up to US $ 500 million per borrower per financial year permitted for rupee expenditure and/or foreign currency expenditure for permissible end-uses under the automatic route.

The all-in-cost ceiling for ECBs for average maturity period of three years and up to five years was enhanced to 300 basis points above LIBOR and to 500 basis points above LIBOR for ECBs over five years.

Payment for obtaining license/permit for 3G Spectrum to be considered an eligible end - use for the purpose of ECB.

ECB proceeds by borrowers offered flexibility to either keep these funds off-shore or with the overseas branches/ subsidiaries of Indian banks abroad or to remit these funds to India for credit to their Rupee accounts with AD Category I banks in India, pending utilisation for permissible end-uses, subject to the their not being used for investment in capital markets, real estate or for inter-corporate lending.

Systemically Important Non-Deposit taking NBFCs have been temporarily permitted to raise short-term foreign currency borrowings under the approval route, subject to their complying with the prudential requirements of capital adequacy and exposure norms.

Securities and Exchange Board of India (SEBI) has lifted the curb of 40 per cent restriction for issuance of PNs for both cash and derivative segments on the issuance of the Participatory Notes by the Foreign Institutional Investors.

SEBI enhanced the FII investment in corporate debt limit from US $ 3 billion to US$ 6 billion. To accord flexibility to the FIIs to allocate the investments across equity and debt, the conditions pertaining to restrictions of 70:30 ratio of investment in equity and debt respectively, have been removed.

As a temporary measure, housing finance companies (HFCs) registered with the National Housing Bank (NHB) have been allowed to raise short-term foreign currency borrowings under the approval route, subject to their complying with prudential norms laid down by the NHB. Details in this regard are being notified separately.

Reserve Bank of India also indicated that it would consider proposals from Indian companies to prematurely buy back their FCCBs subject to the same being financed by the company's foreign currency resources held in India or abroad and/or out of fresh external commercial borrowing (ECB) raised in conformity with the current norms for ECBs. Proposals in this regard will be considered under the approval route. Extension of FCCBs will also be permitted at the current all-in cost for the relative maturity

Liquidity conditions and cost of capital

1.112 As already stated the liquidity crunch in the Indian money market was co-terminus with and resulted from turbulence in the Global Financial Markets witnessed since September 2008. Inadequate liquidity in the money market led to injection of liquidity under Liquidity Adjustment Facility (LAF) by RBI. Injection under LAF sharply increased from an average daily injection of Rs. 22,560 crore in August 2008 to Rs. 42,591 crore in September 2008 and marginally declined to Rs. 39,533 crore in October 2008. Daily injection under LAF by RBI of and the average of daily Weighted Call Money rate during the last seven months is given in table 1.25.

Table 1.25

Average daily injection under LAF by RBI and the monthly average Weighted Call Money rate

Month	Average daily injection under LAF by RBI (Rs. Crore)	Average of Weighted Call Money rate (per cent)
April 2008	-26,359	6.11
May 2008	-11,841	6.62
June 2008	8,621	7.75
July 2008	27,961	8.76
August 2008	22,560	9.10
September 2008	42,591	10.52
October 2008	41,216	-

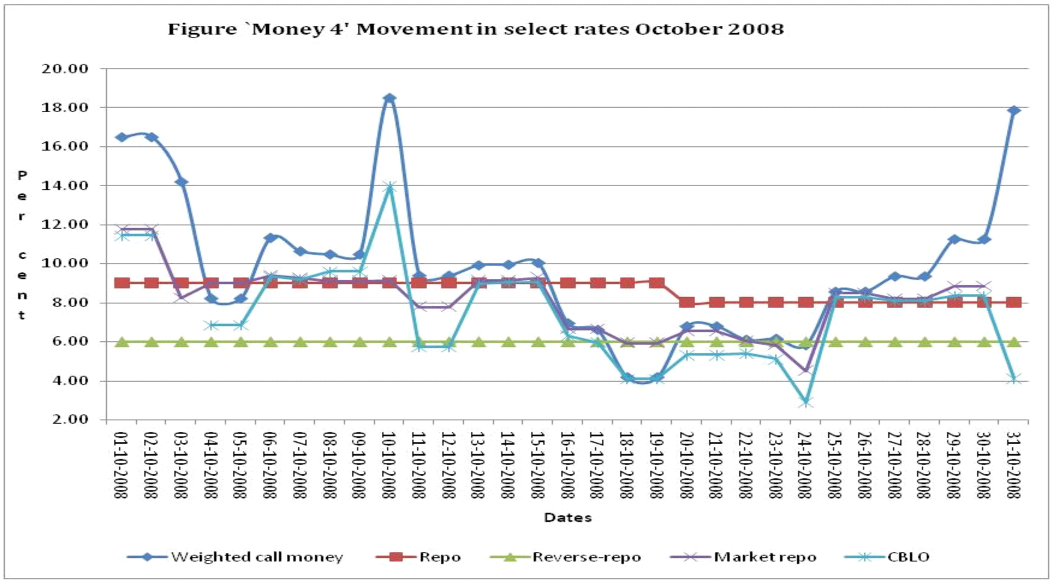
1.113 The injection of liquidity was, however, not sufficient to keep the Weighted Call Money rate from breaching the repo-reverse repo corridor of 9 – 8 - 7.5 per cent to 6 per cent on both bounds and on several occasions, having fortnightly and monthly peaks. The Weighted Call Money rate peaked to 14.81 per cent on September 29, 2008. During October 2008, the Weighted Call Money rate first peaked to 18.53 per cent on October 10, 2008 and then to 17.89 per cent on October 31, 2008. This was indicative of a volatile situation. Accompanying figure 1.11 gives movement of the rates during October 2008.

1.114 The average of daily Weighted Call Money rate increased from 8.803 per cent in August 2008 to 10.243 per cent in September 2008 and then marginally declined to 9.790 per cent in October 2008.

1.115 The Weighted Call Money rate breaching the lower bound of the repo-reverse repo corridor had different implications for the market in the form of large amounts of money being parked with the RBI under reverse-repo. This was explained by the fact that the lower range of the Call Money market rate was below the reverse-repo rate of 6 per cent, making the same a better option to park funds. This continued till November 21, 2008 despite the fact that there was a demand for funds.

1.116 Further parking of funds under the reverse-repo needs to be checked to increase liquidity in the system and also reduce the Call Money market rate. While the repo rate has been cut from 9 to 8 per cent, there has been no corresponding reduction in the reverse-repo rate. A cut in the reverse-repo rate would likely reduce the amounts parked under reverse-repo and help in moderating the Call Money market rate.

Figure 1.11



Interest on Government Securities

1.117 Yields in the primary market on Treasury Bills (TBs) were quoted at 7.23 per cent (91 Day TBs), 7.19 per cent (182 Day TBs) and 7.35 per cent (364 Day TBs) on the first auctions of the current financial year. These rates peaked in July /August to 9.23 per cent (91 Day TBs), 9.30 per cent (182 Day TBs) and 9.55 per cent (364 Day TBs) before softening to the levels of at 7.35 per cent (91 Day TBs) on November 12, 2008, 7.21 per cent (182 Day TBs) on November 12, 2008, and 7.37 per cent (364 Day TBs) on November 5, 2008, the last recorded auction. Movements in yields for these TBs during the last three years are shown in figures 1.12 to 1.14.

5. External Debt

1.118 The latest data available on India's external debt stock relates to end-June 2008. The total external debt of the country stood at US$ 221.3 billion at the end-June 2008 marginally increasing by US$ 0.6 billion from US$ 220.7 billion as at end-March 2008. Short-term debt amounted to US$ 46.0 billion which accounted for 20.8 per cent of the total external debt at end-June 2008, and was almost entirely made up of trade related credits maturing in a year or less.

1.119 The long-term debt amounted to US$ 175.3 billion at end-June 2008, showing marginal decrease of $ 1.5 billion from end March 2008, which was 79.2 per cent of total external debt. External commercial borrowing and NRI Deposits accounted for 27.8 per cent and 19.3 per cent respectively, of long-term debt.

1.120 In terms of currency composition of external debt, the share of US dollar rose from 49.3 per cent at end-March, 2008 to 52.3 percent at the end-June.2008. The share of rupee denominated debt decreased by 2.3 per cent and stood at 14.1 per cent during this period. The composition of external debt for end-June 2008 and its currency structure are given in Figures 1.15 and 1.16, respectively.

1.121 During the first quarter of 2008-09, the total debt service payments amounted to US$ 3.2 billion and debt service ratio stood at 3.9 per cent, accordingly. The major solvency and liquidity

Figure 1.12

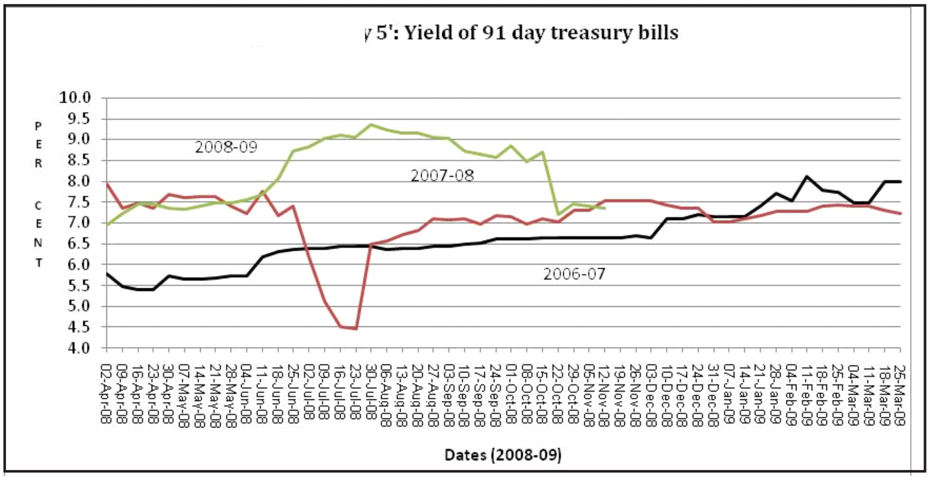
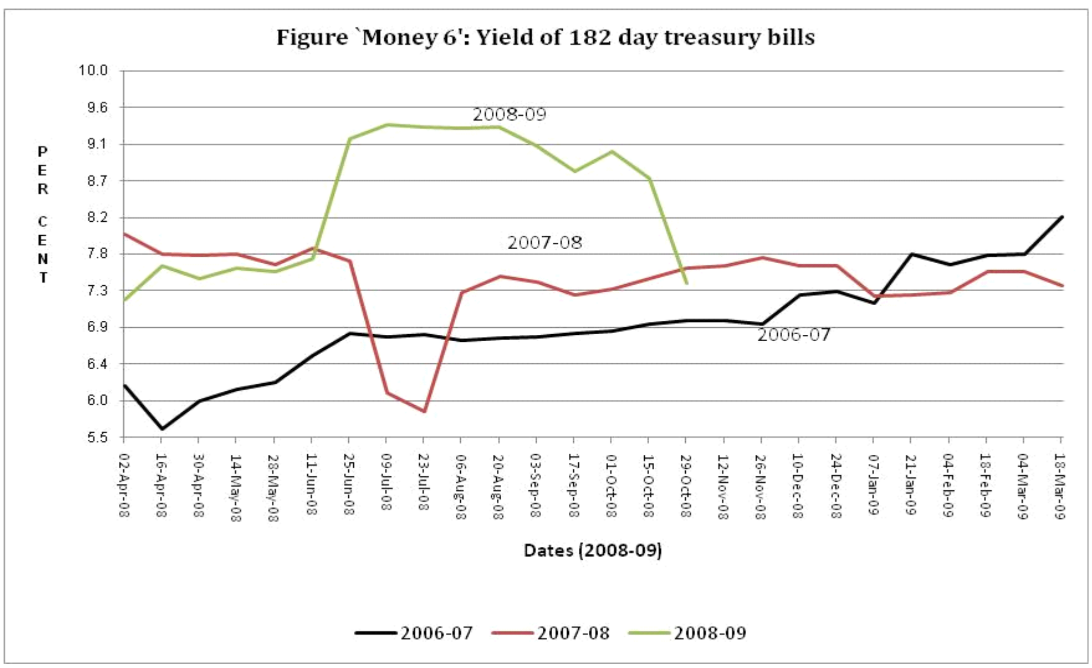
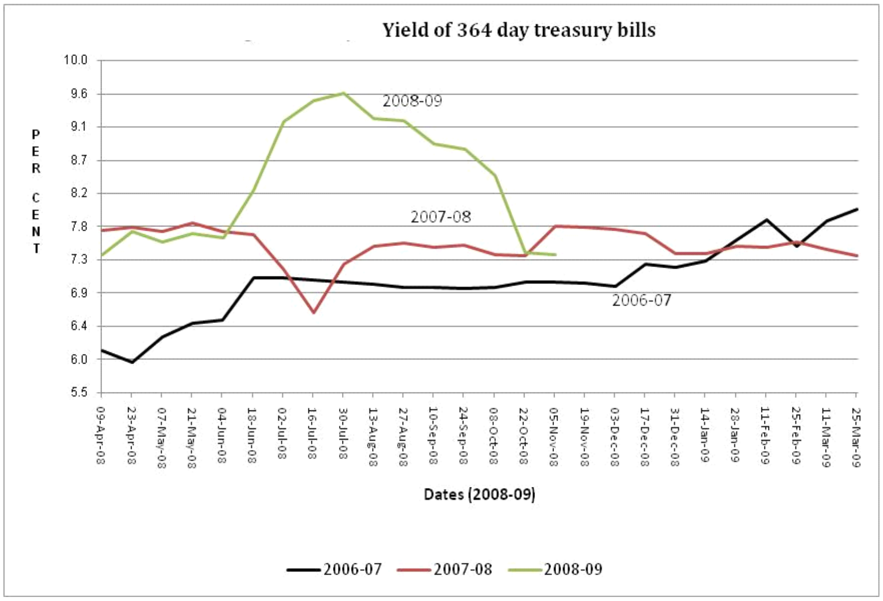


Figure 1.13



indicators of external debt continued to remain in the comfort zone. The ratio of foreign exchange reserves to total external debt went up to 141 per cent at end-June 2008 from the level of 140.3 per cent in the end-March 2008. The external debt-to-GDP ratio was 18.7 per cent in 2007-08. International comparison based on World Bank's 'Global Development Finance, 2008' shows that India's external debt sustainability indicators compare well with those of other debtor countries of the developing world.

Figure 1.14



D. Social Sector Programmes and Recent Developments

National Rural Employment Guarantee Act (NREGA)

1.122 In 2007-08, 3.39 crore households were provided employment and 143.5 crore person-days were generated in 330 districts. In 2008-2009 (up to September), 2.93 crore households had been provided employment and 109.30 crore person-days were generated. The enhanced wage earnings have led to a strengthening of the livelihood resource base of the rural poor in India. In 2007-2008, more than 68 per cent of funds utilized were in the form of wages paid to the labourers. In 2008-2009, 71per cent of the funds have been utilized in the form of wages. Self targeting in nature, the programme had high works participation of marginalized groups like SC/ST (57 per cent), women (43 per cent) in 2007-2008. In 2008-2009(up to September), the participation was SC/ST (54 per cent) and women (49 per cent). In 2007-08, 17.88 lakh works have been undertaken, of which 49 per cent were for water conservation. In 2008-2009(up to September), 19.14 lakh works had been undertaken, of which 44 per cent were for water conservation.

1.123 The Central Government has been encouraging the State Governments to make wage payment through bank and post office accounts of wage seekers. Thus far, 4.22 crore(upto September, 2008) NREGA bank and post office accounts have been opened to disburse wages. The NREGA workers are also being encouraged to obtain insurance under Jan Shri Bima Yojana.

Swarnjayanti Gram Swarozgar Yojana(SGSY)

1.124 During 2008-09 (up to August), Rs. 938.14 crore (46 per cent) was released against the total central allocation of Rs.2000.00 crore. During the period, 1.10 lakh SHGs have been formed and a total of 4.56 lakh Swarozgaris have been assisted with a total investment of Rs. 1145.15 crore. Against total number of swarozgaris assisted, 2.11 lakh SCs/STs and 2.78 lakh women swarozgaris have been assisted which constitute 46.29 per cent and 60.96 per cent respectively.

Pradhan Mantri Gram Sadak Yojana (PMGSY)

1.125 Since inception, projects for construction of more than 3.32 lakh km roads to benefit 84,435 habitations have been cleared with an estimated cost of Rs. 82,008.27 crore. A sum of

Figure 1.15

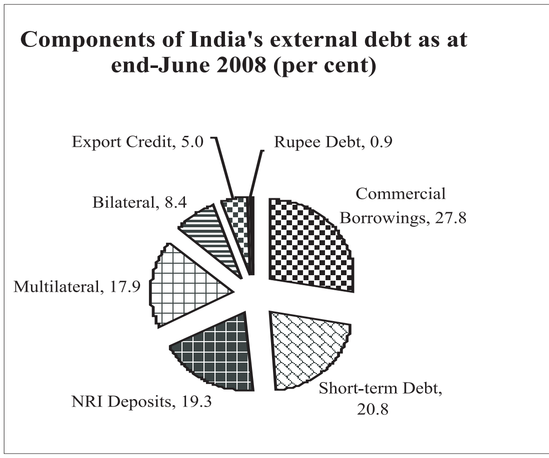
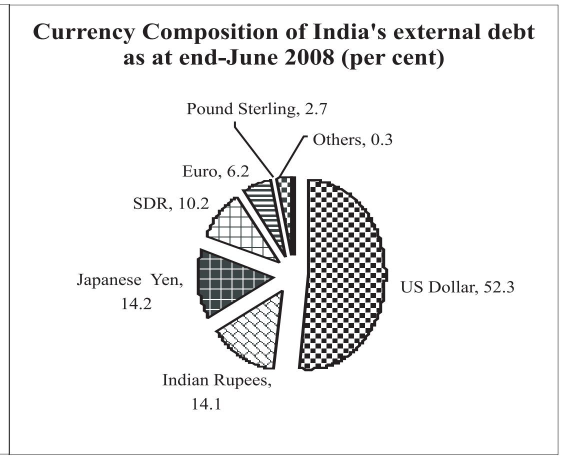


Figure 1.16



Source: Reserve Bank of India.

Rs. 38,594 crore has been released to the States and about Rs. 36,017 crore has been spent up to August, 2008. So far, up to August, 2008, construction of 1.77 lakh km has been completed and all weather connectivity has been provided to over 50,000 habitations. Work is in full swing in respect of 1.56 lakh km. In Rajasthan, 34,253 km. road length has been completed followed by 21,072 km. in Uttar Pradesh and 20,205 km. in Madhya Pradesh.

Rural Housing

1.126 For the current financial year 2008-09, under Indira Awas Yojana, an amount of Rs. 5645.77 crore has been allocated to the States/UTs with a target of construction of 21.27 lakh houses. Out of the total budgetary allocation of Rs. 5645.77 crore, an amount of Rs. 3175.97 crore had been released as on 8th October, 2008.

National Skill Development Corporation.

1.127 The formation of National Skill Development Corporation (NSDC) was announced in the Budget Speech of 2008-09. The Union Cabinet, in its meeting held on May 15, 2008, while approving the coordinated action plan for skill development, also approved the setting up of NSDC with an initial Government contribution of Rs. 1, 000 crore. Subsequently, it was decided to incorporate NSDC as a Section 25 ‘not for profit’ company (NSDC) with initial authorised capital of Rs 10 crore, of which 51 per cent will be privately held. It was also decided to incorporate a Trust [National Skill Development Fund (NSDF)] which would be fully owned by the Government to be a receptacle for funds from Government sources, bilateral/multilateral and other agencies. The Company was registered on July 31, 2008 as a Section 25 Company.

National Action Plan on Climate Change

1.128 Prime Minister on June 30th, 2008 released India’s National Action Plan on Climate Change. The National Action Plan has been prepared under the guidance and direction of Prime Minister’s Council on Climate Change. The National Action Plan reflects the importance the Government attaches to mobilizing our national energies to meet the challenge of climate change. The National Action Plan focuses attention on 8 priority National Missions. These are: (i) Solar Energy (ii) Enhanced Energy Efficiency (iii) Sustainable Habitat (iv) Conserving Water (v) Sustaining the Himalayan Ecosystem (vi) A “Green India” (vii) Sustainable agriculture (viii) Strategic Knowledge Platform for Climate Change.

Chapter II

CENTRAL GOVERNMENT FINANCES

A. Over view of fiscal trends during April-September, 2008-09

2.1 The fiscal position of the Union Government has improved considerably since 2004-05, after the enactment of the Fiscal Responsibility and Budget Management Act. The Union Budget, 2008-09 has envisaged that further progress would be made during the year; accordingly a target of 2.5 per cent of GDP for the fiscal deficit and 1 per cent of GDP for the revenue deficit was set. This was also expected to provide some head room for expenditure arising out of post budget developments. Due to conscious shift in expenditure in favour of health, education and social sectors, the target for the elimination of the revenue deficit has been postponed by one more year i.e. 2009-2010. The process of fiscal consolidation, therefore, follows the principle of creation of fiscal space through realisation of the full potential of revenue mobilisation. This involves, inter-alia, rationalisation of tax system and better tax compliance and at the same time provides for the much needed social sector expenditure.

2.2 Total receipts during the first half of 2008-09, is placed at Rs.3,49,081 crore. This was 46.5 per cent of budget estimates. Revenue receipts and non-debt capital receipts at Rs.2,46,427 crore was 39.9 per cent of 2008-09 (BE). The fiscal deficit of Rs.1,02,654 crore in the first half of the fiscal year 2008-09 amounts to 1.94 per cent of GDP and is well within the limit of 2.5 per cent set in 2008-09 (BE). However, as compared to the fiscal deficit of 1.72 per cent of GDP reported last year for the same period, it is higher during the current year. The revenue deficit up to September, 2008 was Rs.78,313 crore, which amounts to 1.48 per cent of GDP. This is also higher as compared to the revenue deficit of 1.30 per cent of GDP reported last year for the same period.

2.3 The gross tax-GDP ratio was estimated at 13 per cent in 2008-09(BE) for the full year; the achievement during the first half of the current financial year is 5.28 per cent of GDP. As against the total expenditure [in 2008-09(BE)] of Rs.7,50,884 crore for the full year (14.16 per cent of GDP), it was 6.58 per cent of GDP in first half of 2008-09. The emphasis in 2008-09 is on consolidating outcomes and ensuring better utilisation of allocated resources. Summarised position of receipt and expenditure during the first half of 2008-09 is given in the Table 2.1. The figures therein are unaudited and may undergo revision subsequent to audit. The receipts and recoveries, whereever directly linked to expenditure have been netted out.

B. Receipts

Revenue receipts

2.4 The revenue receipts, during April-September, 2008, were 40.6 per cent of 2008-09(BE) as compared to 40.7 per cent during April-September, 2007. The tax revenue (net to the Central Government) after devolution to States at the end of second quarter has increased from Rs. 1,60,500 cores in 2007-08 to Rs.2,02,247 crore during 2008-09. The non-tax revenue receipts during April-September, 2008-09 was Rs.42,651 crore amounting to 44.5 per cent of 2008-09(BE). The Table 2.2 shows the trends in revenue receipts as percentage of Budget Estimates as well as ratio to GDP.

Table 2.1

Budgetary position April-September

		B.E.	April-September		2008-09 Actuals as a percentage of B.E. (col 3 as %of 2)	Increase over previous year (col 3 over 4)
		2008-09	2008-09	2007-08		
		Rs. in Crore				
	1	2	3	4	5	6
1.	Revenue Receipts	**6,02,935**	**2,44,898**	**1,97,956**	**40.6**	**23.7**
2.	Tax Revenue (Net)	5,07,150	2,02,247	1,60,500	**39.9**	26.0
3.	Non-Tax Revenue	95,785	42,651	37,456	44.5	13.9
4.	Capital Receipts (5+6+7)	**1,47,949**	**1,04,183**	**1,19,936**	**70.4**	**-13.1**
	Non Debt Capital Receipts	**14,662**	**1,529**	**38,736#**	**10.4**	**-96.1**
5.	Recovery of Loans	4,497	1,486	2,030	33.0	-26.8
6.	Other Receipts	10,165	43	36,706	0.4	-99.9
7.	Borrowings and other liabilities	**1,33,287**	**1,02,654**	**81,200**	**77.0**	**26.4**
8.	Total Receipts (1+4)	**7,50,884**	**3,49,081**	**3,17,892**	**46.5**	**9.8**
9.	Non-Plan Expenditure	**5,07,498**	**2,40,629**	**2,31,134**	**47.4**	**4.1**
10.	On Revenue Account	4,48,352	2,29,484	1,87,509	51.2	22.4
11.	of which Interest Payments Interest Payments	1,90,807	86,061	72,820	45.1	18.2
12.	On Capital Account	59,146	11,145	43,625@	18.8	-74.5
13.	Plan Expenditure	**2,43,386**	**1,08,452**	**86,758**	**44.6**	**25.0**
14.	On Revenue Account	2,09,767	93,727	71,571	44.7	31.0
15.	On Capital Account	33,619	14,725	15,187	43.8	-3.0
16.	Total Expenditure (9+13)	**7,50,884**	**3,49,081**	**3,17,892**	**46.5**	**9.8**
17.	Revenue Expenditure (10+14)	6,58,119	3,23,211	2,59,080	49.1	24.8
18.	Capital Expenditure (12+15)	92,765	25,870	58,812	27.9	-56.0
19.	Revenue Deficit (17-1)	**55,184**	**78,313**	**61,124**	**141.9**	**28.1**
20.	Fiscal Deficit {16 – (1+5+6)}	**1,33,287**	**1,02,654**	**81,200**	**77.0**	**26.4**
21.	Primary Deficit (20 – 11)	**(-) 57,520**	**16,593**	**8,380**	**-28.8**	**98.0**

Source: Controller General of Accounts, Ministry of Finance

\# includes Rs.34,808 crore on account of transfer of profit on sale of RBI's stake in SBI

@ includes onetime expenditure of Rs.35,531 crore on account of payment to RBI for acquisition of its stake in SBI

Table 2.2

Revenue Receipts April- September

(Rs. in crore)

REVENUE RECEIPTS April - September	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1. Tax Revenue (Net)	65057	77860	96249	129986	160500	202247
2. Non-Tax Revenue	28941	28647	26596	31420	37456	42651
3. Total Revenue Receipts	**93998** **(3.4)**	**106507** **(3.4)**	**122845** **(3.4)**	**161406** **(3.9)**	**197956** **(4.2)**	**244898** **(4.6)**
4. BE for the full year	253935	309322	351200	403465	486422	602935
5. Item 3 as percentage of item 4 (Figures in parenthesis are percentages of GDP)	**37.02**	**34.43**	**34.98**	**40.0**	**40.7**	**40.6**

Tax revenue

2.5 The Budget 2008-09, envisaged a growth of 17.5 per cent in the gross tax revenue over the 2007-08(RE) level. However, the gross tax revenue collection has been buoyant and has increased from Rs.2,23,491 crore to Rs.2,80,141 crore at the end of second quarter of 2008-09 posting a growth of 25.3 per cent over the same period in 2007-08. The gross tax -GDP ratio at the end of second quarter in 2008-09 has improved to 5.28 per cent from 4.74 per cent during the same period in 2007-08. The Table 2.3 shows the details of gross tax revenue at the end of the second quarter of 2008-09 as compared to the corresponding period of 2007-08.

Table 2.3

Components of Gross Tax Revenue

	2008-2009				2007-2008		
	B.E.	April-September 2008	per cent of B.E.	per cent growth over April-September 2007	B.E.	April-September 2007 per cent of B.E.	per cent of B.E.
	Rs. crore				Rs. crore		
1. Corporation Tax	226361	96991	42.8	38.2	168401	70176	41.7
2. Taxes on income other than Corporation Tax	120604	46349	38.4	30.8	86829	35445	40.8
3. Customs	118930	56241	47.3	16.9	98770	48098	48.7
4. Union Excise Duties	137874	47870	34.7	6.6	130220	44889	34.5
5. Service Tax	64460	24139	37.4	31.6	50200	18342	36.5
6. Other taxes	19486	8551	43.9	30.7	13702	6541	47.7
Total Gross Tax Revenue	**687715**	**280141**	**40.7**	**25.3**	**548122**	**223491**	**40.8**

2.6 It is noted that all components of gross tax revenues have shown growth in line with the recorded collections during the corresponding period of the previous financial year. The process of deeper and more progressive tax reforms have continued to show better results in the form of significant improvement in gross tax to GDP ratio. The contribution of tax revenue to total non debt receipts has increased to 82.1 per cent during April-September, 2008 from 67.8 per cent during April-September, 2007.

2.7 The significant shift which took place during 2007-08 wherein the direct tax collection for the first time surpassed the indirect collection has been maintained in the first half of the current year. This re-inforces the shift in the taxation system towards a more progressive and equitable structure.

Direct Taxes

2.8 The direct tax collection has increased by 35.6 per cent to a sum of Rs.1,50,917 crore for April-September, 2008 over Rs1,11,315 crore during April-September, 2007. This owes to efficient tax administration with improved compliance coupled with moderate and stable tax rates. Corporation tax continues to be the largest component of total taxes. Corporation tax collection at the end of second quarter April-September, 2008 is Rs. 96,991 crore with a growth of 38.2 per cent over collections during the same period in 2007-08.

2.9 Taxes on income other than Corporation tax were estimated at Rs.1,20,604 crore for the full year 2008-09, assuming a growth of 16.6 per cent over 2007-08(RE). Collections of Rs.46,349 crore at the end of second quarter represents 38.4 per cent of the Budget estimates; it also shows a growth of 30.8 per cent over the collections recorded during the same period in the previous financial year. This healthy performance has been achieved despite further moderation in income tax slabs for 2008-09. Performance of all components of taxes on income is shown in the Table 2.4.

Table 2.4

Components of taxes on income

	2008-2009				2007-2008		
	B.E.	April-September 2008	per cent of B.E.	per cent growth over April-September 2007	B.E.	April-September 2007 per cent of B.E.	per cent of B.E.
	Rs. crore				Rs. crore		
1. Taxes on income other than Corporation Tax	120604	46349	38	**30.8**	86829	35445	41
2. Fringe Benefit Tax	8160	3812	47	**70.4**	6800	2237	33
3. Securities Transaction Tax	9000	3182	35	**2.7**	4500	3099	69
4. Banking Cash Transaction Tax	550	323	59	**17.0**	645	276	43

Indirect Taxes

2.10 The indirect tax revenue collection for 2008-09(BE) was envisaged at Rs.3,21,264 crore assuming a growth of 15 per cent over 2007-08(RE). The gross indirect tax collection during April-

September, 2008 at Rs.1,29,224 crore represents 40.2 per cent of the 2008-09 (BE). It is also an increase of 15.2 per cent over collections of Rs.1,12,176 crore during April-September, 2007.

2.11 The Custom Duty collection for 2008-09(BE) was estimated assuming a growth of 18 per cent over 2007-08(RE). Customs Duty collection at the end of second quarter of 2008-09 at Rs.56,241 crore has posted a growth of 16.9 per cent over the collection in the corresponding period of the previous financial year.

2.12 Despite the post budget reduction in the ad-valorem component of excise duty on petrol and high speed diesel (to soften the impact of global price rise on petroleum products for consumers), the collection of Union Excise Duties at the end of second quarter of the current year is Rs.47,870 crore in comparison to Rs.44,889 crore which shows a growth of 6.6 per cent over the previous year.

2.13 The Budget Estimate of 2008-09 for Service Tax collection was projected at Rs.64,460 crore assuming growth of 27.4 per cent over 2007-08(RE). Service tax collection during April-September 2008 at Rs. 24,139 crore has shown a growth of 31.6 per cent over the same period in 2007-08. The collection at the end of second quarter in service tax is 37.4 per cent of 2008-09 (BE).

Non tax revenue

2.14 Non tax revenue receipts up to April-September 2008 is Rs. 42,651 crore amounting to 44.5 per cent of 2008-09(BE) showing a growth of 14 per cent over receipts during corresponding period of previous financial year.

C. Expenditure

2.15 The total expenditure budgeted for 2008-09 was Rs.7,50,884 crore, (14.2 per cent of GDP), reflects an increase of 5.9 per cent over the total expenditure figure of Rs.7,09,373 crore for 2007-08(RE). However, after netting off onetime payment of Rs.35,531 crore made to RBI by the Central Government for acquisition of stake in State Bank of India(SBI) during 2007-08, the total expenditure in 2008-09 is estimated to increase by 11.4 per cent over 2007-08(RE). The total expenditure, during April-September 2008, at Rs.3,49,081 crore is 46.5 per cent of 2008-09(BE). This reflects an increase of 9.8 per cent over the expenditure figure of Rs.3,17,892 crore reported during the same period last year. The growth in total expenditure at the end of second quarter is in line with the estimated growth for the year.

2.16 Revenue expenditure of Rs.3,23,211 crore during April-September, 2008 has shown a growth of 24.8 per cent over the figure of Rs 2,59,080 crore reported during the same period last year. This is an utilisation of 49.1 per cent of the estimated revenue expenditure in 2008-09(BE). Capital expenditure during April-September 2008 is Rs.25,870 crore as against Rs.23,281 crore during the same period last year (after netting off one time capital expenditure of Rs.35,531 crore incurred on acquisition of RBI's stake in SBI by the Central Government). Capital expenditure at the end of second quarter is 27.9 per cent of the estimated capital expenditure during 2008-09. The Table 2.5 gives the trends in expenditure as percentage of Budget Estimates as well as ratio to GDP, at the end of second quarter, from 2003-04 onwards:

Table 2.5

Trends in Expenditure April September

(Rs. in crore)

EXPENDITURE	April-September					
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1. Revenue	159425	166458	187942	230683	259080	323211
2. Capital	57676	29115	23041	21261	58812 *	25870
3. Total Expenditure	**217101 (7.88)**	**195573 (6.21)**	**210983 (5.89)**	**251944 (6.08)**	**317892 (6.74)**	**349081 (6.58)**
4. BE for the full year	438795	477829	514344	563991	680521	750884
5. Item 3 as percentage of item 4 (Figures in parenthesis are percentages of GDP)	**49.48**	**40.93**	**41.02**	**44.67**	**46.71**	**46.49**

* This includes one time expenditure of Rs. 35,531 crore incurred on acquisition of RBI's stake in SBI by the Central Government.

Plan Expenditure

2.17 The Plan Expenditure in full year for 2008-09, is budgeted at Rs.2,43,386 crore which reflects an increase of 17.3 per cent over the 2007-08(RE). Historical trends show that in the last five years, on an average, only 39.8 per cent of the budgeted plan expenditure was spent by the end of second quarter of the respective financial years. However, due to better monitoring, plan expenditure in the current year at the end of second quarter is 44.6 per cent of the estimated plan expenditure during 2008-09. It reflects relatively better utilisation of resources for various plan schemes. Plan expenditure of Rs.1,08,452 crore during the first half of 2008-09 represents an increase of 25 per cent over the same period during the last year. Trends in plan expenditure as percentage of GDP and as percentage of B.E at the end of second quarter of respective financial years are shown in the Table 2.6.

Table 2.6

Trends in Plan Expenditure

(Rs. in crore)

PLAN EXPENDITURE	April-September					
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1. Revenue	29878	34742	46123	57757	71571	93727
2. Capital	17012	18532	13283	11122	15187	14725
3. Total Expenditure	**46890 (1.70)**	**53274 (1.69)**	**59406 (1.66)**	**68879 (1.66)**	**86758 (1.85)**	**108452 (2.04)**
4. BE for the full year	120974	145590	143497	172728	205100	243386
5. Item 3 as percentage of item 4 (Figures in parenthesis are percentages of GDP)	**38.76**	**36.59**	**41.40**	**39.88**	**42.30**	**44.56**

Non Plan Expenditure

2.18 The non-plan expenditure for the full year 2008-09, has been budgeted at Rs.5,07,498 crore which constitutes 67.6 per cent of total expenditure. This is higher by 8.8 per cent over the non-plan expenditure in 2007-08 (RE) after netting the onetime expenditure of Rs.35,531 crore for payment to RBI for acquisition of its stake in SBI. The non-plan expenditure of Rs.2,40,629 crore, at the end of second quarter for 2008-09, represents 47.4 per cent of the BE for the full year. It is 23 per cent over the figure of Rs.1,95,603 crore recorded during the same period last year (after netting the onetime expenditure on payment to RBI for acquisition of its stake in SBI). Major subsidies have been estimated to account for 14.1 per cent of non-plan expenditure in 2008-09(BE). The expenditure on major subsidies during the first half of the current financial year is Rs. 54,916 crore and 76.9 per cent of the 2008-09 BE for the full year. A significantly higher out go at the end of second quarter of the current financial year has been observed, as compared to the same period during the previous financial year; the outgo on food subsidy has increased from Rs. 14,630 crore in the first half 2007-08 to Rs. 23,579 crore in the first half of 2008-09. Similarly, subsidies on fertiliser have increased from Rs. 20,195 crore to Rs. 30,246 crore at the end of second quarter of 2008-09. Another non discretionary item, namely pension payments, with an outgo of Rs. 12,247 crore at the end of second quarter of the current financial year represents an increase of 14.6 per cent over the corresponding period of the previous year. These expenditures along with higher plan revenue expenditure have added to the imbalance in the revenue account of the government at the end of second quarter. Expenditure on interest payments, defence services, pensions, major subsidies and grants and loans to States taken together and amounting to Rs.2,04,532 crore continue to account for a high proportion (81.7) of non-plan expenditure during April-September 2008. Trends in non-plan expenditure as percentage of GDP and as percentage of Budget Estimates at the end of second quarter of respective financial years are shown in Table 2.7.

Table 2.7

Non Plan Expenditure April-September

(Rs. in crore)

NON-PLAN EXPENDITURE		April-September					
		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Revenue Account	129547	131716	141819	172926	187509	229484
	of which Interest Payments	51806	55399	53940	64003	72820	86061
2.	Capital Account	40664	10583	9758	10139	43625	11145
3.	**Total non-plan Expenditure**	**170211**	**142299**	**151577**	**183065**	**231134**	**240629**
		(6.18)	**(4.52)**	**(4.23)**	**(4.42)**	**(4.92)**	**(4.54)**
4.	BE for the full year	317821	332239	370847	391263	475421	507498
5.	**Item 3 as percentage of item 4** (Figures in parenthesis are percentages of GDP)	**53.55**	**42.83**	**40.87**	**46.79**	**48.62**	**47.41**

D. Resources transferred to States/UTs

2.19 The Union Budget 2008-09 has projected the resource transfers to States/UTs at Rs.3,04,960 crore. The transfers at the end of second quarter in 2008-09 is Rs.1,27,967 crore which represents 42 per cent of the BE for the full year. This is also higher by 16.1 per cent over the level of Rs.1,10,222 crore transferred during the corresponding period in the previous financial year. The transfer in respect of States' share of taxes and duties during April-September 2008 is at Rs.76,761 crore, as compared to Rs.61,851 crore during April-September, 2007.

E. Deficit

2.20 As per the 2008-09(BE), with the total expenditure and non-debt receipts (both revenue and capital) of the Central Government, at Rs 7,50,884 Crore and Rs 6,17,597 Crore respectively, the fiscal deficit of Rs 1,33,287 crore was envisaged at 2.5 per cent of GDP. For the period April-September, 2008 the fiscal deficit was Rs.1,02,654 crore which was 77 per cent of 2008-09(BE). For the corresponding period of the previous financial year the fiscal deficit was Rs.81,200 crore amounting to 53.8 per cent of estimated deficit in 2007-08. In terms of ratio to GDP, fiscal deficit in the current fiscal, for the period up to September, 2008, is placed at 1.94 per cent as compared to 1.73 per cent during corresponding period of the previous year.

2.21 Revenue deficit as per 2008-09(BE) was placed at Rs.55,184 crore for the full year, amounting to 1 per cent of GDP. During April-September 2008 revenue deficit at Rs.78,313 crore constituted 141.9 per cent of 2008-09(BE) as against 85.5 per cent during April-September 2007 of 2007-08(BE). While subsidies were estimated at Rs.71,431 crore in 2008-09 (BE) (amounting to 14.1 per cent of budgeted net tax revenue), due to higher requirement on food and fertiliser subsidy during the period April-September 2008, expenditure on major subsidies went upto Rs.54,916 crore (amounting to 27.15 per cent of net tax revenue collected during the same period). The increase in the quantum of subsidy and its release at much faster pace has led to larger share of net tax revenue for this expenditure (to the tune of 13.05 per cent of net tax revenue collected up to September, 2008), and has resulted in higher deficit in revenue account for the period ending September, 2008.

2.22 It would be pertinent to note that while revenue receipts for the government are usually back loaded and more than 50 per cent of revenue receipts are expected during the second half of the financial year, the expenditure for the year is incurred through the year with the resultant impact on revenue deficit as at the end of second quarter of the financial year. At the same time, necessary measures have also been taken for better expenditure management system to improve efficient distribution of allocated resources. Trends in deficit as percentage of GDP and as percentage of B.E. in the second quarter of respective financial years are shown in Table 2.8.

Table 2.8

Trend in deficits April-September

(Rs. in crore)

	April-September					
	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Revenue Deficit (actuals) (Apr-Sep)	65427	59951	65097	69277	61124	78313
Revenue Deficit (BE) for the full year	112292	76171	95312	84727	71478	55184
Percentage of BE	**58.3**	**78.7**	**68.3**	**81.8**	**85.5**	**141.9**
Percentage of GDP	**2.4**	**1.9**	**1.8**	**1.7**	**1.3**	**1.5**
Fiscal Deficit (Actuals) (Apr-Sep)	81014	53235	83843	86461	81200	102654
Fiscal Deficit (BE) for the full year	153637	137407	151144	148686	150948	133287
Percentage of BE	**52.7**	**38.7**	**55.5**	**58.2**	**53.8**	**77.0**
Percentage of GDP	**2.9**	**1.7**	**2.3**	**2.1**	**1.7**	**1.9**
Primary Deficit (Actuals) (Apr-Sep)	29208	-2164	29903	22458	8380	16593
Primary Deficit (BE) for the full year	30414	7907	17199	8863	-8047	-57520
Percentage of BE	**96.0**	**-27.4**	**173.9**	**253.4**	**-104.1**	**-28.8**
Percentage of GDP	**1.1**	**-0.1**	**0.8**	**0.5**	**0.2**	**0.3**

Financing of deficit

2.23 Fiscal deficit of Rs.1,02,654 crore during April-September 2008 has been financed by raising internal debt (net) of Rs.57,020 crore, cash draw down of Rs. 39,499 crore, surplus on public account of Rs.3,820 crore and external assistance of Rs.2,315 crore. Gross and net market borrowings (dated securities and 364-day Treasury Bills) during April-September 2008 amounted to Rs.1,25,872 crore and Rs.63,808 crore, respectively, accounting for 71.61 per cent and 64.45 per cent of the estimated market borrowings for the year. During the corresponding period of the previous financial year, gross and net borrowings accounted for 60.73 per cent and 62.98 per cent, respectively. The weighted average maturity of dated securities issued at the end of second quarter of the fiscal year 2008-09 at 15.55 years which was higher than 14.25 years during the corresponding period of the previous year. The weighted average yield of dated securities issued during the same period increased to 8.81 per cent from 8.21 per cent. Details of financing of fiscal deficit at the end of second quarter in 2008-09 and 2007-08 are shown in Table 2.9.

Table 2.9

Financing of Deficit

(Rs. Crore)

	April-September-08	April-September-07
Fiscal Deficit	1,02,654	81,200
Sources of Financing		
1. Internal Debt	57,020	84,048
a. Market Loans & Short Term Borrowings	93,065	98,543
b. Treasury Bills (14 days)	-27,550	-4,422
c. Compensation and Other Bonds	-7,581	-4,661
d. Others	-914	-5,412
2. External Assistance including Revolving fund	2,315	2,478
3. Cash Draw Down Decrease(+)/Increase(-)	39,499	20,260
4. Investment of Surplus Cash(-)/WMA/disinvestments(+)	-	-
5. Borrowings(-)/Surplus(+) on Public Account*	3,820	-25,586

* Includes Suspense & Remittances.

F. Cash Management

2.24 The year 2008-09 commenced with surplus cash balance of Rs.76,686 crore including investment surplus of Rs.20,000 crore in the current account . At the end of second quarter of the current financial year, Rs.35,216 crore of cash balance was utilised to finance excess of disbursement over receipts leaving a cash balance of Rs.21,470 crore and investments of Rs.20,000 crore. While the Government had taken support of overdraft facility for 27 days during April-September, 2007, no such overdraft facility was resorted to by the Government during the same period in current financial year. Ways and Means Advance was availed of during April-September, 2008 for only 16 days as against 91 days during the same period of the previous year.

G. Market Stabilisation Scheme

2.25 The total outstanding balances under Market Stabilisation Scheme (MSS) at the end of March, 2008 was Rs.1,70,554 crore amounting to 3.6 per cent of GDP. As there was steady capital inflows during the earlier part of the current year followed by slowdown in inflows, the Government in consultation with RBI further absorbed Rs.5,263 crore (net) under the Scheme in the April-September 2008; this contrasts with the net accumulation under the Scheme during the same period of the previous year by Rs.68,499 crore. The closing balance of the balances outstanding on MSS at the end of September 2008 was Rs.1,75,817 crore which constitutes 3.3 per cent of GDP. The accumulation under this scheme is not utilised for financing of the deficit. The details of accretion and instruments of investment under this scheme are shown in the Table 2.10.

Table 2.10

Accretion and instruments of investment under MSS

(Rs. crore)

	Dated Securities	364 Days Treasury Bills	182 Days Treasury Bills	91 Days Treasury Bills	Total
Balance as on 1st April 2008 (Provisional)	**1,28,317.00**	**25,000.00**	**7,605.00**	**9,631.78**	**1,70,553.78**
During the year (Net)	**11,000.00**	**-4,000.00**	**-595.99**	**-1,140.78**	**5,263.23**
Floated (Upto September 2008)	11,000.00	9,000.00	7,009.01	16,490.99	43,500.00
Discharged (Upto September 2008)	0.00	13,000.00	7,605.00	17,631.77	38,236.77
Closing Balance	**1,39,317.00**	**21,000.00**	**7,009.01**	**8,491.00**	**1,75,817.01**

H. National Small Savings Fund

2.26 The net accretion under the National Small Savings Fund (NSSF) during 2007-08 was Rs 6,488 crore. During April-September 2008, the net accretion to the NSS Fund is Rs.7,013. This contrasts with the net accretion of (-) Rs 13,890 crore during the first half of 2007-08.

Table 2.11

Accretion under the National Small Savings Fund

(Rs. crore)

	Upto September 2008
Balance on 1st April 2008 (Provisional)	-3,704
(a) Small Savings	-3,084
(b) Public Provident Fund	-1,766
(c) Investment in Securities	
(i) State Securities	-1,077
(ii) Central Securities	-622
(iii) Other Investments	
(d) Income & Expenditure of NSSF	10,164
(e) Net accretion (a+b+d-c)	7,013
Closing Balance	3,309

I. Assessment vis-a-vis mid-year FRBM bench-marks

2.27 While the collection of non-debt receipts in the first half of 2008-09, at 39.9 per cent of Budget Estimates for the full year, is marginally less than the prescribed 40 per cent, the fiscal deficit and revenue deficit at 77 per cent and 141.9 per cent respectively for April-September 2008 are much higher than the prescribed 45 per cent of the Budget Estimates.

2.28 The revenue receipts which accounts for more than 97 per cent of total non-debt receipts, have performed better during April-September, 2008 as compared to previous five years moving average for the same period. The tax and non-Tax collections in the first half of 2008-09 are also in the same range as reported during the same period last year. Therefore, there may not be any shortfall in the overall tax collections with respect to 2008-09 Budget Estimates. The higher revenue deficit of 141.9 per cent of the Budget Estimates during the first six months of the current financial year against the five years moving average of 74.5 per cent is mainly on account of higher pace of plan as well as non plan expenditure on the revenue account. Non-plan revenue expenditure during the first two quarters has increased to 50.2 per cent of the 2008-09 Budget Estimates against five years moving average of 46.3 per cent and previous year's figure of 48.9 per cent for the same period. The higher requirement on account of subsidies on Food and Fertilisers, in the first half of the current financial year, has resulted in expenditure on subsidies going up to 27.15 per cent of net tax collection, as compared to the budgeted figure of 14.1 per cent for the full financial year 2008-09. With the observed pattern of revenue collection catching up in the latter half of each financial year, the deficit on revenue account is expected to moderate and thereby lead to improvement in the fiscal deficit as well.

Table 2.12

Outcome versus mid-year benchmarks under FRBM Rules

Variable	Performance bench Marks under FRBM Rules	April-September			
		2008	2007	2006	2005
Total Non-Debt receipts	Not less than 40 per cent	39.9	44.8	39.9	35.0
Fiscal Deficit	Not more than 45 per cent	77.0	53.8	58.2	55.5
Revenue Deficit	Not more than 45 per cent	141.9	85.5	81.8	68.3

2.29 The mismatch in non debt receipts and total expenditure for Government is much more pronounced at the end of the second quarter of the current financial year mainly on account of higher pace of Plan expenditure as well as higher expenditure on subsidies. Steps have been taken to evenly pace plan expenditure during the year without tying it down to actual revenue receipts in the earlier part of the financial year. The endeavour is to right pace plan expenditure to ensure availability of adequate resources for execution of budgeted schemes. Delaying expenditure, to match revenue receipts, would result in rush of expenditure in the latter half of the financial year thereby affecting the quality of execution and related outcomes. Sustained efforts are being made to have better cash management and expenditure moderation in non-priority areas to make adequate resources available from realised receipts for priority items.

2.30 Tax buoyancy shown in the first half of the financial year promises a positive outlook for the remaining part of the fiscal year. Notwithstanding the moderation in the growth of the Indian economy (registering a growth of 7.9 per cent and 7.6 per cent in the first and second quarter of 2008-09, respectively) the process of fiscal consolidation which is a necessary pre-requisite for sustained growth, continues to be in focus. Harmonizing the need to provide resources for development expenditure within the fiscal discipline imposed by FRBM Act, Government will continue to take the necessary measures to prune unproductive expenditure and closely monitor FRBM targets.Due to the global slowdown and its impact on India and a conscious decision of the Government to increase public expenditure in certain sectors, to maintain the higher trajectory of growth in the Indian Economy, it is likely that the final figures of fiscal and revenue deficit may exceed the Budget Estimates.

Chapter III

ISSUES AND EMERGING CHALLENGES

A. Sustaining Growth - Macroeconomic Concerns and Measures

3.1 India's GDP (at constant 1999-2000 market prices) has grown at an average annual rate of 8.9 per cent (and 8.8 per cent at factor cost) in the last five years, placing the economy decidedly on a higher growth path. The recent growth experience has already demonstrated that the policy challenges of sustaining a high growth rate differ from those of raising the growth rate. Indeed economic management has become increasingly complex because of the rapid globalization of the world economy and the growing influence of international developments- economic as well as non-economic - on the domestic economy. In the current year, the macroeconomic management of the economy has been particularly challenged by unanticipated external shocks- the significant hike in fuel and commodities prices at the beginning of the year, resulting in a flare-up of inflation into double digits for well over 21 weeks in a row since the middle of June 2008, followed by what has been an unprecedented global financial sector meltdown. As a result, there was a moderation in the growth momentum, as well as a dip in the previously euphoric domestic investment sentiments. While creating a challenge for the policy makers by highlighting the possible tradeoff between growth and inflation control, these developments have raised two questions namely, how sustainable was the recent growth spurt and what is the growth outlook in the short term, secondly, what are the measures that could bring the economy back to the 8.5 to 9 per cent growth path.

3.2 The step-up in the trend growth rate of the Indian economy since around 2003-04, highlighted in Economic Survey 2007-08, has come about due to significant improvement in our domestic investment and saving rates. In the last five years, the gross domestic savings as a proportion of GDP has increased from 26.4 per cent in 2002-03 to 34.8 per cent in 2006-07 and to an estimated level of about 36 per cent in 2007-08. Correspondingly, the investment rate has increased from 25.2 per cent in 2002-03 to 35.9 per cent in 2006-07 and an estimated level of 37.5 for 2007-08. If we look at the growth 'drivers', at an incremental level there has been a significant increase in the investment growth rate. The role of private consumption is also important, though its relative contribution in sustaining growth has come down below that of investment for the first time. Moreover, it is important to note that the current spurt in investment growth is primarily that of private fixed investment and not a buildup of inventories. There is, therefore, an increase in the productive capacity of the economy which in the medium term will help the economy climb back to its trend rate. To just consider one example, gross capital formation at constant 1999-2000 prices in agriculture as a proportion of agriculture GDP improved from 11.1 per cent in 2003-04 to 13.4 per cent in 2006-07. In terms of sectoral growth drivers, manufacturing, communications, trade, agriculture and construction have been the major contributors to the spurt in the growth rate. It is worth noting, particularly in the context of the global slowdown, that the net contribution of the external sector to aggregate demand of the economy has been negative since 1990, except for a brief period, from 1997-98 to 2002-03, when it was positive and about 13 per cent. In the high growth period since then it has been negative, about 17 per cent.

3.3 At the beginning of 2008-09, the macro-economic fundamentals continued to inspire confidence and there was general optimism about the prospects for sustained high growth in the medium to long term of the economy. This is reflected, for instance, in the continued inflows of FDI. Following a record US$32.4 billion of FDI received in 2007-08, FDI inflows into India have amounted to US$19.3 billion up to September, 2008. This is also supported by the growth rate of merchandise exports. Following an impressive growth rate of 28.9 per cent (in US$) in 2007-08, exports during April- September, 2008, had increased by 30.9 per cent, over the first half of 2007-08.

3.4 Though there has been a gradual increase in international prices of many essential commodities since 2004-05, a sudden spurt was witnessed towards the end of the calendar year 2007 for most of the commodity groups and in particular energy, food, metals and energy intensive products. Crude oil prices rose from an average of 90.7 US$/ bbl in January 2008 to a monthly average peak of 132.8 US$/ bbl in July 2008, touching a high of 147 US$/ bbl in this period. Similarly, among the imported edible oils namely, palm and soybean the prices rose from 1059 US $/Mt and 1276 US $/Mt. in January 2008 to a monthly average high of 1213 US $/Mt and 1537 US $/Mt. in June 2008, respectively. Inflation, which had declined to less than 4 per cent in the middle of August 2007 and had remained, so for 20 consecutive weeks thereafter, started firming up from December 2007. During December-2007 to March-2008, there was an increase in the prices of coal, iron ore, iron and steel products and prices of petroleum products not covered under the administered price mechanism. The rising oil prices necessitated an upward revision in the administered prices of petrol, high-speed diesel and LPG in the first week of June 2008. Together with a continued hardening of global commodity prices these developments led to a sharp increase in the headline rate of inflation, which rose to a high of 12.91 per cent in early August 2008.

3.5 Until the US financial crisis exploded in September 2008, the Indian economy faced two inter-related macroeconomic challenges in maintaining high GDP growth on a sustained basis. These relate to capital inflows and inflation. High GDP growth attracts foreign capital looking for profitable investment opportunities. In a positive cycle this inflow will indeed find profitable investment opportunities that others have missed and lead to even higher growth. However, if the growth opportunities do not materialize fast enough there is pressure on the currency to appreciate, resulting in either an accumulation of reserves (followed by monetary expansion and inflation) or actual (nominal) appreciation or both.

3.6 Capital inflows had accelerated since 2003-04 to reach an unprecedented 9 per cent of GDP in 2007-08, far in excess of the current account financing requirements, leading to large accumulation of reserves, a buildup of pressure on prices and the contingent implications- direct as well as indirect - on the money, debt, credit, equity and foreign exchange markets. The attempt to manage liquidity overhang built-up over the preceding years while balancing the liquidity requirements of a fast growing economy, bore fruit for most part of fiscal 2007-08 as the 52 week average inflation remained at about 4.7 per cent and the GDP growth rate for the economy was 9 per cent. The success in controlling inflation to acceptable levels and managing growth at the trend rate may well have continued into the current fiscal year, but for the unusual rise of global fuel and commodity prices, particularly since December 2007. The rise in global oil and other commodity prices had a negative effect on inflation, Balance of Payments and fiscal deficit. A rise in the prices of imported commodities also acts as an implicit tax on the citizens of this country and could therefore have reduced private consumption demand, resulting in the moderation of GDP growth rate to 7.8 per cent in the first half of 2008-09. The sharp rise in global inflation therefore put pressure on domestic prices, requiring a tightening of the monetary policy. Efforts to curb inflationary expectations meant raising interest rates, which had implications both from the demand side, as well as the supply side. The increase in the cost and tightening of credit supply may also have contributed to moderation in the GDP growth rate. The measures undertaken were, however, successful in moderating the headline WPI inflation rate. These along with easing of global commodity prices have brought inflation down to single digit level by the beginning of November 2008. The decline in inflation rate is expected to continue for the rest of the current fiscal year.

3.7 It has not helped matters that towards the second quarter of the current fiscal year there was a full-blown meltdown of the global financial sector. The crisis surfaced in August 2007 and had its origin in the US housing market, the sub-prime mortgage loan delinquencies and rising home foreclosures. There was a buildup of what has been described as *toxic debt*. As long as there was easy *rollover* of liquidity in the money markets along with lack of transparency due to multiple layers of intermediaries and laxity of regulation, the problem that was quietly brewing was overlooked. However, with the rise in US market interest rates there was a fall in the prices of mortgage-backed securities, which were derived from mortgage payments. The financial institutions – investment banks, structured investment vehicles, hedge funds, etc. – that had leveraged their capital beyond what now is seen as prudent capital adequacy norms were unable to deal with the resultant losses and write-downs. The demand for money shot up even as the money market froze. Further, as these institutions did not have recourse to central bank facilities, they were also unable to cope with the liquidity crunch that followed, thereby amplifying the crisis.

3.8 The global economy severely stressed by this crisis, has slipped into a downturn, probably the most severe since the great depression of the 1930s. The slowdown was preceded by increased volatility in international commodity and capital markets due to risk hedging and general uncertainties in the financial markets. The World Economic Outlook of the IMF (November 2008) places the global output growth at 3.7 per cent in 2008 and 2.2 per cent in 2009.

3.9 There are at least three transmission channels that are transmitting the global developments to the Indian economy, (a) capital flows (b) financial markets and (c) trade (real sector). We have already seen the impact of this crisis on the equity and foreign exchange markets and the overall business sentiments. The money, debt and the credit markets have also been affected albeit indirectly. In respect of the real sector, there is a slowdown in India's exports due to decline in the global demand. The data available for October 2008 is particularly striking in this regard. However, the macroeconomic impact of the global financial turmoil, particularly on the GDP growth has been muted due to the overall strength of domestic demand and the predominantly domestic nature of financing of investment.

3.10 The corporate investment plans are influenced greatly by input costs of which, cost of borrowings is of considerable significance. Prime lending rates as of November 7, 2008 ranged between 13.75-14.00 percent per annum. Increased input costs translate to decline in profitability. This leads to a shift in the sourcing of funds for the corporate sector leading to higher demands for bank credit in the backdrop of capital outflows and low confidence levels. In fact, impact of monetary tightening or effectiveness of monetary policy should be seen not in a credit squeeze but in a possible decline in investment through a moderation of the retained earnings. The Economic Advisory Council to the Prime Minister has also indicated a moderation in savings (a decline in the domestic savings relative to GDP from 36.2 per cent in 2007-08 to 34.5 per cent in 2008-09 as a result of a moderation in savings of the public sector due to high subsidies and a moderation in corporate savings). Though the investment rate is estimated to increase to 37.5 per cent of GDP in 2007-08 and to around 39.6 per cent as per Q2 2008-09 estimates of CSO, there is risk of this falling progressively in the next 4 to 6 quarters. The downside risk in shift of the sourcing of funds is that with the big corporate players entering the credit market, the small and medium enterprise sector may see a lower supply. Second, for even the bigger players, there may be an increase in interest cost. Thirdly, though input costs are falling and may offset to some extent the investment costs an increase in credit cost may affect the competitiveness of industry. This may lead to a slackening in the growth momentum.

3.11 On a positive note, since August 2008 there has been a sharp decline in global commodity prices led by a decline in crude prices which have dropped to a four year low of around 40US$/bbl, moderating the prices of products that use crude/products as inputs (fertilizers, chemicals, manmade fibres), energy substitutes (coal and gas), energy intensive products (metals), products used as bio fuels (edible oils, oilseeds, sugar) and primary commodities which have competing synthetic products (natural rubber, cotton). This positive impact is getting reflected in a moderation of the headline inflation rate. In due course it will help in improving the corporate profitability through input cost reductions and increasing their internal accruals.

3.12 These events reveal the growing complexities of macroeconomic management for a rapidly growing economy in a globalized world. Within a matter of months, for instance, the direction of fiscal and the monetary policy in the country has had to be reversed to address the changing situation in the first half of the current year. It highlights the importance of continuous tracking of national and international developments for a studied, sequenced and calibrated policy response to prevent volatility in various markets while sustaining the growth momentum of the economy. The recent developments have also brought out the need for introducing reform measures, including in the financial sector, to make the economy more competitive and the economic regulatory and oversight system more efficient, quick and responsive to global developments.

Outlook

3.13 In making an assessment of the impact of global financial crisis on Indian growth it is instructive to consider the negative and the positive factors that the economy has to reckon with, against the background of its strengths.

3.14 For the global capital market, developments in the US financial markets have been very critical. The freezing of US money markets has affected normal, routine trade credits and supplier's credit, which is very seldom affected in normal cyclical downturns. Indeed it is one of the reasons that makes the current crisis unprecedented. These are likely to be reversed when markets unfreeze. Secondly, equity disinvestment and repatriation has reduced availability of risk capital for corporate sector worldwide. Thirdly, medium to long term flows are likely to be lower as long as the de-leveraging process goes on in the US. A major concern is that the slowdown in OECD countries is turning into a recession with growth estimates for US, EU and Japan being revised downwards virtually every month since September 2008. This will have a negative effect on imports of these countries and consequently on exports of emerging economies. Further, specific export intensive manufacturing sectors (e.g. Gems & jewellery) could be strongly affected.

3.15 On the positive side, India continues to retain its position as a preferred destination (latest World Investment Report places India as the second most preferred destination) for investments. FDI inflows accelerated in first half of 2008-09 and are likely to remain strong even if there is further moderation in growth rate. The prospects on remittances also seem favourable. There are two types of Non-resident (NRI) deposits namely, those denominated in US$/Foreign Exchange and the other in Rupees. The latter which are unlikely to be affected by the global financial meltdown. For the rest NRIs may find India and the Public sector dominated banking system a safe-haven at a time of unprecedented global turmoil and uncertainty. This is supported by the fact that net inflows have turned positive in 2008-09 (so far) from negative in 2007-08. Though capital inflows jumped to 8-9 per cent of GDP in 2007-08, these were far in excess of the current account deficit of about 1.5 per cent of GDP. Thus, almost 7 per cent of these were rechanneled abroad in the form of foreign exchange reserves. From a macro-economic perspective the contribution of foreign capital to the gross domestic investment of 37.5 per cent of GDP was only 1.5 per cent of GDP.

3.16 Secondly, the decline in commodity prices this year after a sharp spike last year may be even more, because of the widespread global slowdown. Historical data analysis is unlikely to show such a large impact on unit value of imports and consequently on import value. It will assist in a reduction in inflation to normal levels by March 2009, as an increase in global commodity prices was responsible for more than two-thirds of the increase in inflation during January-June 2008 (over Jan-Jun 2007).

3.17 Thirdly, over the past five years of growth, net exports were a depressant on domestic demand contributing (-) 17 per cent to the total increase in demand. The previous five years were perhaps the only such period when net-exports made a substantial positive contribution to domestic demand. The former was primarily due to high oil prices and the latter due to exceptionally low oil prices complemented by solid export growth. The fall in oil prices will now be complemented by other commodity prices, but partly offset by the sharp deceleration in export growth. The net contribution is likely to be non-negative, a substantial improvement over the negative contribution last year. It is likely that there will be reduction in the Merchandise trade deficit/Goods and Services deficit/Current account deficit below that in H1 2008-09.

3.18 Fourthly, a reduction in below the line deficit to less than H1 2008-09 level because of reduction in oil and fertiliser subsidies will help bring the Central deficit back towards the long term trend, at the same time provide some headroom for the fiscal stimulus to counter the moderation in growth. There is also the likelihood of an increase in profitability of petroleum companies thus offsetting part of the decline in the profitability of non-oil companies. Lower inflation would also contribute to an increase in the disposable income of consumers (edible oil and decontrolled oil products which account for about 60 per cent of the total market), providing scope for increased consumption during the next four quarters.

3.19 Compared to other emerging economies, India has several strengths that can help mitigate the adverse effects of the global financial crisis and OECD recession / depression, provided appropriate policy action is initiated. To begin with, India has a relatively high share of services in GDP than many other emerging economies and developing countries. Historically, across countries, services tend to be less affected by cyclical downturns than manufacturing. This factor is likely to moderate the negative effect on overall GDP growth. Secondly, five years of nearly 4 per cent agriculture growth followed by a projected 2.5 to 3 per cent growth along with scaling up of the NREGA program means that rural income and consumption are strong and likely to remain so. This is also indicated by the rise in WPI food inflation and the faster rise in CPI for Agricultural/ Rural labour despite favourable agriculture growth. Thirdly, like other high growth Asian economies India's domestic saving rate remains high and has risen sharply with higher growth during the last five years. In fact the increase in the gross domestic saving rate over the last five years was greater than the increase in gross domestic investment rate over the same period. The saving rate of 36 per cent in 2007-08 was sufficient to maintain a growth rate of 9 per cent. Fourthly, the ambitious programme of infrastructure investment designed for the Eleventh Five Year Plan period, provides the basis for offsetting some slowdown in corporate investment in manufacturing by increased investment in infrastructure by government and by the private sector through PPP. This will require greater urgency in removing the policy and institutional hurdles to investment by private sector as well as government agencies. Fifthly, having run a tight monetary policy during H1 2008-9, there is considerable scope for monetary policy easing over the next 6 to 12 months to offset the global increase in demand for money that is being transmitted to India. An agressive monetary policy may be necessary if the global economic depression continues to adversely affect manufacturing. Finally, the available data for H1 2008-09 suggests that the investment rates may have increased by about 1 per cent over H1 2007-08. This means that the investment rate for the fiscal 2008-09 may not be very different from that in 2007-08.

3.20 India has moved to a higher growth path of 8.5 to 9 per cent growth as a result of the reforms of the 1990s. The high growth 'miracle economies' of Asia were able to maintain their high growth for decades despite repeated shocks, as they responded quickly and effectively to counter these shocks through pragmatic policies. There is, therefore, a strong case for fast-tracking pending reforms, including institutional reforms relating to the classic "Public Good" - law and order.

3.21 On the whole, the general outlook in the short run and for 2008-09 continues to be one of cautious optimism. In its review of macroeconomic policy for the first quarter of 2008-09, RBI indicated that the median forecast of professional agencies for GDP growth during 2008-09 was 7.9 per cent. In its mid-term review, barring domestic or external shocks, RBI has estimated GDP growth during 2008-09 to be between 7.5 and 8.0 per cent. IMF in its update of World Economic Outlook (November 2008) has estimated India's growth at 7.8 per cent in 2008 and 6.3 per cent in 2009. The World Bank is more pessimistic at 6.8 and 5.8 for 2008 and 2009, respectively. The ADB outlook (September 2008) places India's growth at 7.4 per cent in 2008 and 7.0 per cent in 2009. The Economic Division, Department of Economic Affairs expects the moderation in growth rate in the current year to a level between 7 and 8 per cent though with the progressive weakening of the OECD economies the upside growth potential has been squeezed and downside risk has increased with each passing month since October 2008. (Table 3.4 for a sector specific assessment of growth impact of the global financial crisis).

Table 3.1
GDP Growth: Observed and Projected

	Observed annual growth (%)				Projection for 2008-09 %	
Sectors	2005-06	2006-07	2007-08	H1 2008-09	CMIE	EAC
Agriculture and Allied	5.9	3.8	4.5	2.9	3.2	2.0
Mining and quarring	4.9	5.7	4.8	4.4	7.5	7.5
Manufacturing	9.0	12.0	8.8	5.3	6.5	7.2
Electricity	4.7	6.0	6.3	3.1	4.3	6.5
Construction	16.5	12.0	9.8	10.5	10.0	8.5
Trade, Transport & Communication	11.5	11.8	12.0	11.0	10.0	9.8
Insurance, Banking & Business Services	11.4	13.9	11.8	9.2	10.1	10.0
Community, Social & Personal Services	7.2	6.9	7.3	8.0	10.0	8.4
GDP at factor cost	9.4	9.6	9.0	7.8	8.2	7.7

Note- CMIE: Centre for Monitoring Indian Economy. EAC: Prime Minister's Economic Advisory Council

3.22 In the face of a global slowdown and a moderation in domestic investment demand, accelerating the pending policy reforms is perhaps, the answer to flagging business sentiments and bringing the economy back to the 8.5 to 9 per cent growth path.

3.23 The rapid growth of the Indian economy in recent years has brought into sharp focus the urgent need to strengthen the physical and social infrastructure. There is a common complaint that the increase in the scale and quality of investment in physical infrastructure such as power, railways, roads, airports, ports, and communications may not have kept pace with the requirements of sustaining a high growth. At a time when the global developments and the slowdown of the domestic economy have created a need for urgent countercyclical public policy measures, increased expenditure on infrastructure is clearly an option being favoured and a package has already been announced by the Government the details of which are being worked out. However, there are two issues that are of relevance in this regard. First, under the current circumstances, it may be difficult to adhere to the FRBM targets for the current fiscal year. With the industrial slowdown there could be some impact on the revenue buoyancy in the current fiscal year and we may need to live with it. Indeed, the additional fiscal stimulus for 2008-09 may be of the order of 2 per cent of GDP. Secondly, given the in general slow pace of project implementation or capacity to scale-up capital expenditure in the public sector, particularly at a short notice, it may be desirable to explore all feasible options to stimulate private access to this package for infrastructure development. The framework for encouraging public-private partnerships for developing physical infrastructure is already in place and could be geared up further to this end. At the same time there is urgent need for removing policy and institutional hurdles to private investment. The Eleventh Plan has also outlined a comprehensive programme for the development of the infrastructure sector which could be revisited with a view to front load some of the expenditure to accelerate the project implementation. Public allocations to the flagship social sector programmes of the Government, including National Rural Employment Guarantee Scheme (NREGS), National Rural Health Mission (NRHM) and Sarva Shiksha Abhiyan(SSA), Jawaharlal Nehru National Urban Renewal Mission(JNNURM), Rajiv Gandhi Drinking Water Mission and the Total Sanitation Campaign, can also be increased subject to the respective absorptive capacities.

B. Fiscal Consolidation-the next phase

3.24 The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 (Rules notified on 2nd July, 2004) provide for elimination of revenue deficit and to bring down fiscal deficit to 3 per cent of GDP by the end of 31st March, 2008 in a staggered manner. In view of the Government accepting the recommendations of the 12th Finance Commission and a drastically changed pattern of devolution and funding, the target date for achieving the FRBM goals was modified to 31st March, 2009 in the Union Budget 2005-06. The fiscal position of the Union Government has improved considerably since 2004-05. The fiscal and revenue deficits of the Union Government, as per cent of GDP, budgeted and achieved since 2004-05 are given in Table 3.2.

Table 3.2

Trends in deficits of the Union Government

(per cent of GDP)

	Revenue Deficit		Fiscal Deficit	
	BE	Actual	BE	Actual
2004-05	2.5	2.5	4.4	4.0
2005-06	2.7	2.6	4.3	4.1
2006-07	2.1	1.9	3.8	3.4
2007-08	1.5	1.2	3.3	2.8

3.25 As per the Budget 2008-09, the fiscal deficit for the year 2008-09 was envisaged at 2.5 per cent of GDP, which is well within the target set under FRBM Act. It left headroom of 0.5 per cent of GDP for other anticipated and unanticipated obligations. The revenue deficit, for 2008-09, has been budgeted at 1 per cent of GDP and the target of elimination of revenue deficit by 2008-09 has been postponed to 2009-10 in view of the deliberate shift in expenditure in favour of health, education and social sector.

3.26 The performance on the fiscal front during the first six months of the current year as compared to the performance during the same period last year is reflected in Table 3.3. The fiscal deficit in the first six months of the current year is well within the target of 2.5 per cent of GDP. The revenue deficit is higher than the target of 1 per cent in each of the first six months of the current fiscal. While the implementation of the Sixth Pay Commission recommendations, explicit subsidies on account of food and fertilizer subsidies, Farmers Debt Waiver and Debt relief scheme and National Rural Guarantee Scheme included in the First Batch of Supplementary Demands for Grants would increase the expenditure, considering the past trend of actual fiscal and revenue deficits being lower than the budgeted figures, primarily on account of revenue buoyancy, one hopes that the actual headroom available for additional committed expenditure may turn out to be higher. Though it is likely that may not be the case and we may have to set aside the fiscal consolidation targets for the current year, for the time being and place the same before the Parliament. There may also be some improvement in non-tax revenues on account of receipts from telecom sector for the spectrum allotment.

Table 3.3

Trends in cumulative deficits of the Union Government (April- September)

(as per cent of GDP)

	Revenue Deficit		Fiscal Deficit	
	2007-08	2008-09	2007-08	2008-09
April-May	1.26	1.28	1.32	1.38
April-June	1.46	1.44	2.38	1.62
April-July	1.75	1.89	2.75	2.19
April-August	1.14	1.85	2.19	2.20
April-September	1.30	1.48	1.72	1.94

3.27 As announced in the 2008-09 Budget Speech, the Government has made a reference to the 13th Finance Commission to look into the fiscal road map for the period 2010-15, keeping in view the significant liabilities of the Central Government on account of oil, food and fertilizer bonds. There are, however, two issues here. First, continued momentum on fiscal consolidation is vital for the government's capacity to use fiscal policy as an active instrument of counter cyclic policy for stability and sustaining growth in an uncertain global context. Secondly, progress in Centre's fiscal consolidation has to be seen in tandem with such progress in the State finances, which has been encouraging in the recent past.

C. Global Financial Crisis - Implications for India

3.28 The financial turmoil which surfaced in August 2007 in the US financial system as a result of defaults of sub-prime mortgage loans has blown into an unprecedented financial crisis engulfing international money, credit, equity and foreign exchange markets. It was preceded by an extended phase of buoyant world output expansion, burgeoning world trade and favourable financial and economic conditions characterised by a liquidity overhang and low interest rates. Excess liquidity in the system encouraged banks and financial institutions, particularly in the US, to lend to sub-prime borrowers. There was a gradual buildup of toxic debt which was aided by shoddy financial engineering in the form of slicing-dicing and re-bundling of assets(mortgage)-backed securities. When the global interest rates started hardening, a large chunk of borrowers began defaulting setting off a crisis in the money market that subsequently spread to other financial markets.

3.29 By the middle of 2008, a series of failures of major investment banks underscored the fact that the full effects of subprime crisis were still to unfold. The failure of financial institutions was not restricted to the US alone. The losses on US sub-prime mortgages and related exposure is placed at around US$1.4 trillion by the IMF in its latest World Economic Outlook.

3.30 The major causes of crisis were diagnosed to be excessive risk taking by the financial institutions/banks, in investments based on less than objective assessment of the underlying instruments by rating agencies, faulty risk management practices in financial markets, leveraging beyond prudent capital adequacy norms and inconsistent macroeconomic policies giving rise to domestic and international imbalances and deficient regulatory and supervisory framework. As the market mayhem, manifested in terms of crisis of confidence, resulting in drying up of liquidity, Government and Central Banks stepped in to restore confidence and assure relief to the beleaguered institutions.

3.31 To stabilize financial markets and revive credit and capital flows, a number of measures have been undertaken by a cross-section of countries. Besides injecting a substantial amount of liquidity into the system, policy interest rates were cut by almost all countries across the world. For example, the US Government sanctioned US$ 700 billion under the Troubled Assets Relief Programme to strengthen the US financial market. Major central banks decided to ease monetary conditions as inflationary pressures appeared to have receded consequent on decline in international energy and commodity prices. As the epicenter of the global financial crisis was the US fed rate was reduced in stages to the current level of one per cent while European Central Bank cut the short-term rate twice to reach the present rate of 3 per cent. The Reserve Bank of India too has undertaken a slew of measures to address the issue of both rupee liquidity and forex liquidity. They include, *inter alia*, reducing the CRR in phases from 9.0 per cent to 5.5 per cent, lowering the Repo rate from 9.0 per cent to 6.5 per cent, cutting the SLR by one percentage point to 24 per cent, enhancing gradually interest rate ceilings on NR(E)RA and FCNR(B) deposits to the current level of 100 basis points over LIBOR, relaxing norms for External Commercial Borrowings and opening a foreign currency swap window for banks.

3.32 The global interest rates remained volatile since the unfolding of the crisis and moved in tandem with the policy rates. The 10-year Government security yield rates moved two ways across major advanced economies. For example, such yield rate in the US which was at 3.83 per cent at end-August 2008 rose to over 4.0 per cent in October and declined to 3.75 per cent on November 12, 2008. In the UK, such rates remained in the range of 4.33 per cent to 4.84 per cent and in the euro area, between 4.1 per cent and 4.5 per cent during this period. On balance, bond yields across major economies either remained range-bound or softened, reflecting a flight to safety coupled with subdued growth outlook and possible improvement in short-term inflation scenario. However, the effective interest rates at which the emerging markets accessed the international capital market remained far higher than the market rate as the interest rate spreads have widened reflecting the widening risk perception on one hand and on the other, scarcity of liquidity in international credit market. Credit default swap indices spread increased from 136 basis points in June 2008 to over 700 basis points by the end of October 2008. The cost of international credit for almost all emerging economies went up significantly during the last two to three months. For example, the interest spread for the borrowings of some of the Indian companies went above 750 to 800 basis points over LIBOR after the crisis, from 100 to 150 basis points before the crisis.

3.33 In the foreign exchange market, the US dollar, which had generally depreciated in the early part of the calendar year, showed a significant appreciation against Euro and Pound Sterling after the crisis unfolded; this essentially reflects the liquidation of foreign assets by the US residents and institutional investors to cover their domestic sub-prime losses. While US dollar appreciated by around 15 per cent and 19 per cent against Euro and British Pound Sterling, respectively, it however depreciated by 14 per cent against Japanese Yen between end-August 2008 and November 13, 2008.

3.34 In terms of performance of equity markets, all major world stock indices suffered huge losses during the last couple of months. While Dow Jones (US) lost around 23 per cent, DAX (German) suffered a loss of around 27 per cent in value between end-August and November 13, 2008. The fall in the stock indices of Asian and other emerging economies was more pronounced during this period. For example, Nikkie (Japan) lost around 37 per cent, Brazilian stock index and Hangseng (Hongkong) 38 per cent each and Jakarta composite (Indonesia) around 42 per cent, while BSE sensex (India) dropped by 32 per cent during this period.

3.35 The present indications are that the turmoil has pushed in a phase of reduced private debt and equity flows to developing countries; international credit and bond markets have shrunk in size; the US money markets have frozen; and the cross border capital flows have moderated. The turmoil has also curtailed cross border bank lending to developing countries. According to IMF's World Economic Outlook, October 2008, private capital flows (net) to 'emerging & developing countries' are expected to drop from US$529 billion in 2008 to US$ 287 billion in 2009. The decline in such flows to 'developing Asia' is projected to be very sharp from US$ 292 billion in 2008 to mere US$ 22 billion in 2009.

3.36 The direct exposure of Indian banking system to the sub-prime market abroad is almost absent, there may be very limited investment by a few Indian banks in the collateralized debt obligations (CDOs)/ bonds which had underlying entities with sub-prime exposures. However, the indirect impact of the crisis, transmitted through capital flows, financial markets and trade (real sector) is likely to moderate the growth rate. While it is difficult to quantify the impact of the crisis on GDP growth per se, it is possible to indicate factors that may affect growth at the sector level. Table 3.4 provides summarises some of these factors.

Table 3.4

Sectoral Growth Implications of the Global Financial Crisis

Sectors	GDP share	Impact (2006-07)	Assessment
Agriculture	18.5	Neutral	Growth would be more sensitive to weather induced fluctuations.
Mining	2.0	Negligible	Nearly 90% of mining consist of coal and crude. Only about 5%, particularly iron ore could have some moderation on export slowdown.
Manufacturing (based on status)			
Registered	10.5	Moderate to large	Some impact on account of export slowdown and liquidity squeeze. Decline in the ratio of PBDIT/Sales may reduce internal accruals and increase dependence on borrowings. (PBDIT/sales in Q2 is expected at 4.7% compared to 11.2% in Q2 of 2006-07. Adverse impact may get partially neutralized due to a decline in commodity prices.
Unregistered	4.9	Moderate to large	Though liquidity squeeze may be greater, their lower dependence on institutional credit may keep the impact moderate.
Manufacturing (based on sources of demand)			
Domestic consumption demand	While no separate share is available,	Moderate	Consumer durables may remain under pressure.
Domestic investment demand	these would be equally	Moderate	Increase in credit cost may slow the pace.
Exports	matching	Moderate	Global economic slowdown would impact
Electricity	2.1	Neutral	Global slowdown will not affect this sector. Positive sentiments because of the nuclear deal may see some activity.
Construction	7.2	Moderate	Higher risk weights and credit crunch will affect, though it may be moderate.
Trade and Recreation	15.4	Neutral	Sales growth continues to remain buoyant. Q2 expected sales growth of manufacturing at 36% is higher than 8.8% in Q2 of 2007-08.

Sectors	GDP share	Impact (2006-07)	Assessment
Transport	6.6	Moderate	Rail transport (share of 1.2%) may not be affected. Road transport has some problem of acquiring vehicles because of credit choking. Air transport may have a larger impact.
Communication	4.9	Neutral	While some working capital constraints are reported, overall impact is likely to be negligible.
Insurance and Banking	6.7	Moderate	Domestic impact should be marginal as credit and deposit growths will remain buoyant. Margins are also not under pressure. But there may some increase in NPAs.
Business services and real estate	7.6	Moderate	Slowing world economy will impact business services. Real estate sector is likely to remain subdued.
Community and social services	13.6	Positive	Relates to defence and social sector services. Positive impact of pay commission and other wage increases should see growth to improve.

3.37 The current financial crisis has brought to the fore several issues to be addressed immediately by the international community such as urgent need to enhance the liquidity in international money and credit markets to regain investors' confidence, step-up cross border capital flows to support investment and growth particularly in emerging economies and more importantly upgrading international financial architecture as well as improving the regulatory and supervisory framework. The remedial measures should balance the need for tightening financial 'regulation and supervision' for staying ahead of innovation in financial market and ensure that such stringent regulation does not stifle innovation.

3.38 The summit meeting of G-20 held in Washington on November 15, 2008 on global financial crisis, attempted to analyse the root causes and endorsed timely responses of major Governments and central banks across the globe. Further action plan proposed in the declaration was anchored on five broad common principles of reform namely, (a) strengthening transparency and accountability, (b) enhancing sound regulation, (c) promoting integrity in financial markets, (d) reinforcing international cooperation, and (e) reforming international financial institutions. The summit resolution also draws the road map delineating the action to be taken in the immediate and medium-term to achieve the desired goals under each principle.

Status of Implementlation of Major Budget Announcements 2008-09

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
1	**16**	Progress under different components of Bharat Nirman	**Progress under the six components of Bharat Nirman is as follows**: i. **Rural Roads-** During 2008-09, it is targeted to connect 18,100 habitations with 36,720 km of new connectivity roads and to upgrade 27,720 km of existing roads. Number of habitations covered upto September,08 are 3546, by constructing 16589.23 Kms of roads. ii. **Rural Housing**: Upto September, 2008, 7.24 lakh dwelling units have been constructed incurring an expenditure of Rs. 3181.89 Crore iii. **Drinking Water Supply**: Drinking water has been provided to 4.16 lakh habitationas till September, 2008, against the target of 6.03 lakh habitations. iv. Rural **Telephony**: 66,822 uncovered villages are to be provided VPTs, and as on 30.9.08, 55,257 villages have been covered. Funds released under the scheme upto 3.9.08 are Rs.136.84 crore. v. **Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)**: 50,940 villages have been electrified upto September 2008 under RGGVY. 61,375 electrified villages have also been covered for intensive electrification. 42, 60,431 rural households including 35, 42,851 BPL households have been given connection. vi. **Irrigation**: The physical progress of Bharat Nirman- Irrigation component in terms of irrigation potential created during 2005-06 was 1.68 million hectare, during 2006-07 it was 1.94 million hectare and during 2007-08, it was 1.38 million hectare.
2	**19**	Sarva Shiksha Abhiyan **-** enhancing retention, improving quality of learning and ensuring access to upper primary classes.	Sarva Shiksha Abhiyan (SSA) has sanctioned 20,035 upper primary schools in 2008-09, in order to enhance access to classes VI-VIII. 59,039 teachers sanctioned for upper primary schools. Rs. 48.74 crore provided for furniture to upper primary schools in 2008-09 and Rs. 12,477.24 crore, i.e, 51% of the total SSA outlay has been committed to quality related model interventions.
3	**20**	Model School Programme - allocation of Rs. 650 crore for establishing 6,000 high quality model schools.	The proposal for setting up 6000 schools in KV template is before the Cabinet for approval.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
4	**21**	Allocation of Rs.130 crore for establishing Jawahar Navodaya Vidyalayas in 20 districts having large concentration of Scheduled Castes and Scheduled Tribes.	After necessary approval, Navodaya Vidylaya Samiti has been advised to implement the scheme.
5	**22**	Setting up of additional 410 Kasturba Gandhi Balika Vidyalayas in educationally backward blocks and Allocation of Rs.80 crore to set up new or upgrade existing hostels attached to KGBVs.	51 KGBVs have been opened so far and the target of 300 schools will be achieved by March, 2009.
6	**23**	National Means-cum-Merit Scholarship.	The test for selecting students for the scholarships held on 16th and 17th August, 2008 by all states except Orissa and Jammu & Kashmir. The result of the test is being finalised.
7	**24**	Setting up of Nehru Yuva Kendra in 123 districts.	Necessary instructions have been issued to NYKS to initiate action for the opening of Kendras with the available manpower.
8	**25**	Extension of Mid-day Meal Scheme to upper primary classes in Government and Government-aided schools in all blocks in the country.	For the current year 2008-09, a budget provision of Rs. 8,000 crores, has been provided for the National Programme of Mid-Day Meals in Schools (NP-MDMS). The MDM Programme covers 11.74 crore children studying in classes I-VIII (8.24 crore in Primary and 3.50 crore children in Upper Primary) of all the 35 states/UTs in 12.80 lakh eligible schools, EGS/AIE Centres.
9	**26**	Institutes of Higher Education-establishing one Central University in each of the hitherto uncovered States. Setting up three IITs in Andhra Pradesh, Bihar and Rajasthan; two IISERs at Bhopal and Tiruvananthapuram; and two Schools of Planning and Architecture at Bhopal and Vijayawada.	● 6 new IITs started. Balance 2 new IITs to be started after March, 2009.· ● All 5 IISERs started. ● 2 school of Planning & Architecture started. ● 1 Tribal university opened.· ● Central University Bill, 2008 introduced in Lok Sabha for opening of 16 Central universities.
10	**27**	Grant of Rs.5 crore to the Deccan College Post-Graduate and Research Institute, Pune.	Process for Release of funds underway.
11	**28**	Introduction of Innovation in Science Pursuit for Inspired Research (INSPIRE) Scheme.	Innovation in Science Pursuit for Inspired Research (INSPIRE) has three components i.e. Scheme for Early Attraction of Talents for Science (SEATS), Scholarship for Higher Education (SHE) and Assured Opportunity for Research Careers (AORC). The component 'SHE' has been approved with a total outlay of Rs. 820.00 crores and is in the process of implementation. The approval for the other two components i.e. SEATS and AORC is being obtained.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
12	**29**	Allocation of Rs. 100 crore for Establishing the National Knowledge Network	NIC has been mandated to implement the scheme. Technical Advisory Committee set up by High Level Committee has submitted the technical design and the list of institutions to be connected. HLC discussed the report and suggested certain modifications. An Application Committee to identify the uses of NKN in the areas of Agriculture, e-governance grid computing with special focus on climate change and Private Sector Participation has been constituted. The up gradation of existing PoP for NKN has been approved by SFC.
13	**31**	National Rural Health Mission-Setting up a fully functional, community owned, decentralised health delivery system.	Total 631,855 ASHAs/Link workers have been selected up to Sept., 2008, out of which, 536,057 ASHAs/Link workers have been trained and are in place. 375 district hospitals have been taken for up gradation. 228,413 Village Health and Sanitation Committee for addressing the activities like sanitation, hygiene, drinking water etc have been made operational.
14	**32**	Allocation of Rs.993 crore for National Aids Control Programme.	Implementation status as on 30.9.08 is as given below:

Deliverable	**Annual Target**	**Achievements upto Sept 2008**
Integrated Counseling and Testing Centres	583	1043
Training of Staffs	229956	1,34,042
Modernization of District Level Blood Bank	4	3
Blood Component Separation Unit	40	18
Plasma Fractionation Unit	1	1
Number of persons accessing STI services	10 millions (2.5 m for NACO)	14,11,893

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			Targeted Intervention 600 278 Community Care centres 62 54 New ART Treatment Centers 59 38 Schools covered under School AIDS Education 14441 3575 Number of District units established 154 43
15	**33**	Allocation of Rs.1,042 crore for Eradication of polio with a revised strategy and focus on the high risk districts in Uttar Pradesh and Bihar.	To contain the circulation of wild polio virus, supplementary immunization activities have been intensified in the high risk areas. Monovalent Oral Polio Vaccine (mOPV1 & mOPV3) are being used in the high risk districts and States to enhance immunity against P-1 and P-3 virus. Due to this strategy there is significant progress in controlling Type-1 Wild Polio Virus circulation in 2007. So far only 83 cases have been reported in 2007 as against 648 cases of P1 in 2006. The endemic districts of western Uttar Pradesh has reported only 5 type-1 wild polio virus during 2007 and the core districts of western UP i.e Moradabad and JP Nagar which were the epicentre of 2006 outbreak have not reported any Wild Polio Virus type-1 for last one year. For vaccinating the children in transit, vaccination booths are being set up and more than 5 million children have been vaccinated in UP, Bihar and Mumbai during each round.
16	**34**	Rashtriya Swasthya Bima Yojana to provide health cover of Rs.30,000 for every worker and their families in the unorganised sector falling under the BPL category - Allocation of Rs. 205 crore are centre's share of the premia of 2008-09.	20 States/UTs have advertised to initiate the process to implement the scheme. Out of these 20 States, 8 states namely Rajasthan, Haryana, Punjab, NCT of Delhi, Gujarat, Bihar, Jharkhand and Tamil Nadu have started issuing Smart cards and 3.16 lakh cards have been issued in these states by 15.9.08 taking the health insurance cover to 1,581,050 persons. More than 1,000 persons have availed hospitalisation facilities in Delhi, Haryana and Rajasthan. Nagaland is the first state in North Eastern States to initiate the process to implement the scheme. The scheme is likely to roll out in other states of North East and Jammu & Kashmir shortly.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
17	**35**	National Programme for the Elderly with a Plan outlay of Rs.400 crore in 2008-09.	The main programme is being finalised. Proposal for National Institute of Ageing (NIA) at Chennai and Delhi received from MMC & AIIMS respectively are being examined. For setting up of the Department of geriatric at identified Medical Colleges during 2008-09, team of experts are being constituted to visit different medical colleges for on the spot assessment of facilities in the Department.
18	**36**	Universalization of the Integrated Child Development Services (ICDS) - enhancement of the allocation from Rs.5,293 crore in 2007-08 to Rs.6,300 crore in 2008-09.	After Universalisation of the ICDS scheme with quality in Third Phase Expansion the total number of AWCs has gone upto 14 lakh. The enhancement in honorarium for Anganwadi Workers and Anganwadi helpers has been approved, the orders are under issue.
19	**38**	Progress under Flagship Programmes • National Rural Employment Guarantee Scheme (NREGS) in all 596 rural districts in India with allocation of Rs.16,000 crore. • Jawaharlal Nehru National Urban Renewal Mission (JNNURM) increase of the allocation from Rs.5,482 crore in 2007-08 to Rs.6,866 crore in 2008-09. Installation of a standalone system to provide potable water to each school in water-deficient habitations - an initial allocation of Rs.200 crore in 2008-09.	i) Under NREGS, Rs. 16,000 crore was allocated under BE 2008-09. All the districts of the country have been covered under the programme. ii) In the financial year 2008-09, under JNNURM, 20 projects costing Rs.2, 466.53 have been approved. Additional Central Assistance (ACA) amounting to Rs.1,181.69 crore has been committed and upto Sept., 2008, Rs.66.51 crore has been released as ACA. iii) The scheme for installation of stand alone drinking water system in each school in water deficient habitations has been approved by the Cabinet and states have been advised to formally launch the scheme on 14th Nov., 2008.
20	**39**	Allocation of Rs.300 crore in 2008-09for Desalination Plant to be installed near Chennai.	The proposal for setting up of 100 MLD capacity Sea Water Osmosis Desalination Plant in Nemmeli, Chennai is being finalised.
21	**40**	Setting up of a fund with Rs.500 crore dedicated to meet special need and address the problems of North Eastern Region and, especially, Arunachal Pradesh and the border areas.	The schemes under the special provision of Rs. 500 crore for the special need of North Eastern Region are being finalised.
22	**43**	Contribution of additional equity to *Development and Finance Corporations* in the following manner: ***Rs. Crore*** 1 National Minorities Development and Finance Corporation 75.00	Rs.42.14 crore has already been released as equity by the Central Government in 2008-09. It has also been decided to revise the authorised share capital of NMDFC from Rs.750 crore to Rs.850 crore and this will permit release of the balance amount of Rs.32.86 crore. National Safai Karamcharis Finance & Development Corporation

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		2 Three National Finance and Development Corporations for Weaker Sections comprising (i) Safai Karamcharis (ii) Scheduled Castes (iii) Backward Classes 106.50 3 National/State Scheduled Tribes Finance and Development Corporations 50.00 4 National Handicapped Development Corporation 9.00	(NSKFDC) - Rs.30.00 crore- The Authorized Share Capital of NSKFDC has been exhausted. Further Share Capital to the Corporation would be released after approval of Cabinet for enhancement of authorized share capital.National Scheduled Caste Finance & Development Corporation (NSCFDC) - Rs.45.00 crore- An amount of Rs.22.50 crore has been released. Balance would be released in due course.National Backward Classes Finance & Development Corporation (NBCFDC) - Rs.31.50 crore-The entire allocation of Rs.31.50 crore has been released.National Handicapped Finance & Development Corporation (NHFDC)– Rs.9.00 croreThe entire allocation of Rs.9.00 crore has been released.
23	**44**	Pre- and post-matric scholarship programmes for SC, ST, OBC and minorities	Post-Matric Scholarship for SCs- against an allocation of Rs. 750 crore, an amount of Rs. 471.49 has been released upto Sept.,2008. Since the scheme is under revision, no fund could be released under Pre-Matric Scholarship for children of those engaged in unclean occupations. Against the provision of Rs.134 crore, an amount of Rs. 65. 35 crore has been released for Post-Matric Scholarship for OBCs and Rs. 11.55 crore has been released for Pre-Matric Scholarship for OBCs against allocation of Rs.30 crore. Post-matric Scholarship scheme for students belonging to the minority communities was approved in November, 2007. 56,742 scholarships were sanctioned in 2007-08. The target is 2.50 lakh scholarships for 2008-09. Proposals for renewal of scholarships and sanction of fresh scholarships are expected from States/UTs from October, 2008 onwards.
24	**47**	Speedy implementation of the Justice Rajindar Sachar Committee report in 2008-09: • a multi-sectoral development plan for each of the 90 minority concentration districts at a cost of Rs.3,780 crore. with the allocation of Rs.540 crore in 2008-09. • a pre-matric scholarship scheme with an allocation of Rs.80 crore next year; • a scheme for modernising Madrassa education with provision of Rs.45.45 crore in 2008-09; • 288 branches of public sector banks will be opened by March 2008 and many more in 2008-09; and	**Multi-Sectoral Development Programme:** A Multi-Sectoral Development Programme for 90 minority concentration districts has been approved and Baseline survey of 87 districts has been completed. Multi-sectoral development plans of 8 districts have also been approved for a total amount of Rs.222.13 crore. More plans are being processed. **For Pre-matric scholarship scheme for students belonging to the minority communities:** UTs have started sending the proposals for sanction. The target is 4.00 lakh scholarships in 2008-09. During the current financial year Rs. 27.02

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			crore have been released for 4,597 Madrassas in the states of Maharashtra, UP and Madhya Pradesh and Chhatisgarh. The proposal for revamping the scheme of Madarsas Modernization has been approved by the Cabinet.All the Public Sector have been directed to open 500 more bank branches in 2008-09 in districts with substantial minority population.
25	**48**	Enhanced corpus fund of Rs.60 crore for Maulana Azad Education Foundation.	The proposal for enhancement of corpus fund is being finalised.
26	**52**	LIC to cover all women ***Self Help Groups*** (SHGs) that are credit-linked to banks. Allocation Rs.500 crore to the corpus fund of LIC.	Target has been set to cover 2.5 lakh SHGs during the year 2008-09 in addition to 35,000 SHGs already covered under Janashree Bima Yojana.
27	**55**	Progress under Rashtriya Krishi Vikas Yojana and the National Food Security Mission.	During 2008-09, allocation for RKVY is Rs.3165.67 crore and state-wise allocation has been conveyed to States/UTs. SLSCs are being convened to consider and approve projects pertaining to Agriculture and Allied Sectors. In pursuance to SLSCs approval of projects, Rs. 293.98 crore have been released for Stream I projects, Rs.350.15 crore released for projects under Stream II and Rs. 6.30 crore to States for preparation of District Agriculture Plans (Total Rs. 651. 03 crore). During 2008-09, allocation for National Food Security Mission Scheme is Rs. 1,100 crore and Rs. 491.18 crore has been released to States and other agencies for implementation of the scheme till September, 2008 including Rs.20 crore placed at disposal of Extension Division of DAC.
28	**56**	Target of Rs.280,000 crore for Agricultural Credit.	The targets of Rs. 1,95,000 crore, Rs. 55,000 crore and Rs. 30,000 crore have been set for commercial banks, cooperative banks and RRBs respectively.During 2008-09 (upto August, 2008) credit flow to agriculture is Rs. 79, 709 crore (provisional).
29	**59**	Accelerated Irrigation Benefit Programme (AIBP) - creating additional irrigation potential of 500,000 hectare. Estimated outlay of Rs.20,000 crore with a grant component of Rs.5,550 crore in 2008-09.	The estimated grant requirement for AIBP for the year 2008-09 is Rs. 10,200 crore for major/ medium/minor projects. Budget outlay allocated by the Planning Commission for the year is Rs. 4,300 crore. Grant amounting to Rs. 2835.2516 crore has so far been released under AIBP upto 30.9.08. A provision of Rs 5,550 crore has been made in BE 08-09 for AIBP and other Water Resources programme. **Implemented**

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
30	**60**	Implementation of Rainfed Area Development programme with an allocation of Rs.348 crore.	An outlay of Rs.3,330 crore has been provided during 11th Plan with allocation of Rs. 348 crore during 2008-09 for Rainfed Area Development Programme (RADP). It is expected that the scheme will be approved and operationalised by March, 2009.
31	**61**	Allocation Rs.500 crore in 2008-09 with a target of covering another 400,000 hectare under Micro irrigation.	Annual Action Plans (2008-09) of 9 States viz. Andhra Pradesh, Goa, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Gujarat and Chattisgarh have been approved and Rs.214.23 crore released to 7 States during 2008-09 upto August 2008, on the basis of progress and UCs received.
32	**62**	***Project to repair, renovate and restore water bodies*** Agreements between World Bank by the Governments of Tamil Nadu, Andhra Pradesh and Karnataka under the project to repair, renovate and restore water bodies. The three agreements are for a total sum of US$738 million that will benefit a command area of 900,000 hectare.	The Andhra Pradesh Community Based Tank Management Project for US$ 189 million (Rs.1044.3 crore) has been signed with the World Bank for restoration of 3000 water bodies with a CCA of 2.5 lakh ha. The loan component amounts to Rs.835.38 crore, including Rs. 208.85 crore as GOI's share. Identification of water bodies has been completed and work on 51 tanks is being taken up in the Ist phase. The Karnataka Community Based Tank Management Project, envisages IDA credit of US$32 million and IBRD loan of US$32million (Rs.306 crore). The loan component amounts to Rs.268 crore, including Rs. 67 crore as GOI's share. The targeted tanks have been identified. The Tamil Nadu Irrigated Agriculture Modernisation and Water Bodies Restoration Project has been signed with the World Bank for US$485 million (IRs.2547 crore) to restore 5763 water bodies having a CCA of 4 lakh hectare. The loan component amounts to Rs.2182 crore, with Rs. 337.5 crore as GOI's share. World Bank has approved loan of US$ 112 million (IBRD loan – US$ 56m. and IDA Credit-US$ 56m.) 2008 for the Orissa Community Tanks Management Project. West Bengal Accelerated Development of Minor Irrigation Project is **tentatively** scheduled for delivery in FY 09 of the Bank, by January, 2009. World Bank has sanctioned Project Preparation Advance of US$ 2,940,000 on April 29, 2008.To extend the programme/scheme throughout the country during the XI Plan period, two proposals amounting to Rs. 2750

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			crore, for RRR of water bodies with external assistance and the other with Government of India Budgetary support are under consideration of the Government.
33	**63**	Establishment of the Irrigation and Water Resources Finance Corporation (IWRFC) with an initial capital of Rs.100 crore.	The Irrigation and Water Resources Finance Corporation (IWRFC) has been incorporated as Company under the Companies Act, 1956 on March 29, 2008, under the administrative control of the Department of Financial Services. **Implemented**
34	**65**	Setting up of 500 soil testing laboratories with Government assistance of Rs.30 lakh per laboratory- One-time allocation of Rs.75 crore.	The newly formulated scheme "National Project on Promotion of Balanced Use of Fertilizer" is proposed to be named as "National Project on Management of Soil Health and Fertility" Scheme has been approved by the Cabinet and guidelines are being finalized.
35	**66**	Plantation Crop Insurance Scheme.	Crop Insurance Scheme for tea, rubber, tobacco, chilli, ginger, turmeric pepper and cardamom is under consideration of the Government and presently it has been referred to Group of Ministers to look into the issues of subsidy-sharing by the Central and State Governments.
36	**67**	One time grant of Rs.5 crore to Centre for Development Studies, Tiruvananthapuram and the Tea Research Association and special centenary grant of Rs.20 crore.	A sum of Rs. 5 crore one time grant to Centre for Development Studies, Thiruvananthapuram through Spices Board has been approved in-principle. Funds are being arranged through re-appropriation within the allocated budget of the Department.The proposal for special centenary grant of Rs. 20 crore to the Tea Research Association has been received from Tea Board and has been approved by SFC. Funds are being arranged through re-appropriation within the allocated budget of the Department.
37	**68**	Conversion and upgradation of National Plant Protection Training Institute at Hyderabad into Autonomous National Institute of Plant Health Management with budgetary support of Rs.29.4 crore.	The proposal for strengthening and restructuring of National Plant Protection Training Institute (NPPTI) as an autonomous society and renaming it as the National Institute of Plant Health Management(NIPM) for strengthening bio-security of the country has been approved by the Cabinet. **Implemented**
38	**70**	Allocation of Rs.50 crore for the Weather Based Crop Insurance Scheme in 2008-09.	So far, 9 States have issued notifications for implementation of Pilot WBCIS scheme and will be notified by 6 more states by the end of October, 2008.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
39	**71**	Fertiliser subsidy to continue- proposal for a nutrient based subsidy regime and alternative methods of delivering the subsidy.	The commitment of the Government to provide fertilisers to farmers at subsidised rates is being met by ensuring adequate availability of fertilizers at farm gate level. To ensure, adequate availability in 2008-09, the Department has received an allocation of Rs. 30,986 crore (net) only, under BE 2008-09 and Rs.52,863 crore under first supplementary demand for grants 2008-09. In pursuance to the recommendations of the Group of Ministers set up to look into the sustainable use of fertilizers and pertinent subsidy and prices issues, a nutrient based pricing scheme has been finalised and approved by the Cabinet. As a result of this, the prices of complex fertilizers have been reduced by an average 19% leading to increase in subsidy outgo.As regards nutrient based subsidy regime, in light of unsustainable levels of subsidy it is proposed to have a relook on various alternative delivery mechanisms taking on board the experience of delivery of government subventions to targeted population which have successfully been introduced. Since this entails a wide review of various delivery mechanisms, it may be difficult to indicate firm time for implementation. Department of Fertiliser propose to have alternative strategies firmed up within the current financial year so that decisions for implementation could be taken at least in the next financial year.
40	**72**	Implementation of the Prof. Vaidyanathan Committee's report on reviving the long-term cooperative credit structure. Total package of Rs.3,074 crore, with Rs.2,642 crore as the Central Government's share.	For implementation of revival package for Short Term Cooperative Credit Structure (STCCS), Rs.3,470.37 crore has already been released to NABARD. Out of this, Rs. 3,325.10 crore has been released by NABARD to the STCCS. A budget provision of Rs. 600 crore has been made for the year 2008-09 for implementation of the revival package of Long Term Cooperative Structure (LTCCS).
41	**73**	Debt Waiver and Debt Relief for farmers.	The scheme of Agricultural Debt Waiver and Debt Relief Scheme 2008 for farmers has been implemented by its due date i.e. 30.06.2008.The eligible amount of debt waiver and debt relief comes to Rs. 65,318.33 crore, covering 3,68,77,818 farmers (provisional figures). **Implemented**
42	**76**	Raising the corpus of Rural Infrastructure Development Fund- RIDF -XIV to Rs.14,000	NABARD has released the normative allocations for the States under RIDF-XIV

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		crore, and operation of a separate window under the same for rural roads with a corpus of Rs.4,000 crore.	amounting to Rs. 14,000 crore and allocated amongst the banks the amount of Rs. 4,000 crore to be deposited for Rural Roads Component to Bharat Nirman. During the current year, a sum of Rs. 5304.55 crore has been drawn from the RIDF out of the loan component of Rs. 7000 crore provided for Rural Roads.
43	**78**	Target for additional power generation capacity of 78,577 MW during the Eleventh Plan which is more than the total capacity added in the previous three Plans.	(i) Planning Commission has set a capacity addition of 78,700 MW during 11th Plan. However, as on date, a capacity addition of 77,670 MW comprising of 33,530 MW in Central Sector, 25,363 MW in State Sector and 18,777 MW in Private Sector is likely to fructify in 11th Plan. Out of 77,670 MW, a capacity of 11,554 MW has already been commissioned up to 30th September, 2008 and a capacity of 66,116 MW is under construction. ii) A capacity of 7,294 MW achieved Commercial Operation date (COD) during 2007-08 against the target of 12,001 MW. 3,619 MW capacity achieved COD during 2008-09 till 30.9.08 against the target of 13,325 MW.
44	**79**	Ultra Mega Power Project (UMPP) in Chhattisgarh, Karnataka, Maharashtra, Orissa and Tamilnadu.	Request for Proposal (RfP) for Tilaiya Ultra Mega Power Project (UMPP), issued on 30.5.08.State Governments of Maharashtra, Orissa and Tamil Nadu have confirmed the sites at Munge, Bedabehal and Cheyyur respectively.
45	**80**	Progress under Rajiv Gandhi Grameen Vidyutikaran Yojana.	As on 1.9.08, a total of 50,940 un-electrified villages have so far been electrified (3,114 in 2008-09), intensive electrification carried out for 61,375 electrified villages (20,537 in 2008-09) and 42,60,431 rural households (including 35,42,851 BPL households) have been given connections(In 2008-09, 14,88.821 total households including 12.40,081 rural households). Franchisee system is in place in 89,951 villages. 235 projects were taken up for implementation during Xth Plan period and 323 new projects have been sanctioned so far for execution during phase-I of XIth Plan period.
46	**81**	Allocation of Rs.800 crore in 2008-09 for the Accelerated Power Development and Reforms Project. Creation of a national fund for transmission and distribution reform.	The restructuring of Accelerated Power Development and Reforms Programme (APDRP) has been approved. Power Finance Corporation (PFC) appointed as Nodal Agency for

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			operationalising the programme. Action is being taken to roll out the programme at the earliest.National Electricity Fund (NEF): A Committee under the Chairmanship of Member (Power) has been constituted by Planning Commission to consider various aspects of establishing a NEF. In the first meeting of the Committee it was decided to form a Sub-Committee to make recommendation on issues relating to operationalisation of NEF. The Sub-Committee met on 19.8.08 and discussed the matter. Secretary, Department of Economic Affairs also took a meeting on 3.10.2008 to discuss proposal of the Sub-Committee on the establishment of National Electricity Fund (NEF). The matter is to be reviewed again after incorporating suggestions made in the meeting.
47	**82**	Progress under National Highway Development Programme	All phases of the National Highway Development Project (NHDP) continue to make progress. The completion ratio in the Golden Quadrilateral is 97.46% (5698 kms. out of 5846 kms.) and in the North, South, East West corridor project is 39.73% (2838 kms out of 7142 kms). Special Accelerated Road Development Programme for North-Eastern Region (SARDP NE) covering 8887 km comprises of two phases. Phase 'A' covering 2454 km has been approved for implementation and Phase 'B' covering 6433 km has been approved for preparation of DPRs. Estimates for 951 km length at an amount of Rs. 2577 crore have so far been approved under SARDP NE. During 2008-09, 52.30 km length of road has been completed and an expenditure of Rs. 184 crore has been incurred so far.
48	**83**	Oil and Gas **-** 7th round of bidding under the New Exploration Licensing Policy (NELP) launched in December 2007, 57 exploration blocks estimated that the round will attract investment of the order of US$3.5 billion to US$8 billion for exploration and discovery.	Empowered Committee of Secretaries (ECS) considered the recommendations of Directorate General of Hydrocarbons (DGH)/Ministry of Petroleum & Natural Gas on evaluation of bids received under NELP-VII. The ECS gave its recommendations on the award of blocks which had received bids on 30.6.08. The recommendations of ECS are being processed further and it is expected that the approval of Cabinet would be obtained by end of October, 208 and the signing of the Production Sharing Contract (PSC) with awardee companies is expected by 30.11.08.

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
49	**84**	Appointment of Coal Regulator.	The draft Cabinet Note on Coal Regulatory Authority along with the draft bill has been circulated to various Ministries for obtaining their comments on the same. Comments from two Ministries have been received and the remaining are awaited. The same would be submitted to the Cabinet for approval by September, 2008.
50	**86**	Scheme for Integrated Textile Parks (SITP) and the Technology Upgradation Fund (TUF)- Allocation of Rs.450 crore for SITP and Rs.1,090 crore for TUF in 2008-09.	Scheme for Integrated Textile Parks (SITP): As per the approved target, project proposals for development of 40 Integrated textile parks have been sanctioned. Estimated project cost of these projects is Rs. 4,197.95 crore, of which Government of India assistance would be Rs. 1,436.98 crore. So far Central assistance of Rs. 400 crore has been released for these projects. Total investment in these projects is estimated at Rs. 21,502.54 crore and estimated combined turnover is Rs. 38,115 crore. This initiative will facilitate employment generation for 9.08 lakh persons. Palladam HiTceh Weaving Park, Palladam, Tamil Nadu sanctioned under the SITP was inaugurated on 19.4.08. Brandix India Apparel City, Vishakhapatnam and Pochampally Handloom Park, Pochampally in Andhra Pradesh are now ready for inauguration. **TUFS** The Technology Upgradation Fund Scheme (TUFS) has been extended to 11th Five Year Plan period i.e upto 31.3.2012. The BE for the year 2008-09 is Rs.1,140 crore out of which Rs. 1,073.84 crore have already been released. Further augmentation of budget provisions is being provided through Supplementary Demand for Grants.
51	**87**	The cluster approach to the development of the handloom sector- allocation of Rs.340 crore in 2008-09.	Intergrated Handloom Development Scheme (IHDS) was approval on November 26, 2007. During 2008-09, 58 clusters have been sanctioned till 31st August, 2008 and Rs. 9.21 crore has been released. 485 yarn depots have been operational by June, 2008. Handloom Weavers Comprehensive Welfare Scheme with the components of Health Insurance Scheme and Mahatma Gandhi Bunkar Bima Yojana has been approved. During the year 2008-09, 18 lakh weavers family are expected to be covered under Health Insurance Scheme. During 2008-09, (upto

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			August 2008) a sum of Rs. 37.71 crore has been released towards the weavers covered during 2007-08 and for coverage of 4.10 lakh new weavers in 2008-09. During the years 2008-09, a sum of Rs. 340.00 crore has been allocated for handloom sector.
52	**88**	Development of Six centres as mega-clusters - Allocation of Rs.100 crore in 2008-09.	It has been decided to develop six centres as Mega Clusters at **Varanasi & Sibsagar** for Handlooms, **Bhiwandi & Erode** for Powerloom and **Narsapur & Moradabad** for Handicrafts. The proposals for comprehensive cluster development scheme for Powerlooms (Erode and Bhiwandi), Handlooms (Varanasi and Sibsagar) and Handicrafts (Moradabad and Narsapur) are being finalized. The selection of Cluster Management Technical Agency (CMTA) for four mega clusters namely Varanasi, Moradabad, Bhiwandi and Erode has since been finalized and process for signing of Agreement (MoA) between concerned agencies and Government is being completed. Selection of CMTA in respect of the remaining two clusters i.e Narsapur and Sibsagar is being finalized. Budget provision of Rs 25 crore has been made through 1st batch of Supplementary Demand for Grants 2008-09 for the implementation of the scheme during CFY.
53	**89**	Creation of a risk capital fund in the Small Industries and Development Bank of India (SIDBI).	RBI has allocated Rs. 1000 crore to SIDBI for MSME Risk Capital Fund. The Credit Guarantee Fund Trust for Micro and Small Enterprises on March 03, 2008 has reduced the one time guarantee fee to 1% and the annual service fee to 0.5% for loans upto Rs. 5 lakhs sanctioned by Banks/MEMBER Lending Institutions (MLI) to Micro and Small Enterprises. **Implemented**
54	**92**	Implementation of two Recommendations of the Committee on Financial Inclusion: • to advise commercial banks, including RRBs, to add at least 250 rural household accounts every year at each of their rural and semi-urban branches; and • to allow individuals such as retired bank officers, ex-servicemen etc to be appointed as business facilitator or business correspondent or credit counsellor.	IBA and NABARD have advised the scheduled commercial banks and RRBs to achieve the target of adding 250 rural household accounts every year at each of their rural and semi urban branches.Fresh guidelines have been issued by RBI on 24.04.2008 for appointment of individuals e.g. retired bank officers, ex-servicemen, etc. as Business Correspondents (BCs). **Implemented**
55	**93**	Encouraging Banks to embrace the concept of Total Financial Inclusion.	RBI and NABARD have issued necessary circulars to scheduled commercial banks, RRBs

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		To meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage etc and (c) debt swapping.	and Cooperative credit institutions in this regard. **Implemented**
56	**94**	Expanding the reach of NABARD, SIDBI and NHB through creation of the following funds: (i) a fund of Rs.5,000 crore in NABARD to enhance its refinance operations to short term cooperative credit institutions; (ii) two funds of Rs.2,000 crore each in SIDBI - one for risk capital financing and the other for enhancing refinance capability to the MSME sector; and (iii) a fund of Rs.1,200 crore in NHB to enhance its refinance operations in the rural housing sector.	NABARD, NHB and SIDBI had submitted the proposals outlining the broad structure of the proposed funds to RBI. Based on the shortfall of domestic Commercial Banks under priority sector and agricultural sector during 2007-08, RBI has issued orders for constitution of these funds with an initial corpus as follows: STCRC fund – Rs.5,000 crore; MSME(Refinance) Fund –Rs.1,600 crore; MSME(Risk) Fund –Rs. 1,000 crore; and RHD Fund – Rs. 1,000 crore. RBI has reported that Rs. 1,000 crore has been allocated to National Housing Development Bank (NHB) as part of Rural Housing Development Fund. The proposal to meet the shortfall in the allocation made for the funds announced in the budget speech 2008-09 by allocating the additional amount from shortfall in priority sector/agricultural sector lending targets of banks in 2008-09.
57	**95**	Enhanced eligibility under DRI scheme the borrower's eligibility criteria as annual family income of Rs.18,000 in rural areas and Rs.24,000 in urban areas.	Revised Guidelines on DRI issued by RBI on 10.4.08. **Implemented**
58	**97**	Measures for expanding market for corporate bonds: • Develop the bond, currency and derivatives markets that will include launching exchange-traded currency and interest rate futures and developing a transparent credit derivatives market with appropriate safeguards; • enhancing the tradability of domestic convertible bonds • development of a market-based system for classifying financial instruments based on their complexity and implicit risks.	Measures taken to develop the bond, currency and derivatives market: (i) NSE Launched Exchange Traded Currency Futures on 29th August 2008. (ii) RBI's internal group on Interest Rates Futures (IRFs) submitted its report in February, 2008, which was placed on RBI's website inviting public comments. HLCCFM on 1st August, 2008 discussed the matter and gave a tentative date of February 2009 for introducing IRFs. (iii) In May 2007, RBI had released draft guidelines on credit derivatives trading in India. In the guidelines the RBI discussed its cautionary approach towards this nascent yet promising financial instrument market and its desire to introduce credit derivatives in a calibrated manner. These were examined in the DEA and comments sent

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			to RBI in September, 2007. RBI has been requested to launch credit default swaps at an early date. The matter was also taken up in HLCCFM held on August 1, 2008. Government had set up an Expert Committee under the Chairmanship of Mr. Saumitra Choudhury, Member Economic Advisory Council to Prime Minister to review the extant ADR / GDR/ FCCB policy. Letter has been sent to SEBI to implement the budget announcement. CRISIL has launched "COMPLEXITY LEVELS" on 28th March, 2008. This helps investors determine the degree of sophistication and due diligence required to understand risk factors involved in an instrument, before making an investment decision. CARE has recently launched a similar initiative. Other rating agencies are in the process of doing so.
59	**98**	Requirement of PAN to all transactions in the financial market subject to suitable threshold exemption limits.	DFS is examining the comments of Department of Revenue, Department of Posts and Budget Division of DEA before taking the final step for full implementation of the announcement.
60	**99**	Empowered Committee of State Finance Ministers to work with the Central Government to create a truly pan Indian market for securities.	Chairman, Empowered Committee (EC) of State Finance Ministers has been requested to work with the Central Government to create a truly pan Indian market for securities that will expand the market base and enhance the revenues of the State Government. A background note on important issues pertaining to Stamp Duties has also been sent to EC for their consideration.
61	**101**	Skill Development Mission -Establishment of a non-profit corporation and entrust the mission of skill development with Rs.15,000 crore as capital from Governments, the public and private sector, and bilateral and multilateral sources. Rs.1,000 crore as Government's equity in the proposed non-profit corporation.	The National Skill Development Corporation (NSDC) has been incorporated as a 'not for profit' company under the Companies Act, 1956. It has received a contribution of Rs. 3 crore from Government and Rs. 4.08 crore from private sector associations of industry and commerce. The draft "Deed of Public Trust" for incorporating National Skill Development Fund (NSDF) as a Trust under the Indian Trusts Act, 1882 has been finalised. A sum of Rs. 4.90 crore has been approved towards Government contribution to the equity of NSDC from the Contingency Fund of India. Out of Rs. 1,000 crore, a sum of Rs. 995.10 crore

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			has been tentatively earmarked for the corpus of NSDF. Approval of Parliament has also been obtained for providing Rs 1,000 crore through 1st batch of Supplementary Demand for Grants. **Implemented**
62	**102**	Upgradation of Industrial Training Institutes. Under the World Bank assisted scheme, Allocation of Rs.750 crore for upgrading 300 more ITIs in 2008-09.	For upgradation of ITIs, an amount of Rs.750 crore was disbursed to 300 ITIs, Rs.2.5 crore to each ITI during 2007-08. For continuation of the scheme for 2008-09 onward proposals have been finalised and budgetary provision of Rs 732.50 crore has been made for the scheme under first Batch of Supplementary Demand for Grant 2008-09. **Implemented**
63	**103**	Allocation of Rs.44 crore at the rate of Rs.2 crore each to the 22 Sainik Schools for immediate improvement of infrastructure including classrooms, laboratories, libraries and facilities for physical education.	All preparatory works completed. Funds will be released by November, 2008 and utilised by March, 2009.Rs 44 crore has been provided through 1st batch of Supplementary Demand for Grants. **Implemented**
64	**104**	Pilot scheme for a smart card based delivery system to deliver food grains under the PDS in Haryana and Chandigarh.	The proposals for Rs. 144.82 crore towards the pilot schemes in Haryana and Chandigarh are being brought before the Committee on Non-Plan Expenditure for approval.
65	**105**	Schemes for Unorganised Sector Workers: • Aam Admi Bima Yojana(AABM) • the Rashtriya Swasthya Bima Yojana to be implemented with effect from April 1, 2008; and • the Indira Gandhi National Old Age Pension Scheme -allocation Rs.3,443 crore in 2008-09 as against Rs.2,392 crore in 2007-08.	The Unorganised Sector Workers Social Security Bill, 2007 has been introduced in the Rajya Sabha on 10.9.2007 and is pending before the Parliament. **AABY**: As on 29/9/08, 54,04,061 persons have been covered under AABY. It is proposed to cover the additional one crore by 31.3.09. **Indira Gandhi National Old Age Pension Scheme (IGNOAPS)**: All the States/UTs have instructed to identify the additional beneficiaries as per the revised criteria under IGNOAPS. Upto September, 2008, 29 States and UTs have furnished information to increase the coverage from 87 lakh beneficiaries during 2006-07 to 133.46 lakh beneficiaries under IGNOAPS. The mater is being pursued with the State Governments intensively to complete this exercise urgently.
66	**106**	Enhancement of the subsidy per unit in respect of new houses and Public sector banks to include IAY houses under the differential rate of interest (DRI) scheme.	The financial assistance for constructing a house under Indira Awas Yojana (IAY) have been revised from Rs.25,000 to Rs.35,000 in plain areas, from Rs.27,500 to Rs.38,500 in hilly/

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			difficult areas and for upgradation from Rs.12,500 to Rs.15,000. IBA has advised PSBs to include I.A.Y. houses under DRI Scheme. During 2008-09, under this scheme (up to Sept., 2008), 7.25 lakh houses have been constructed at an expenditure of Rs.3181.89 crore. **Implemented**
67	**109**	Institutional mechanism for Climate Change issues.	The National Action Plan on climate change, which incorporates all the suggested areas of action, unveiled on 30th June 2008. On institutional mechanism, Cabinet Secretariat has issued order on April 16, 2008 on institutional arrangements for management of the inter-sectoral agenda relating to climate change. **Implemented**
68	**112**	Special grant of Rs.100 crore each to three institutions of excellence (i) Mahatma Phule Krishi Vidyapeeth, Rahuri, Maharashtra; (ii) University of Mysore, Mysore; and (iii) Delhi University, Delhi.	The proposal for the special grant of Rs 100 crore to Mahatma Phule Krishi Vidyapeeth (MPKV), Rahuri is under consideration.
69	**113**	Allocation of Rs.75 crore to the Indian Council of Cultural Relations to design and implement a programme for promotion of India's music, literature, dance, art, cuisine and especially films abroad.	A proposal for allocation of Rs.75 crore to ICCR is under consideration with the Committee on Non-Plan Expenditure.
70	**114**	Onetime grant of Rs.50 crore to the National Tiger Conservation Authority specially for raising a Special Tiger Protection Force.	The proposal for deployment of STPF is being finalized.
71	**115**	Setting up of Central Plan Schemes Monitoring System (CPSMS) to be implemented as a Plan scheme of the Planning Commission.	During 2008-09, Rs. 24.25 crore have been allocated for the scheme. Planning commission has constituted the Implementation Committee for the scheme in July, 2008. The Committee has drawn up the timelines for completion of various activities during 2008-09. Sanction IDs are now being generated for all fund transfers to states from the centre for all plan schemes since 1st April, 2008. Pilot projects being conducted in Punjab, Puducherry and Karnataka in collaboration with the organization of the C& AG will be mapping the further transfer/ final expenditure of the plan releases at the state and implementing levels. The DPR for the project, which will form the basis for the further rollout of the scheme, is expected to be completed by end of the financial year.

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Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
72	**116**	Independent evaluations of the major schemes and to be conducted by research institutions. To completed by the time of the mid-term review of the Eleventh Plan.	The Programme Evaluation Organisation of the Planning Commission has taken up 19 Evaluation Studies during 2008-09. It includes those studies initiated during 2007-08 and are at various stages of evaluation.
73	**122**	Thirteenth Finance Commission to revisit the roadmap for fiscal adjustment and suggest a suitably revised roadmap.	The 13th Finance Commission has been requested to review the roadmap for fiscal adjustments vide Gazette Notification No. SO 2107 (E) dated 25.8.08. **Implemented**
74	**166**	Amendment in the Income Tax Act to the effect provide that: (i) reverse mortgage would not amount to "transfer"; and(ii) the stream of revenue received by the senior citizen would not be "income".	This has been incorporated in Finance Bill and notification has been issued on 30.9.08. **Implemented**
75	**183**	Reduction in the rate of Central Sales Tax from 3% to 2 per cent from April 1, 2008. Roadmap for introducing the Goods and Services Tax with effect from April 1, 2010.	The new CST rate of 2% effective from 1.6.08 has been notified vide S.O.1277 (E) dated 30.5.08. The revised set of compensation package was mutually agreed upon in the meeting of Chairman Empowered Committee (EC) with Finance Minister.After examining the views of EC, Department of Revenue have communicated their consolidated comments to EC, so as to help streamline the GST design and facilitate working out of the details by EC.

Annex II

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1. KEY INDICATORS

	Items	2006-07	2007-08	percent change 2006-07	percent change 2007-08	2007-08	2008-09	Period	percent change 2007-08	percent change 2008-09
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1a	GDP at factor cost at current prices-Rs.'000 crore	3790 Q	4304 R	15.7	13.6	1974	2319	Apr-Sept HI	14.4	17.5
1b	Implicit Price Delfator	132.3	137.8	5.6	4.1	136.9	149.2	Apr-Sept HI	4.7	9.0
1c	GDP at factor cost at 1999-2000 prices-Rs.'000 crore	2864 Q	3123 R	9.6	9.0	1442	1554	Apr-Sept HI	9.3	7.8
2.	Agriculture and allied sectors at 1999-2000 prices - Rs.'000 crore	530 Q	554 R	3.8	4.5	231	238	Apr-Sept HI	4.5	2.9
3.	Index of Industrial Production (IIP)	247.1	268.0	11.6	8.5	257.5	207.2	Apr-Sept HI	9.5	4.9
4.	Electricity generated (in billion kwh)	662.5	704.5	7.3	6.3	350.15	359.13	Apr-Sept HI	7.6	2.6
5.	Wholesale price index(point-to-point) 1993-94=100	210.4	226.7	5.9	7.75	215.8	235	Nov/8/08 (P)	3.20	8.90
6.	Consumer price Index(for industrial workers)1982=100	127	137	6.7	7.9	133	146	Sep/08	6.4	9.8
7.	Money Supply (M_3) (Rs.'000 crore) [1,2]	3316	4007	21.5	20.8	3673	4378	Nov/7/08	23.9	19.2
8.	Imports at current price [3] (in Rs. Crore)	840506	1012312	27.3	20.4	458139	661208	Apr-Sep P	14.2	44.3
	(in US $ million)	185604	251439	24.4	35.5	111654	154744	Apr-Sep P	27.3	38.6
9.	Exports at current prices [3] (in Rs. Crore)	571779	655864	25.3	14.7	299548	405117	Apr-Sep P	6.7	35.2
	(in US $ million)	123263	162904	22.5	29.0	72556	94973	Apr-Sep P	18.2	30.9
10.	Foreign currency assets (in Rs. Crore)	836597	1196023	29.2	43.0	953581	1301645	Apr-Sep P	31.0	36.5
	(in US $ million)	191924	299230	32.3	55.9	239955	277300	Apr-Sep P	51.54	15.6
11.	Exchange rate (Rs./US $) [4]	45.25	40.26	(-)2.16	(+)12.39	40.88	42.71	Apr-Sep	(+)12.30	(-)4.29

Q : Quick estimate; R : 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; 3: As per DGCI&S;4 (+) indicates appreciation and (-) indicates depreciation of the Rupee vis-à-vis the US Dollar,

Annex continued

2. Balance of Payments : Summary

(in million)

	Items	2007-08			2008-09	
		Apr-Jun 2007	Jul-Sep 2007	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008
		(PR)	(PR)	(PR)	(P)	(P)
1	**Exports**	35,752	37,595	42,284	42,830	43,703
2	**Imports**	56,453	58,069	67,376	66,623	75,277
3	**Trade balance**	**-20,701**	**-20,474**	**-25,092**	**-23,793**	**-31,574**
4	**Invisibles (net)**	**14,400**	**15,530**	**19,975**	**22,752**	**20,850**
	Non-factor services	8,729	7,608	10,430	10,783	10,461
	Investment income	-1,847	-1,343	-1,321	-1,399	-1,133
	Private transfers	7,531	9,218	10,792	13,237	11,492
	Official grants	-13	47	74	131	30
5	**Goods and service balance**	**-11,972**	**-12,866**	**-14,662**	**-13,010**	**-21,113**
6	**Current account balance**	**-6,301**	**-4,944**	**-5,117**	**-1,041**	**-10,724**
7	**External assistance (net)**	241	468	565	840	351
8	**External commercial borrowings (net)**	6,990	4,136	6,212	4,827	1,559
9	**IMF (net)**	-	-	-	-	-
10	**Non-resident deposits (net)**	-447	369	-853	1,110	813
11	**Rupee debt service**	-43	-2	-	-76	-30
12	**Foreign investment (net)**	10,116	13,684	18,391	2,615	5,909
	FDI	2,658	2,808	3,729	6,350	10,117
	Portfolio	7,458	10,876	14,662	-3,735	-4,208
13	**Short-term credits**	1804	4,886	4,691	6,302	2173
14	**Capital account (net)**	**17,346**	**33,960**	**31,300**	**25,425**	**13,215**
15	**Reserve movement (- indicates increase)**	**-11,200**	**-29,236**	**-26,738**	**-24,990**	**-2,235**

Source: RBI; PR: Partially revised P: Preliminary

Annex continued

3. MONETARY SURVEY

Items	Outstanding Balances				per cent variation			
	2006/07 [a]	2007/08 [a]	Nov/9/07	Nov/7/08	Full Year		Year-on-year	
	Rs.Crore				2006/07	2007/08	Nov/9/07	Nov/7/08
I. Broad money (M_3)	**3316093**	**4006722**	**3673237**	**4377847**	**21.5**	**20.8**	**23.9**	19.2
Components of M_3								
1) Currency with public	482096	567476	529774	622198	16.9	17.5	16.7	17.4
2) Aggregate deposits with banks	2825691	3430177	3138240	3749193	22.3	21.4	25.3	19.5
3) Other deposits with Reserve Bank	7496	9069	5223	6456	9.1	21.0	-3.5	23.6
Sources of M_3								
I. Net bank credit to government (1+2)	837564	907077	861778	1041538	9.3	8.3	7.0	20.9
1) RBI credit to government	5752	-113209	-128888	-71456	-	-	-	-
2) Other bank credit to government	831812	1020286	990667	1112995	9.7	22.7	23.6	12.3
II. Bank credit to commercial sector (1+2)	2130078	2569912	2268914	2855724	25.8	20.6	21.8	25.9
1) RBI credit to commercial sector	1537	1788	1383	1926	10.8	16.3	-0.1	39.3
2) Other bank credit to commercial sector	2128541	2568124	2267530	2853797	25.8	20.7	21.9	25.9
III. Net foreign exchange assets of the banking sector	913179	1295131	1091744	1221499	25.7	41.8	16.4	37.6
IV. Other items (net)	564728	765399	549198	740914	23.8	35.5	12.9	10.6
Memorandum items								
1. NDA 2402914	2711591	2581493	3156348	19.9	12.8	18.9	22.3	
2. Reserve money (M_0)	708990	928417	797260	868668	23.7	30.9	32.8	9.0

a: Figures are for end March of the respective Financial Year

Annex continued

4. Trends in Growth Rates of Infrastructure Sectors and Universal Intermediaries

(Per cent)

Industry	Weight	April-September					
		2004-05	2005-06	2006-07	2007-08	2007-08	2008-09
I. Core infrastructure industries							
i Electricity generation	10.2	5.2	5.1	7.3	6.3	7.6	2.6
ii Coal	3.2	6.2	6.6	5.9	6.0	2.8	7.9
iii Steel	5.1	8.4	10.8	13.1	5.1	7.7	5.3
iv Crude oil	4.2	1.8	-5.2	5.6	0.4	0.7	-0.8
v Refinery throughput	2	4.3	2.1	12.9	6.5	9.8	4.5
vi Cement	2	6.6	12.4	9.1	8.1	8.7	6.0
Average growth	-	5.8	6.1	9.2	5.6	6.9	3.9
II. Transport and Communications							
1. Cargo handled at major ports		11.3	10.4	9.5	11.9	13.7	7.2
2. Railway revenue earning freight traffic		8.1	10.7	9.2	9.0	7.5	8.5
3. Civil Aviation							
a. Export cargo handled		12.4	7.3	3.6	7.5	6.1	8.0
b. Import cargo handled		24.2	15.8	19.4	19.7	22.5	5.9
c. Passenger handled at International Terminals		14.0	12.8	12.1	11.9	12.3	7.2
d. Passengers handled at Domestic Terminals		23.6	27.1	34.0	20.6	26.5	-7.5
4. Telecommunications							
a. Wireless Telephones		59.9	78.9	62.1	58.1	61.4	50.8

Source: 1. Ministry of Commerce & Industry.
2. Ministry of Statistics & Programme Implementation.

Annex continued

5. TAX REVENUE

(Rs. in crore)

DESCRIPTION	2008-2009 BE	2008-2009 ACTUALS upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 ACTUALS upto 09/2007	2007-2008 %
1. Corporation Tax	226361.00	96990.99	43%	168401.00	70175.51	42%
2. Taxes on Income	138314.00	53665.65	39%	98774.00	41057.99	42%
(a) Taxes on Income other than Corporation Tax	*120604.00*	*46349.12*	*38%*	*86829.00*	*35445.46*	*41%*
(b) Fringe Benefit Tax	*8160.00*	*3811.67*	*47%*	*6800.00*	*2236.85*	*33%*
(c) Securities Transaction Tax	*9000.00*	*3181.79*	*35%*	*4500.00*	*3099.35*	*69%*
(d) Banking Cash Transaction Tax	*550.00*	*323.07*	*59%*	*645.00*	*276.33*	*43%*
3. Wealth Tax	325.00	236.05	73%	315.00	71.67	23%
4. Customs	118930.00	56241.45	47%	98770.00	48097.50	49%
5. Union Excise Duties	137874.00	47869.63	35%	130220.00	44888.85	34%
6. Service Tax	64460.00	24138.88	37%	50200.00	18342.49	37%
7. Other taxes	1451.00	998.34	69%	1442.00	*856.64*	59%
(a) Taxes on Income other						
*(a) **Direct Taxes***		*23.87*			*9.68*	
(b) Indirect Taxes		*974.47*			*846.96*	
GROSS TAX REVENUE	**687715.00**	**280140.99**	**41%**	**548122.00**	**223490.65**	**41%**
Of which netted against expenditure (Surcharge for financing National Calamity Contigency Fund)	1800.00	1133.24	63%	1800.00	1140.09	63%
Balance Gross Tax Revenue	**685915.00**	**279007.75**	**41%**	**546322.00**	**222350.56**	**41%**
Less *Assignment to States*	178765.00	76761.38	43%	142450.28	61850.61	43%
NET TAX REVENUE	**507150.00**	**202246.37**	**40%**	**403871.72**	**160499.95**	**40%**

Annex continued

6. NON-TAX REVENUE

(Rs. in crore)

DESCRIPTION	2008-2009 BE	2008-2009 ACTUALS upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 ACTUALS upto 09/2007	2007-2008 %
IInterest receipts	35792.68	9805.83	27%	24307.99	9225.39	38%
Less *- Receipts incidential to Market Borrowing taken in reduction of cost of borrowing*	16657.55	2017.93	12%	5000.00	907.54	18%
Net Interest Receipts	**19135.13**	**7787.90**	**41%**	**19307.99**	**8317.85**	**43%**
Dividends and Profits	**43203.73**	**20669.19**	**48%**	**33924.85**	**18061.91**	**53%**
Non-Tax Revenue of U.T.s	**814.85**	**332.90**	**41%**	**710.59**	**356.76**	**50%**
Other Non-Tax Revenue						
Fiscal Services	121.40	24.68	20%	522.12	34.09	7%
Other General Services	17937.65	5252.73	29%	11016.57	3926.41	36%
Less: Other Receipts utilised to write-off loans/interest	5593.29	0.00		107.78	0.00	
Net - Other General Services	12344.36	5252.73	43%	10908.79	3926.41	36%
Social Services	592.99	261.00	44%	499.69	269.89	54%
Economic Services	34424.55	12339.16	36%	28746.09	9554.37	33%
Less *- (I) Other Receipts utilised to write-off loans*						
Net Economic Services	34424.55	12339.16	36%	28746.09	9554.37	33%
Grants-in-Aid and Contributions	1795.33	714.07	40%	2135.17	1030.51	48%
Total Other Non-Tax Revenue	**49278.63**	**18591.64**	**38%**	**42811.86**	**14815.27**	**35%**
Less : Commercial Departments	16647.23	4730.52	28%	14205.29	4095.62	29%
Net Other Non-Tax Revenue	**32631.40**	**13861.12**	**42%**	**28606.57**	**10719.65**	**37%**
Net Non-Tax Revenue (A+B+C+D)	**95785.11**	**42651.11**	**45%**	**82550.00**	**37456.17**	**45%**

Annex continued

7. CAPITAL RECEIPTS

(Rs. in crore)

DESCRIPTION	2008-2009 BE	2008-2009 ACTUALS upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 ACTUALS upto 09/2007	2007-2008 %
1. (a) Market Loans including Short term borrowings	113000.00	93064.92	82%	111327.24	98543.17	89%
(b) Receipt under MSS (Net)	29806.00	5263.23	18%	10000.00	68498.61	685%
(c) Treasury Bills		-27550.12			-4421.93	
2. Securities against Small Savings	9872.52	-621.36	-6%	10510.00	-545.04	-5%
(i) External Loans						
Gross Borrowings	19209.93	6652.55	35%	17451.53	6038.60	35%
Less Repayments	8220.66	4328.26	53%	8340.98	3583.49	43%
Net Borrowings	10989.27	2324.29	21%	9110.55	2455.11	27%
(ii) Revolving Fund		-9.00			22.43	
Non-Debt Capital Receipts (4&5)						
4. Recoveries of Loans and Advances						
Gross Recoveries	5992.51	1748.85	29%	3030.00	2295.98	76%
Less Short Term Loans and Advances	1495.00	263.24	18%	1530.00	265.81	17%
Net Recoveries of Loans & Advances	4497.51	1485.61	33%	1500.00	2030.17	135%
5. Miscellaneous Capital Receipts	10165.00	43.42	0%	41651.00	36705.54	88%
(i) Disinvestment of Govt.'s Equity Holdings	1165.00	2.00	0%	1651.00	2396.94	145%
(ii) Issue of Bonus Shares		0.00			0.00	
(iii) Other Misc. Receipts	9000.00	41.42	0%	40000.00	34308.60	86%
6. National Small Savings Fund	53.27	7013.24	13165%	1589.65	-13890.06	-874%
(a) Small Savings, Public Provident Funds	30000.00	-4849.72	-16%	57500.00	-7803.37	-14%
(b) Investment in Securities	-28498.45	1698.55	-6%	-57500.00	-7431.34	13%
(c) Income & Expenditure of NSSF	-1448.28	10164.41	-702%	1589.65	1344.65	85%
7. Deposit Scheme for Retiring employees	-190.00	-3.70	2%	-500.00	-254.08	51%
8. State Provident Funds	4800.00	119.62	2%	5000.00	190.89	4%
9. Special Deposits of Non-Govt. Provident Funds, LIC, GIC, etc.	0.00	-480.86		0.00	865.32	
10. Other Capital Receipts	-12463.49	-8823.11	71%	13910.35	-16475.26	-118%
11. Suspense & Remittance		-1878.69			-5550.82	
12. Ways & Means Advances		0.00			0.00	
13. Investment of Surplus Cash		0.00			0.00	
14. Decrease in Cash Balance (Including difference between RBI & A/C)	7224.34	39499.27		0.00	20260.30	
15. Cash held under MSS	-29806.00	-5263.23	18%	-10000.00	-68498.61	685%
TOTAL	**147948.42**	**104183.53**	**70%**	**194098.79**	**119935.74**	**62%**

Annex continued

8. PLAN EXENDITURE

(Rs. in crore)

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
	MINISTRY OF AGRICULTURE	**12865.67**	**6215.27**	**48%**	**8090.00**	**3576.66**	**44%**
1	Department of Agriculture and Cooperation	10105.67	4515.55	45%	5560.00	2605.47	47%
2	Department of Agricultural Research and Education	1760.00	1164.21	66%	1620.00	695.09	43%
3	Department of Animal Husbandry, Dairying and Fisheries	1000.00	535.51	54%	910.00	276.10	30%
	DEPARTMENT OF ATOMIC ENERGY	**3550.00**	**1233.17**	**35%**	**4596.00**	**887.93**	**19%**
4	Atomic Energy	1958.00	820.91	42%	2146.85	627.91	29%
5	Nuclear Power Schemes	1592.00	412.26	26%	2449.15	260.02	11%
	MINISTRY OF CHEMICALS AND FERTILISERS	**495.00**	**186.07**	**38%**	**254.00**	**7.94**	**3%**
6	Department of Chemicals and Petro-Chemicals	295.00	139.06	47%	209.00	6.29	3%
7	Department of Fertilisers	200.00	47.01	24%	45.00	1.65	4%
	MINISTRY OF CIVIL AVIATION	**190.00**	**27.61**	**15%**	**200.00**	**8.23**	**4%**
8	Ministry of Civil Aviation	190.00	27.61	15%	200.00	8.23	4%
	MINISTRY OF COAL	**300.00**	**25.09**	**8%**	**250.00**	**101.72**	**41%**
9	Ministry of Coal	300.00	25.09	8%	250.00	101.72	41%
	MINISTRY OF COMMERCE AND INDUSTRY	**2160.00**	**1005.52**	**47%**	**1975.00**	**730.89**	**37%**
10	Department of Commerce						
	Gross	1570.74	747.80	48%	1528.00	612.43	40%
	Less : Recoveries	10.74	13.43	125%	53.00	8.51	16%
	Net	1560.00	734.37	47%	1475.00	603.92	41%
11	Department of Industrial Policy & Promotion	600.00	271.15	45%	500.00	126.97	25%
	MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY	**2655.00**	**448.72**	**17%**	**2155.00**	**484.51**	**22%**
12	Department of Posts	600.00	30.46	5%	315.00	13.48	4%
13	Department of Telecommunications	375.00	25.28	7%	340.00	37.24	11%
14	Department of Information Technology	1680.00	392.98	23%	1500.00	433.79	29%
	MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION	**304.00**	**48.22**	**16%**	**298.00**	**10.33**	**3%**
15	Department of Consumer Affairs	209.00	28.47	14%	213.00	10.30	5%
16	Department of Food and Public Distibution	95.00	19.75	21%	85.00	0.03	0%
	MINISTRY OF CORPORATE AFFAIRS	**33.00**	**29.00**	**88%**	**47.00**	**0.00**	**0%**
17	Ministry of Corporate Affairs	33.00	29.00	88%	47.00	0.00	0%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
	MINISTRY OF CULTURE	**600.00**	**252.01**	**42%**	**557.00**	**168.16**	**30%**
18	Ministry of Culture	600.00	252.01	42%	557.00	168.16	30%
	MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION	**1455.00**	**400.15**	**28%**	**1380.00**	**495.01**	**36%**
27	Ministry of Development of North Eastern Region	1455.00	400.15	28%	1380.00	495.01	36%
	MINISTRY OF EARTH SCIENCES	**750.00**	**110.23**	**15%**	**690.00**	**30.49**	**4%**
28	Ministry of Earth Sciences	750.00	110.23	15%	690.00	30.49	4%
	MINISTRY OF ENVIRONMENT AND FORESTS	**1500.00**	**751.94**	**50%**	**1351.00**	**555.64**	**41%**
29	Ministry of Environment and Forests	1500.00	751.94	50%	1351.00	555.64	41%
	MINISTRY OF EXTERNAL AFFAIRS	**579.00**	**159.92**	**28%**	**500.00**	**9.05**	**2%**
30	Ministry of External Affairs	579.00	159.92	28%	500.00	9.05	2%
	MINISTRY OF FINANCE	**49189.34**	**21379.67**	**43%**	**37633.89**	**20852.22**	**55%**
31	Department of Economic Affairs						
	Gross	1639.90	774.91	47%	1549.38	362.34	23%
	Less : Recoveries	773.90	386.94	50%	724.69	181.17	25%
	Net	866.00	387.97	45%	824.69	181.17	22%
32	Payments to Financial Institutions	1900.00	0.00		0.00	0.00	
35	Transfers to State and UT Governments	46413.34	20989.70	45%	36808.20	20670.80	56%
38	Department of Expenditure	10.00	2.00	20%	1.00	0.25	25%
	MINISTRY OF FOOD PROCESSING INDUSTRIES	**290.00**	**107.58**	**37%**	**250.00**	**65.74**	**26%**
45	Ministry of Food Processing Industries	290.00	107.58	37%	250.00	65.74	26%
	MINISTRY OF HEALTH AND FAMILY WELFARE	**16534.00**	**6567.35**	**40%**	**14363.00**	**5432.61**	**38%**
46	Department of Health and Family Welfare	15580.00	6156.42	40%	13875.00	5299.20	38%
47	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy (Ayush)	534.00	206.32	39%	488.00	133.41	27%
48	Department of Health Research	420.00	204.61	49%			
	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES	**360.00**	**8.15**	**2%**	**460.00**	**55.18**	**12%**
49	Department of Heavy Industry	350.00	2.40	1%	450.00	55.18	12%
50	Department of Public Enterprises	10.00	5.75	58%	10.00	0.00	0%
	MINISTRY OF HOME AFFAIRS	**2176.39**	**184.41**	**8%**	**1646.76**	**466.58**	**28%**
51	Ministry of Home Affairs	59.50	6.55	11%	36.50	8.28	23%
53	Police	715.25	50.50	7%	370.50	102.14	28%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
54	Other Expenditure of the Ministry of Home Affairs	25.25	0.03	0%	52.00	0.11	0%
55	Transfers to UT Govts.	1376.39	127.33	9%	1187.76	356.05	30%
	MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION	**850.00**	**333.14**	**39%**	**500.00**	**223.69**	**45%**
56	Ministry of Housing and Urban Poverty Alleviation	850.00	333.14	39%	500.00	223.69	45%
	MINISTRY OF HUMAN RESOURCE DEVELOPMENT	**34393.50**	**10473.76**	**30%**	**28671.50**	**8221.28**	**29%**
57	Department of School Education and Literacy						
	Gross	39617.00	8255.90	21%	32584.00	6874.57	21%
	Less : Recoveries	12817.00	0.00	0%	10393.00	0.00	0%
	Net	26800.00	8255.90	31%	22191.00	6874.57	31%
58	Department of Higher Education	7593.50	2217.86	29%	6480.50	1346.71	21%
	MINISTRY OF INFORMATION AND BROADCASTING	**700.00**	**243.36**	**35%**	**475.00**	**137.96**	**29%**
59	Ministry of Information and Broadcasting	700.00	243.36	35%	475.00	137.96	29%
	MINISTRY OF LABOUR AND EMPLOYMENT	**771.50**	**170.06**	**22%**	**325.48**	**106.29**	**33%**
60	Ministry of Labour and Employment	771.50	170.06	22%	325.48	106.29	33%
	MINISTRY OF LAW AND JUSTICE	**260.00**	**40.27**	**15%**	**245.00**	**0.07**	**0%**
62	Law and Justice	260.00	40.27	15%	245.00	0.07	0%
	MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISE	**1794.00**	**806.76**	**45%**	**1642.00**	**304.08**	**19%**
64	Ministry of Micro, Small and Medium Enterprises	1794.00	806.76	45%	1642.00	304.08	19%
	MINISTRY OF MINES	**194.00**	**69.20**	**36%**	**154.00**	**37.33**	**24%**
65	Ministry of Mines	194.00	69.20	36%	154.00	37.33	24%
	MINISTRY OF MINORITY AFFAIRS	**1000.00**	**61.46**	**6%**	**500.00**	**27.89**	**6%**
66	Ministry of Minority Affairs	1000.00	61.46	6%	500.00	27.89	6%
	MINISTRY OF NEW AND RENEWABLE ENERGY	**617.00**	**184.41**	**30%**	**626.00**	**101.56**	**16%**
67	Ministry of New and Renewable Energy	617.00	184.41	30%	626.00	101.56	16%
	MINISTRY OF PANCHAYATI RAJ	**4780.00**	**933.83**	**20%**	**4770.00**	**574.34**	**12%**
69	Ministry of Panchayati Raj	4780.00	933.83	20%	4770.00	574.34	12%
	MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS	**138.00**	**30.05**	**22%**	**90.00**	**24.71**	**27%**
71	Ministry of Personnel, Public Grievances and Pensions	138.00	30.05	22%	90.00	24.71	27%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
	MINISTRY OF PETROLEUM AND NATURAL GAS	**25.00**	**0.00**	**0%**	**0.00**	**0.00**	
72	Ministry of Petroleum and Natural Gas	25.00	0.00	0%	0.00	0.00	
	MINISTRY OF PLANNING	**602.00**	**7.03**	**1%**	**90.00**	**9.91**	**11%**
73	Ministry of Planning	602.00	7.03	1%	90.00	9.91	11%
	MINISTRY OF POWER	**6000.00**	**1675.47**	**28%**	**5483.00**	**595.74**	**11%**
74	Ministry of Power	6000.00	1675.47	28%	5483.00	595.74	11%
	MINISTRY OF RURAL DEVELOPMENT	**42400.00**	**29579.38**	**70%**	**36560.00**	**19099.11**	**52%**
80	Department of Rural Development						
	Gross	51546.25	24576.69	48%	43325.00	15833.79	37%
	Less : (i) Recoveries	20046.25	0.00	0%	15825.00	0.00	0%
	(ii) Receipts					0.00	
	Net	31500.00	24576.69	78%	27500.00	15833.79	58%
81	Department of Land Resources	2400.00	544.38	23%	1500.00	365.81	24%
82	Department of Drinking Water Supply	8500.00	4458.31	52%	7560.00	2899.51	38%
	MINISTRY OF SCIENCE AND TECHNOLOGY	**3630.00**	**1811.51**	**50%**	**3271.00**	**1477.69**	**45%**
83	Department of Science and Technology						
	Gross	1530.00	761.38	50%	1526.00	605.98	40%
	Less : Recoveries	0.00	0.00		0.00	0.00	
	Net	1530.00	761.38	50%	1526.00	605.98	40%
84	Department of Scientific and Industrial Research	1200.00	581.76	48%	1070.00	519.93	49%
85	Department of Bio-Technology	900.00	468.37	52%	675.00	351.78	52%
	MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS	**15711.89**	**7296.78**	**46%**	**14819.50**	**8040.91**	**54%**
86	Department of Shipping	590.25	125.32	21%	753.50	71.19	9%
87	Department of Road Transport and Highways						
	Gross	24041.49	11047.59	46%	22436.99	8097.15	36%
	Less : Recoveries (Central Road Fund & Bridge Fee Fund)	8919.85	3876.13	43%	8370.99	127.43	2%
	Net	15121.64	7171.46	47%	14066.00	7969.72	57%
	MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT	**2400.00**	**1255.62**	**52%**	**2001.00**	**971.57**	**49%**
88	Ministry of Social Justice & Empowerment	2400.00	1255.62	52%	2001.00	971.57	49%
	DEPARTMENT OF SPACE	**3600.00**	**887.32**	**25%**	**3420.00**	**1885.84**	**55%**
89	Department of Space						
	Gross	3600.05	887.32	25%	3420.18	1885.84	55%
	Less : Recoveries	0.05	0.00	0%	0.18	0.00	0%
	Net	3600.00	887.32	25%	3420.00	1885.84	55%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
	MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION	**1709.00**	**776.04**	**45%**	**1672.00**	**721.43**	**43%**
90	Ministry of Statistics and Programme Implementation	1709.00	776.04	45%	1672.00	721.43	43%
	MINISTRY OF STEEL	**34.00**	**0.00**	**0%**	**66.00**	**63.00**	**95%**
91	Ministry of Steel	34.00	0.00	0%	66.00	63.00	95%
	MINISTRY OF TEXTILES	**2500.00**	**1535.46**	**61%**	**2243.00**	**811.14**	**36%**
92	Ministry of Textiles						
	Gross	2500.00	1535.46	61%	2243.00	811.14	36%
	Less : Recoveries	0.00	0.00		0.00	0.00	
	Net	2500.00	1535.46	61%	2243.00	811.14	36%
	MINISTRY OF TOURISM	**1000.00**	**441.70**	**44%**	**953.00**	**399.86**	**42%**
93	Ministry of Tourism	1000.00	441.70	44%	953.00	399.86	42%
	MINISTRY OF TRIBAL AFFAIRS	**2121.00**	**900.91**	**42%**	**1719.71**	**762.71**	44%
94	Ministry of Tribal Affairs	2121.00	900.91	42%	1719.71	762.71	44%
	U.T.s WITHOUT LEGISLATURE	**1824.46**	**773.34**	**42%**	**1791.33**	**646.07**	36%
95	Andaman & Nicobar Islands	1087.85	547.72	50%	1152.93	410.27	36%
96	Chandigarh	304.65	132.22	43%	267.63	145.87	55%
97	Dadra & Nagar Haveli	86.03	45.36	53%	77.78	48.48	62%
98	Daman & Diu	82.25	35.77	43%	70.88	41.45	58%
99	Lakshadweep	263.68	12.27	5%	222.11	0.00	0%
	MINISTRY OF URBAN DEVELOPMENT	**2553.75**	**2006.07**	**79%**	**2335.52**	**1287.34**	**55%**
100	Department of Urban Development	2416.65	1973.57	82%	2131.00	1263.87	59%
101	Public Works	137.10	32.50	24%	204.52	23.47	11%
	MINISTRY OF WATER RESOURCES	**600.00**	**169.25**	**28%**	**600.00**	**215.55**	**36%**
103	Ministry of Water Resources						
	Gross	612.00	174.69	29%	612.00	220.96	36%
	Less : Recoveries	12.00	5.44	45%	12.00	5.41	45%
	Net	600.00	169.25	28%	600.00	215.55	36%
	MINISTRY OF WOMEN AND CHILD DEVELOPMENT	**7200.00**	**2927.08**	**41%**	**5793.00**	**2314.13**	**40%**
104	Ministry of Women and Child Development	7200.00	2927.08	41%	5793.00	2314.13	40%
	MINISTRY OF YOUTH AFFAIRS & SPORTS	**890.00**	**372.93**	**42%**	**700.00**	**314.75**	**45%**
105	Ministry of Youth Affairs and Sports	890.00	372.93	42%	700.00	314.75	45%
	RAILWAYS	**7100.00**	**3550.00**	**50%**	**6886.31**	**3443.16**	**50%**
	Ministry of Railways						
	Gross		4186.63			4267.15	
	Less : Exp.met from Receipts		15.71			16.83	
	Exp. Met from Reserve Funds		620.92			807.16	
	Net	7100.00	3550.00	50%	6886.31	3443.16	50%
	GRAND TOTAL	**243385.50**	**108452.27**	**45%**	**205100.00**	**86758.00**	**42%**

Annex continued

9. NON-PLAN EXPENDITURE

(Rs. in crore)

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
	MINISTRY OF AGRICULTURE	**1611.21**	**1149.69**	**71%**	**1272.21**	**1310.17**	**1*03%**
1	Department of Agriculture and Cooperation	628.78	367.57	58%	387.21	617.04	159%
2	Department of Agricultural Research and Education	920.00	734.78	80%	840.00	635.37	76%
3	Department of Animal Husbandry, Dairying and Fisheries						
	Gross	373.97	170.31	46%	252.00	149.52	59%
	Less: Receipts	311.54	122.97	39%	207.00	91.76	44%
	Net	62.43	47.34	76%	45.00	57.76	128%
	DEPARTMENT OF ATOMIC ENERGY	**1247.00**	**979.45**	**79%**	**1534.00**	**1056.62**	**69%**
4	Atomic Energy						
	Gross	2966.50	1528.72	52%	2468.71	1333.04	54%
	Less : Receipts	922.75	227.10	25%	687.36	299.12	44%
	Recoveries	93.75	51.03	54%	131.35	18.88	14%
	Net	1950.00	1250.59	64%	1650.00	1015.04	62%
5	Nuclear Power Schemes						
	Gross	1421.28	252.44	18%	1345.20	324.21	24%
	Less : Receipts	2124.28	523.58	25%	1461.20	282.63	19%
	Net	-703.00	-271.14	39%	-116.00	41.58	-36%
	MINISTRY OF CHEMICALS AND FERTILISERS	**31052.00**	**28617.44**	**92%**	**22535.00**	**19318.78**	**86%**
6	Department of Chemicals and Petro-Chemicals	52.00	21.10	41%	48.00	21.82	45%
7	Department of Fertilisers						
	Gross	34181.55	31011.50	91%	24555.25	21431.06	87%
	Less : Receipts		0.00				
	Recoveries	3181.55	2415.16	76%	2068.25	2134.10	103%
	Net	31000.00	28596.34	92%	22487.00	19296.96	86%
	MINISTRY OF CIVIL AVIATION	**458.00**	**352.80**	**77%**	**417.56**	**21.12**	**5%**
8	Ministry of Civil Aviation						
	Gross	458.04	352.80	77%	417.60	21.12	5%
	Less : Recoveries	0.04	0.00	0%	0.04	0.00	0%
	Net	458.00	352.80	77%	417.56	21.12	5%
	MINISTRY OF COAL	**45.50**	**2.04**	**4%**	**38.00**	**12.62**	**33%**
9	Ministry of Coal						
	Gross	75.50	24.99	33%	68.00	21.70	32%
	Less : Recoveries	30.00	22.95	77%	30.00	9.08	30%
	Net	45.50	2.04	4%	38.00	12.62	33%
	MINISTRY OF COMMERCE AND INDUSTRY	**2083.43**	**1232.71**	**59%**	**1179.44**	**868.03**	**74%**
10	Department of Commerce						
	Gross	1964.50	1187.49	60%	1067.20	821.86	77%
	Less : Recoveries	4.50	13.27	295%	1.20	0.58	48%
	Net	1960.00	1174.22	60%	1066.00	821.28	77%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
11	Department of Industrial Policy and Promotion						
	Gross	123.45	59.51	48%	113.46	46.75	41%
	Less : Recoveries	0.02	1.02		0.02	0.00	
	Net	123.43	58.49	47%	113.44	46.75	41%
	MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY	**4763.35**	**3668.08**	**77%**	**4935.38**	**3911.77**	**79%**
12	Department of Posts						
	Gross	7389.01	3726.41	50%	7154.61	3252.48	45%
	Less : Receipts	6159.31	1530.17	25%	5539.73	1438.54	26%
	Recoveries	267.35	0.00	0%	215.50	0.00	0%
	Net	962.35	2196.24	228%	1399.38	1813.94	130%
13	Department of Telecommunications						
	Gross	5765.00	1454.71	25%	5300.00	2078.93	39%
	Less : Recoveries	2000.00	0.00	0%	1800.00	0.00	0%
	Net	3765.00	1454.71	39%	3500.00	2078.93	59%
14	Department of Information Technology	36.00	17.13	48%	36.00	18.90	53%
	MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION	**33038.95**	**24020.70**	**73%**	**26036.64**	**14774.20**	**57%**
15	Department of Consumer Affairs						
	Gross	55.03	19.12	35%	57.24	18.59	32%
	Less :Recoveries	16.08	0.00	0%	20.60	0.00	0%
	Net	38.95	19.12	49%	36.64	18.59	51%
16	Department of Food & Public Distribution						
	Gross	34016.00	24001.58	71%	26406.20	14756.28	56%
	Less :Recoveries	1016.00	0.00	0%	406.20	0.67	0%
	Net	33000.00	24001.58	73%	26000.00	14755.61	57%
	MINISTRY OF CORPORATE AFFAIRS	**170.00**	**46.77**	**28%**	**154.00**	**26.90**	**17%**
17	Ministry of Corporate Affairs	170.00	46.77	28%	154.00	26.90	17%
	MINISTRY OF CULTURE	**425.00**	**226.41**	**53%**	**375.61**	**192.81**	**51%**
18	Ministry of Culture	425.00	226.41	53%	375.61	192.81	51%
	MINISTRY OF DEFENCE	**123534.82**	**45035.27**	**36%**	**112695.83**	**38834.42**	**34%**
19	Ministry of Defence						
	Gross	8763.89	3346.84	38%	7646.83	2681.15	35%
	Less : Receipts	6393.07	2128.54	33%	5600.00	1809.01	32%
	Net	2370.82	1218.30	51%	2046.83	872.14	43%
20	Defence Pensions	15564.00	8033.49	52%	14649.00	6450.76	44%
	DEFENCE SERVICES	**105600.00**	**35783.48**	**34%**	**96000.00**	**31511.52**	**33%**
21	Defence Services-Army						
	Gross	37678.25	16541.66	44%	35194.26	15903.98	45%
	Less : Receipts	1376.50	765.83	56%	1086.00	573.18	53%
	Recoveries	31.00	0.00	0%	21.50	0.00	0%
	Net	36270.75	15775.83	43%	34086.76	15330.80	45%
22	Defence Services-Navy						
	Gross	7503.05	2695.14	36%	7050.11	3309.72	47%
	Less : Receipts	81.86	43.12	53%	81.86	50.60	62%
	Net	7421.19	2652.02	36%	6968.25	3259.12	47%
23	Defence Services-Air Force						
	Gross	11288.86	5672.28	50%	10430.36	4524.94	43%
	Less : Receipts	433.30	294.81	68%	237.35	154.42	65%
	Net	10855.56	5377.47	50%	10193.01	4370.52	43%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
24	Defence Ordnance Factories						
	Gross	1109.99	2430.50	219%	1192.52	1966.56	165%
	Less : Receipts	1158.08	382.25	33%	1249.01	412.68	33%
	Recoveries	300.00	0.00	0%	300.00	0.00	0%
	Net	-348.09	2048.25	-588%	-356.49	1553.88	-436%
25	Defence Services - Research and Development						
	Gross	3413.59	1557.24	46%	3202.47	1309.54	41%
	Less : Receipts	20.00	14.23	71%	16.00	6.73	42%
	Net	3393.59	1543.01	45%	3186.47	1302.81	41%
26	Capital Outlay on Defence Services	48007.00	8386.90	17%	41922.00	5694.39	14%
	MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION	**16.00**	**9.57**	**60%**	**13.07**	**5.02**	**38%**
27	Ministry of Development of North Eastern Region	16.00	9.57	60%	13.07	5.02	38%
	MINISTRY OF EARTH SCIENCES	**221.00**	**100.70**	**46%**	**197.00**	**86.96**	**44%**
28	Ministry of Earth Sciences						
	Gross	223.00	100.70	45%	198.00	86.96	44%
	Less :Recoveries	2.00	0.00	0%	1.00	0.00	
	Net	221.00	100.70	46%	197.00	86.96	44%
	MINISTRY OF ENVIRONMENT AND FORESTS	**207.00**	**118.94**	**57%**	**188.00**	**127.03**	**68%**
29	Ministry of Environment and Forests	207.00	118.94	57%	188.00	127.03	68%
	MINISTRY OF EXTERNAL AFFAIRS	**4483.00**	**1933.47**	**43%**	**3933.60**	**1576.70**	**40%**
30	Ministry of External Affairs	4483.00	1933.47	43%	3933.60	1576.70	40%
	MINISTRY OF FINANCE	**256585.32**	**109713.01**	**43%**	**256421.89**	**130254.31**	**51%**
31	Department of Economic Affairs						
	Gross	3084.06	1145.54	37%	2392.05	745.44	31%
	Less :Recoveries	500.00	0.00				
	Net	2584.06	1145.54	44%	2392.05	745.44	31%
32	Payments to Financial Institutions						
	Gross	8172.87	2570.31	31%	46077.57	35786.26	78%
	Less : Receipts	0.00	0.00		539.57	0.00	0%
	Recoveries		0.00				
	Net	8172.87	2570.31	31%	45538.00	35786.26	79%
33	Department of Financial Services	60.00	27.95	47%			
34	Interest Payments						
	Gross	207465.02	88078.79	42%	163994.93	73728.00	45%
	Less : Receipts	16657.55	2017.93	12%	5000.00	907.54	18%
	Net	190807.47	86060.86	45%	158994.93	72820.46	46%
35	Transfers to State and UT Governments						
	Gross	44929.92	15603.75	35%	35140.00	15830.72	45%
	Less : Receipts	8385.00	1133.24	14%	2900.00	1140.09	39%
	Recoveries	1800.00	1321.31	73%	1800.00	250.23	14%
	Net	34744.92	13149.20	38%	30440.00	14440.40	47%
36	Loans to Govt. Servants etc.						
	Gross	360.00	106.95	30%	360.00	98.93	27%
	Less : Receipts	495.00	263.24	53%	530.00	265.81	50%
	Net	-135.00	-156.29	116%	-170.00	-166.88	98%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
37	Repayment of Debt						
	Gross (Excluding MSS)	1519574.44	847134.97	56%	1480510.92	764492.86	52%
	Less : Receipts	1519574.44	847134.97	56%	1480510.92	764492.86	52%
	Net	0.00	0.00		0.00	0.00	
38	Department of Expenditure	37.86	19.78	52%	143.00	17.29	12%
39	Pensions	7966.14	3459.91	43%	7333.50	3539.44	48%
40	Indian Audit and Accounts Department						
	Gross	1283.50	684.95	53%	1260.58	670.45	53%
	Less :Recoveries	76.50	56.70	74%	102.58	51.46	50%
	Net	1207.00	628.25	52%	1158.00	618.99	53%
41	Department of Revenue						
	Gross	6197.82	887.03	14%	5875.86	1054.96	18%
	Less : Receipts	300.52	123.67	41%	258.00	107.05	41%
	Recoveries	36.30	0.00	0%	40.45	0.00	0%
	Net	5861.00	763.36	13%	5577.41	947.91	17%
42	Direct Taxes						
	Gross	1975.00	891.93	45%	1532.00	715.28	47%
	Less :Recoveries	2.00	7.69		2.00	19.20	
	Net	1973.00	884.24	45%	1530.00	696.08	45%
43	Indirect Taxes						
	Gross	2121.00	990.86	47%	1831.00	807.97	44%
	Less : Recoveries	1.00	0.05	5%	1.00	0.01	1%
	Net	2120.00	990.81	47%	1830.00	807.96	44%
44	Department of Disinvestment						
	Gross	2351.00	169.09	7%	3306.00	0.96	0%
	Less : Recoveries	1165.00	0.00	0%	1651.00	0.00	
	Net	1186.00	169.09	14%	1655.00	0.96	0%
	MINISTRY OF FOOD PROCESSING INDUSTRIES	**9.00**	**4.86**	**54%**	**8.30**	**3.98**	**48%**
45	Ministry of Food Processing Industries	9.00	4.86	54%	8.30	3.98	48%
	MINISTRY OF HEALTH AND FAMILY WELFARE	**1589.00**	**958.36**	**60%**	**1491.88**	**786.48**	**53%**
46	Department of Health and Family Welfare						
	Gross	3306.71	1095.47	33%	3121.22	1346.64	43%
	Less :Recoveries	1918.46	273.22	14%	1705.22	606.78	36%
	Net	1388.25	822.25	59%	1416.00	739.86	52%
47	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy (Ayush)	89.00	53.61	60%	75.88	46.62	61%
48	Department of Health Research	111.75	82.50	74%			
	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES	**461.70**	**153.71**	**33%**	**460.73**	**86.49**	**19%**
49	Department of Heavy Industry						
	Gross	457.20	151.24	33%	464.08	84.26	18%
	Less :Receipts	0.00	0.00		7.78	0.00	0%
	Net	457.20	151.24	33%	456.30	84.26	18%
50	Department of Public Enterprises	4.50	2.47	55%	4.43	2.23	50%
	MINISTRY OF HOME AFFAIRS	**23746.79**	**11305.63**	**48%**	**20975.73**	**9176.02**	**44%**
51	Ministry of Home Affairs	900.00	417.67	46%	800.00	399.56	50%
52	Cabinet	382.79	88.60	23%	238.73	103.93	44%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
53	Police						
	Gross	21160.00	10337.15	49%	18645.00	8062.29	43%
	Less : Recoveries	160.00	83.38	52%	130.00	73.53	57%
	Net	21000.00	10253.77	49%	18515.00	7988.76	43%
54	Other Expenditure of the Ministry of Home Affairs	1000.00	301.11	30%	983.00	464.29	47%
55	Transfers to UT Govts.	464.00	244.48	53%	439.00	219.48	50%
	MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION	**6.50**	**2.46**	**38%**	**9.75**	**1.69**	**17%**
56	Ministry of Housing and Urban Poverty Alleviation	6.50	2.46	38%	9.75	1.69	17%
	MINSTRY OF HUMAN RESOURCE DEVELOPMENT	**4309.37**	**2141.44**	**50%**	**3680.22**	**1968.48**	**53%**
57	Department of School Education and Literacy	1050.00	597.82	57%	951.22	637.81	67%
58	Department of Higher Education	3259.37	1543.62	47%	2729.00	1330.67	49%
	MINISTRY OF INFORMATION AND BROADCASTING	**1210.00**	**587.31**	**49%**	**1206.84**	**530.69**	**44%**
59	Ministry of Information and Broadcasting						
	Gross	1210.07	587.35	49%	1206.91	530.72	44%
	Less : Recoveries	0.07	0.04	57%	0.07	0.03	43%
	Net	1210.00	587.31	49%	1206.84	530.69	44%
	MINISTRY OF LABOUR AND EMPLOYMENT	**1458.00**	**1285.33**	**88%**	**1308.00**	**1140.15**	**87%**
60	Ministry of Labour and employment						
	Gross	1726.53	1285.35	74%	1571.79	1150.67	73%
	Less : Recoveries	268.53	0.02	0%	263.79	10.52	4%
	Net	1458.00	1285.33	88%	1308.00	1140.15	87%
	MINISTRY OF LAW AND JUSTICE	**499.94**	**310.75**	**62%**	**639.76**	**290.11**	**45%**
61	Election Commission	15.50	7.77	50%	14.50	6.74	46%
62	Law and Justice	425.87	271.53	64%	572.00	254.90	45%
63	Supreme Court of India	58.57	31.45	54%	53.26	28.47	53%
	MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES	**145.42**	**63.83**	**44%**	**143.04**	**59.30**	**41%**
64	Ministry of Micro, Small and Medium Enterprises	145.42	63.83	44%	143.04	59.30	41%
	MINISTRY OF MINES	**245.00**	**156.82**	**64%**	**235.70**	**143.76**	**61%**
65	Ministry of Mines	245.00	156.82	64%	235.70	143.76	61%
	MINISTRY OF MINORITY AFFAIRS	**13.83**	**3.98**	**29%**	**12.83**	**4.21**	**33%**
66	Ministry of Minority Affairs	13.83	3.98	29%	12.83	4.21	33%
	MINISTRY OF NEW AND RENEWABLE ENERGY	**7.09**	**3.97**	**56%**	**6.90**	**3.46**	**50%**
67	Ministry of New and Renewable Energy	7.09	3.97	56%	6.90	3.46	50%
	MINISTRY OF OVERSEAS INDIANS AFFAIRS	**65.00**	**10.81**	**17%**	**50.00**	**6.92**	**14%**
68	Ministry of Overseas Indians Affairs	65.00	10.81	17%	50.00	6.92	14%
	MINISTRY OF PANCHAYATI RAJ	**0.50**	**0.24**	**48%**	**0.50**	**0.13**	**26%**
69	Ministry of Panchayati Raj	0.50	0.24	48%	0.50	0.13	26%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
	MINISTRY OF PARLIAMENTARY AFFAIRS	**6.00**	**2.39**	**40%**	**6.10**	**2.45**	**40%**
70	Ministry of Parliamentary Affairs	6.00	2.39	40%	6.10	2.45	40%
	MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS	**305.00**	**143.13**	**47%**	**276.00**	**128.23**	**46%**
71	Ministry of Personnel, Public Grievances and Pensions	305.00	143.13	47%	276.00	128.23	46%
	MINISTRY OF PETROLEUM AND NATURAL GAS	**2913.00**	**1097.10**	**38%**	**2867.81**	**134.21**	**5%**
72	Ministry of Petroleum and Natural Gas						
	Gross	2913.00	1097.10	38%	2867.81	134.21	5%
	Less : Receipts					0.00	
	Net	2913.00	1097.10	38%	2867.81	134.21	5%
	MINISTRY OF PLANNING	**42.00**	**23.39**	**56%**	**39.32**	**21.04**	**54%**
73	Ministry of Planning	42.00	23.39	56%	39.32	21.04	54%
	MINISTRY OF POWER	**75.00**	**38.88**	**52%**	**69.19**	**35.12**	**51%**
74	Ministry of Power						
	Gross	395.76	39.56	10%	411.19	35.12	9%
	Less : Receipts	320.76	0.68	0%	342.00	0.00	0%
	Net	75.00	38.88	52%	69.19	35.12	51%
	THE PRESIDENT, PARLIAMENT, UNION PUBLIC SERVICE COMMISSION AND THE SECRETARIAT OF THE VICE-PRESIDENT	**538.00**	**229.03**	**43%**	**475.37**	**197.23**	**41%**
75	Staff, Household and Allowances of the President	20.00	8.42	42%	17.64	8.02	45%
76	Lok Sabha	323.93	125.04	39%	271.57	108.20	40%
77	Rajya Sabha	114.57	53.08	46%	109.51	43.80	40%
78	Union Public Service Commission	77.81	41.67	54%	75.12	36.51	49%
79	Secretariat of the Vice-President	1.69	0.82	49%	1.53	0.70	46%
	MINISTRY OF RURAL DEVELOPMENT	**29.86**	**16.65**	**56%**	**28.38**	**16.10**	**57%**
80	Department of Rural Development	24.06	13.01	54%	22.86	13.13	57%
81	Department of Land Resources	3.90	2.38	61%	3.78	2.17	57%
82	Department of Drinking Water Supply	1.90	1.26	66%	1.74	0.80	46%
	MINISTRY OF SCIENCE AND TECHNOLOGY	**1147.00**	**600.84**	**52%**	**1100.70**	**550.28**	**50%**
83	Department of Science and Technology						
	Gross	260.40	148.16	57%	261.30	125.46	48%
	Less : Recoveries	10.40	1.13	11%	12.30	1.77	14%
	Net	250.00	147.03	59%	249.00	123.69	50%
84	Department of Scientific and Industrial Research	878.00	438.86	50%	832.00	415.19	50%
85	Department of Biotechnology	19.00	14.95	79%	19.70	11.40	58%
	MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS	**2838.00**	**813.65**	**29%**	**2927.70**	**600.83**	**21%**
86	Department of Shipping						
	Gross	877.50	95.44	11%	947.50	114.76	12%
	Less : Receipts	115.00	74.46	65%	110.00	67.51	61%
	Recoveries	52.50	6.30	12%	37.50	6.29	17%
	Net	710.00	14.68	2%	800.00	40.96	5%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
87	Department of Road Transport and Highways						
	Gross	2269.00	847.33	37%	2248.89	587.17	26%
	Less : Recoveries	141.00	48.36	34%	121.19	27.30	23%
	Net	2128.00	798.97	38%	2127.70	559.87	26%
	MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT	**59.00**	**25.66**	**43%**	**58.15**	**22.55**	**39%**
88	Ministry of Social Justice & Empowerment	59.00	25.66	43%	58.15	22.55	39%
	DEPARTMENT OF SPACE	**474.00**	**412.29**	**87%**	**438.60**	**432.73**	**99%**
89	Department of Space						
	Gross	474.02	412.29	87%	438.62	432.73	99%
	Less : Recoveries	0.02	0.00	0%	0.02	0.00	0%
	Net	474.00	412.29	87%	438.60	432.73	99%
	MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION	**190.00**	**103.28**	**54%**	**181.54**	**93.60**	**52%**
90	Ministry of Statistics and Programme Implementation	190.00	103.28	54%	181.54	93.60	52%
	MINISTRY OF STEEL	**77.23**	**34.18**	**44%**	**84.50**	**33.70**	40%
91	Ministry of Steel						
	Gross	85.52	34.18	40%	84.50	33.70	40%
	Less : Recoveries	8.29	0.00	0%			
	Net	77.23	34.18	44%	84.50	33.70	40%
	MINISTRY OF TEXTILES	**823.51**	**187.57**	**23%**	**893.68**	**325.75**	**36%**
92	Ministry of Textiles	823.51	187.57	23%	893.68	325.75	36%
	MINISTRY OF TOURISM	**47.00**	**19.03**	**40%**	**43.62**	**15.62**	**36%**
93	Ministry of Tourism	47.00	19.03	40%	43.62	15.62	36%
	MINISTRY OF TRIBAL AFFAIRS	**12.55**	**5.45**	**43%**	**12.33**	**4.69**	**38%**
94	Ministry of Tribal Affairs	12.55	5.45	43%	12.33	4.69	38%
	U.Ts WITHOUT LEGISLATURE	**2073.35**	**1605.38**	**77%**	**1869.35**	**991.75**	**53%**
95	Andaman & Nicobar Islands						
	Gross	897.00	496.49	55%	791.00	426.01	54%
	Less : Recoveries	97.00	33.55	35%	91.00	50.29	55%
	Net	800.00	462.94	58%	700.00	375.72	54%
96	Chandigarh						
	Gross	1243.00	729.40	59%	1150.00	663.05	58%
	Less : Recoveries	353.00	124.54	35%	315.00	110.06	35%
	Net	890.00	604.86	68%	835.00	552.99	66%
97	Dadra & Nagar Haveli						
	Gross	1024.95	717.09	70%	879.48	425.21	48%
	Less : Recoveries	959.95	440.52	46%	826.48	395.34	48%
	Net	65.00	276.57	425%	53.00	29.87	56%
98	Daman & Diu						
	Gross	458.60	349.41	76%	333.60	245.55	74%
	Less : Recoveries	392.60	188.04	48%	274.60	214.20	78%
	Net	66.00	161.37	245%	59.00	31.35	53%
99	Lakshadweep						
	Gross	302.08	100.07	33%	265.35	1.82	1%
	Less : Recoveries	49.73	0.43	1%	43.00	0.00	0%
	Net	252.35	99.64	39%	222.35	1.82	1%

Annex continued

Grant No	Ministry/Department	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2008	2007-2008 %
	MINISTRY OF URBAN DEVELOPMENT	**1575.00**	**709.59**	**45%**	**1479.00**	**647.21**	**44%**
100	Department of Urban Development						
	Gross	590.04	245.34	42%	589.04	235.89	40%
	Less : Recoveries	0.04	0.00	0%	0.04	0.00	0%
	Net	590.00	245.34	42%	589.00	235.89	40%
101	Public Works						
	Gross	1014.20	454.29	45%	949.22	439.04	46%
	Less : Recoveries	79.20	7.52	9%	109.22	15.62	14%
	Net	935.00	446.77	48%	840.00	423.42	50%
102	Stationery and Printing						
	Gross	221.25	83.57	38%	177.14	72.54	41%
	Less : Recoveries	171.25	66.09	39%	127.14	84.64	67%
	Net	50.00	17.48	35%	50.00	-12.10	-24%
	MINISTRY OF WATER RESOURCES	**280.00**	**155.91**	**56%**	**271.76**	**141.98**	**52%**
103	Ministry of Water Resources						
	Gross	294.33	158.26	54%	286.16	144.94	51%
	Less : Recoveries	14.33	2.35	16%	14.40	2.96	21%
	Net	280.00	155.91	56%	271.76	141.98	52%
	MINISTRY OF WOMEN AND CHILD DEVELOPMENT	**62.00**	**26.07**	**42%**	**60.00**	**21.86**	**36%**
104	Department of Women and Child Development	62.00	26.07	42%	60.00	21.86	36%
	MINISTRY OF YOUTH AFFAIRS & SPORTS	**221.81**	**85.45**	**39%**	**80.00**	**36.55**	**46%**
105	Ministry of Youth Affairs and Sports	221.81	85.45	39%	80.00	36.55	46%
	MINISTRY OF RAILWAYS						
	Ministry of Railways						
	Gross	83697.00	34107.36	41%	73442.46	28981.18	39%
	Less : Receipts	83697.00	34107.36	41%	73442.46	28981.18	39%
	: Reserve fund	0.00	0.00		0.00	0.00	
	Net	0.00	0.00		0.00	0.00	
	Exp. From Contingency Fund		97.27			101.05	
	GRAND TOTAL	**507498.03**	**240628.74**	**47%**	**475420.51**	**231133.86**	**49%**

Annex continued

10. RESOURCES TRANSFERRED TO STATES & UT GOVERNMENTS

(Rs. in crore)

	Description	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %	2007-2008 BE	2007-2008 Actuals Upto 09/2007	2007-2008 %
1	**States' share of Taxes & Duties**	**178765**	**76761**	**43%**	**142450**	**61851**	**43%**
2	**Non-plan Grants & Loans**	**43383**	**15525**	**36%**	**38498**	**16257**	**42%**
	Grants	43294	15489	36%	38403	16220	42%
	Loans	89	36	40%	95	37	39%
	Ways and Means Advances (Net)		0			0	
3	**Central Assistance for State & UT Plans**	**59858**	**23858**	**40%**	**46609**	**22744**	**49%**
	Grants	55990	20680	37%	43322	19127	44%
	Loans	3868	3178	82%	3287	3617	110%
4	**Assistance for Central & Centrally sponsored Schemes**	**25620**	**12830**	**50%**	**21880**	**10698**	**49%**
	Grants	25462	12830	50%	21705	10596	49%
	Loans	158	0	0%	175	102	58%
5	**Total Grants & Loans (2+3+4)**	**128861**	**52213**	**41%**	**106987**	**49699**	**46%**
	Grants	124746	48999	39%	103430	45943	44%
	Loans	4115	3214	78%	3557	3756	106%
6	***Less*:*Recovery of Loans & Advances***	**2666**	**1007**	**38%**	**593**	**1328**	**224%**
7	**Net Resources transferred to State & UT Governments (1+5-6)**	**304960**	**127967**	**42%**	**248844**	**110222**	**44%**
	(i) Of Which State Govts.	302422	127425	42%	246529	109523	44%
	(ii) Of Which UT. Govts.	2538	542	21%	2315	699	30%