Mid-Year Review
2009-2010

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 2009-2010

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

A. Growth and macroeconomic developments

1.1 The remarkable turnaround of the Indian economy has been widely commented upon in India and internationally. The macro economic situation, as gleaned from the data of the first and second quarters of the current fiscal does confirm signs of a turnaround for the economy. The levels of growth in real GDP in the first and second quarter of the current fiscal, the rise in the Index of Industrial Production (IIP) in July to September 2009, the pickup in net capital inflows in the first quarter, the lower levels of decline in trade indicators and improved financial market conditions attest to the above. While there are some concerns and downside risks to the outlook, the above developments unmistakably point to a broad-based recovery.

1.2 The adverse impact of the global financial crisis and the subsequent recessionary trend in the major economies of the world had cast a cloud of uncertainty over the domestic economy in the second half (H2) of 2008-09. Thus, the current fiscal began with none too bright outlook for a quick recovery necessitating continuance of the accommodative policy stances. A further cut in repo and reverse repo rates in April 2009 by the RBI and the continuance of fiscal expansion in Budget Estimate 2009-10 (BE) were the key policy responses in the current fiscal, which formed a part of the package of measures announced sequentially since the second half of 2008-09. While the first quarter GDP (released on August 31, 2009) had hinted at a recovery, with growth in real GDP being placed at 6.1 per cent (up from a level of 5.8 per cent each in Q3 and Q4 of 2008-09), it was too small to raise the outlook for the year and a sustainable recovery and restoration of growth momentum for the medium term. With growth in real GDP at 7.9 per cent in Q2 and its broad based nature, the clouds of uncertainty have lifted.

1.3 The GDP at factor cost at constant (1999-2000) prices for the second quarter was placed at 7.9 per cent - a little higher than the level of 7.7 per cent recorded in Q2 2008-09 (Table 1.1). Together with growth in the first quarter at 6.1 per cent of GDP, real GDP growth in the first half (H1) of 2009-10 is placed at 7.0 per cent, which is somewhat close to the level of 7.8 per cent achieved in 2008-09 (H1).

Table 1.1

Growth rate of GDP (in per cent)

(at 1999-00 prices)

		2007-08				2008-09				2009-10	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1	Agriculture, forestry & fishing	4.3	3.9	8.1	2.2	3.0	2.7	-0.8	2.7	2.4	0.9
2	Industry	9.2	9.1	8.2	6.2	6.0	6.1	2.3	1.4	5.0	8.3
a	Mining & quarrying	0.1	3.8	4.2	4.7	4.6	3.7	4.9	1.6	7.9	9.5
b	Manufacturing	10.0	8.2	8.6	6.3	5.5	5.1	0.9	-1.4	3.4	9.2

		2007-08				2008-09				2009-10	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
c	Electricity, gas & water supply	6.9	5.9	3.8	4.6	2.7	3.8	3.5	3.6	6.2	7.4
d	Construction	11.0	13.4	9.7	6.9	8.4	9.6	4.2	6.8	7.1	6.5
3	Services	10.8	10.3	10.3	11.8	10.2	9.8	10.2	8.6	7.8	9.3
a	Trade, hotels, transport & communication	13.1	10.9	11.7	13.8	13.0	12.1	5.9	6.3	8.1	8.5
b	Financing, insurance, real estate & bus. Services	12.6	12.4	11.9	10.3	6.9	6.4	8.3	9.5	8.1	7.7
c	Community, social & personal services	4.5	7.1	5.5	9.5	8.2	9.0	22.5	12.5	6.8	12.7
4	**GDP at factor cost**	**9.2**	**9.0**	**9.3**	**8.6**	**7.8**	**7.7**	**5.8**	**5.8**	**6.1**	**7.9**
5	Total final consumption expenditure	6.6	7.8	8.0	10.6	3.8	2.1	9.0	6.1	2.8	8.4
a	Private final consumption expenditure	8.4	7.5	8.9	9.0	4.5	2.1	2.3	2.7	1.6	5.6
b	Government final consumption expenditure	-2.4	10.0	2.0	18.6	-0.2	2.2	56.6	21.5	10.2	26.9
6	Gross capital formation	15.5	17.9	16.7	11.0	9.1	12.6	5.8	6.3	4.5	1.9
a	Gross fixed capital formation	13.6	16.0	14.1	8.8	9.2	12.5	5.1	6.4	4.2	7.3
b	Changes in stocks	54.1	51.7	52.2	49.0	6.0	5.6	1.4	-0.9	3.2	-45.4
c	Valuables	-8.0	1.4	16.5	0.4	14.8	35.0	33.9	23.7	18.4	-23.0
7	Exports	-4.0	-4.8	6.1	9.8	25.6	24.3	7.1	-0.8	-10.9	-15.0
8	Less Imports	-0.7	-3.6	6.7	24.4	27.4	35.3	21.7	-5.7	-21.2	-29.8
9	GDP at market prices	9.2	8.8	9.4	8.8	8.2	7.8	4.8	4.1	6.0	6.7

Source: CSO

1.4 While there is a deceleration in the growth of agriculture and allied activities from a level of 2.7 percent in Q2 of 2008-09 to 0.9 per cent in Q2 of 2009-10, the levels of growth in industry at 8.3 per cent (6.1 per cent in Q2 of 2008-09) and services at 9.3 per cent (9.8 per cent in Q2 of 2008-09) indicate the broad based nature of recovery. If agriculture had grown at the rate at which it was growing before the recent downturn, India's overall growth would have been close to 9 per cent in the second quarter of 2009-10. Given that agriculture is not as responsive to short term policy changes as the other sectors, this remarkable economic growth speaks well of the stimulus policy that was initiated in India in response to the global financial crisis and recession. The recent deceleration in agriculture and allied activities is likely to persist for a while since it does not reckon fully the deficient South West Monsoon rainfall and the prevalence of drought/drought like conditions in 300 districts of the country. The full impact of the deficient monsoon rainfall is likely to be reflected in Q3 and Q4 of 2009-10. However, given the low share of kharif output of rice, coarse cereals, pulses and oilseeds (as proportion to total agricultural output) at 18 per cent, it is not likely to be major dampener, if the assumption of 3-4 per cent growth in the rest of the agricultural output is realised.

1.5 Among the four major components of industry, growth in manufacturing and mining and quarrying exceeded 9 per cent in Q2 of 2009-10. The robust growth in mining and quarrying in the first half of 2009-10 (on a relatively high base) indicates possibility for sustaining it in the next two quarters. The rebound in manufacturing is manifest only in Q2 of 2009-10 with Q1 growth being placed at 3.4 per cent; nevertheless it indicates possibility of higher growth in the next two quarters on the strength of base effect of low growth in 2008-09. While electricity, gas and water supply exhibits a somewhat similar trend, there is a deceleration in construction in Q2 of 2009-10.

1.6 Services continue to be the main driver of real GDP growth and even in the last 2 quarters of 2008-09 when global crisis impacted the domestic economy; growth deceleration in this sector was marginal. In Q2 of 2009-10, barring the group ‘financing, insurance, real estate’, there was acceleration in growth in other groups relative to Q1. Growth in trade, hotels and transport is as yet subdued relative to growth in double digits prior to the crisis. Much of the high growth in community, social and personal services reflect the fiscal expansion.

1.7 On the demand (expenditure) side, GDP components are measured at market prices. Growth in GDP at market prices (1999-2000 prices) is placed at 6.7 per cent in Q2 (6.0 per cent in Q1) of 2009-10. The growth in 2008-09 in the corresponding period was 7.8 per cent (8.2 per cent in Q1). On the demand side, again it is the Government final consumption expenditure that is the main driver in second quarter with growth at 26.9 per cent following a growth of 10.2 per cent in Q1.

1.8 In any emerging market economy with structural transformation underway, it is useful to analyse GDP in terms of the relative shares and contribution. The decline in the share of agriculture is noticeable in view of the dynamics of higher growth in other sectors over long period. In terms of shares on a quarterly basis (Table 1.2), there are some seasonal factors which explain their levels of contribution in that quarter.

Table 1.2

Sectoral share of GDP (in per cent)

		2007-08				2008-09				2009-10	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1	Agriculture, forestry & fishing	17.6	14.3	22.0	16.9	16.8	13.6	20.6	16.4	16.3	12.7
2	Industry	27.2	27.8	25.2	25.9	26.7	27.4	24.4	24.9	26.4	27.5
a	Mining & quarrying	2.0	1.9	1.9	2.1	1.9	1.9	1.9	2.0	1.9	1.9
b	Manufacturing	15.6	16.1	14.5	14.9	15.2	15.7	13.8	13.9	14.9	15.9
c	Electricity, gas & water supply	2.2	2.2	1.9	1.9	2.1	2.1	1.9	1.8	2.1	2.1
d	Construction	7.4	7.6	6.9	7.0	7.5	7.8	6.8	7.1	7.6	7.7
3	Services	55.2	57.9	52.8	57.2	56.4	59.0	55.0	58.8	57.3	59.8
a	Trade, hotels, transport & communication	27.3	28.2	27.1	29.2	28.6	29.4	27.1	29.4	29.1	29.5
b	Financing, insurance, real estate & bus. Services	15.1	15.5	13.9	14.2	14.9	15.3	14.2	14.7	15.2	15.3
c	Community, social & personal services	12.8	14.1	11.8	13.8	12.9	14.3	13.7	14.7	13.0	14.9
4	GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

		2007-08				2008-09				2009-10	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
5	Total final consumption expenditure	70.4	67.3	67.2	63.6	67.5	63.7	69.9	64.8	65.5	64.7
a	Private final consumption expenditure	60.0	58.5	58.9	52.1	58.0	55.5	57.4	51.4	55.6	54.9
b	Government final consumption expenditure	10.4	8.7	8.4	11.5	9.6	8.3	12.5	13.4	9.9	9.8
6	Gross capital formation	36.3	37.5	35.0	35.0	36.6	39.2	35.3	35.7	36.1	37.4
a	Gross fixed capital formation	31.9	33.0	30.8	31.0	32.2	34.5	30.9	31.6	31.6	34.7
b	Changes in stocks	3.3	3.3	3.0	3.0	3.2	3.2	2.9	2.9	3.1	1.6
c	Valuables	1.1	1.2	1.2	1.0	1.2	1.5	1.6	1.2	1.3	1.1
7	Exports	22.8	17.2	18.8	22.1	26.5	19.8	19.2	21.1	22.3	15.8
8	Less Imports	23.6	24.2	23.9	26.4	27.8	30.4	27.8	23.9	20.6	20.0
9	GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CSO

1.9 In the short term, given the relatively small change in shares, it is the point contribution to growth that gives analytical strong-line to GDP growth process. In terms of sectors, the contribution from services continued to dominate (Table 1.3). However, on the demand side, strongline based on relative contribution becomes somewhat complex with net exports (which is still negative in absolute terms) continuing to be a major factor in terms of contribution.

Table 1.3

Sectoral contribution to Growth (in per cent)

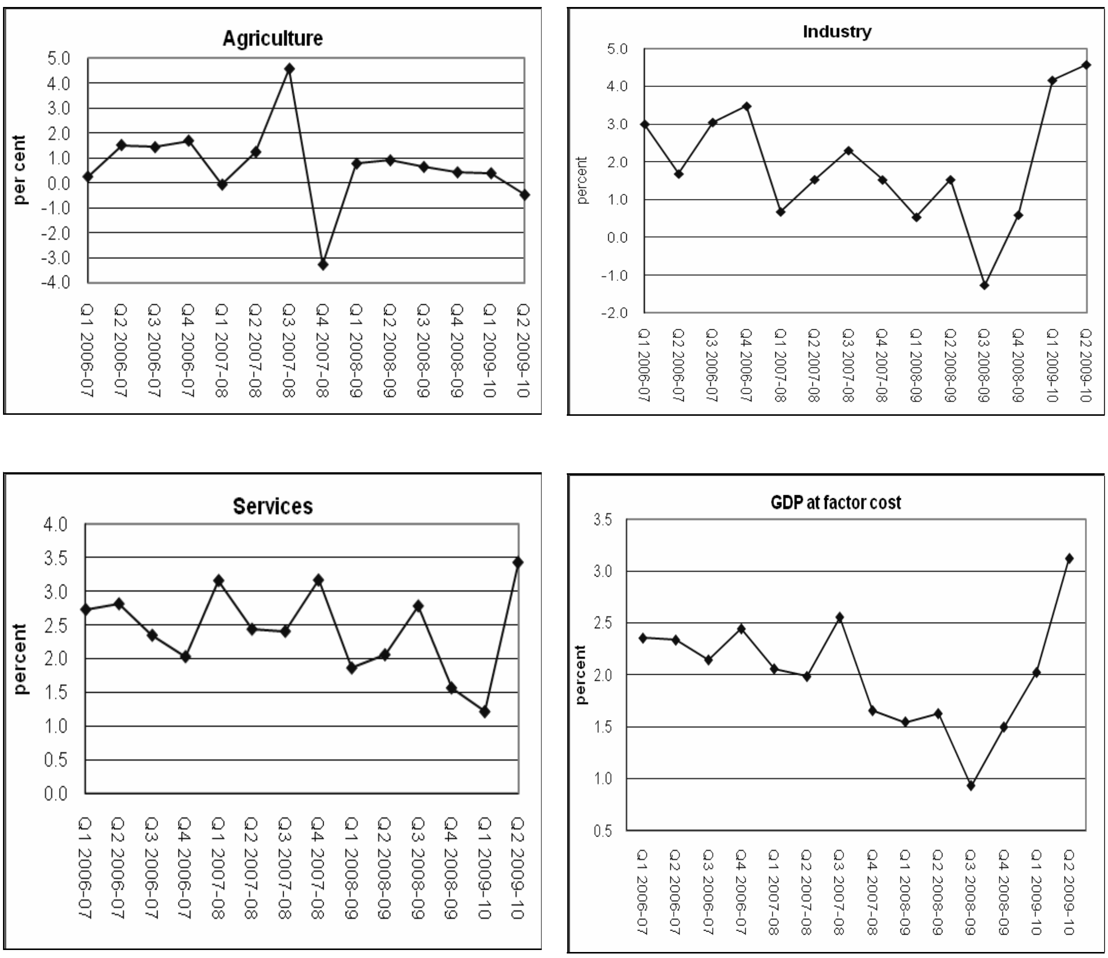
		2007-08				2008-09				2009-10	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1	Agriculture, forestry & fishing	8.6	6.4	19.4	4.6	6.9	4.9	-3.2	7.8	6.5	1.5
2	Industry	27.2	28.0	22.5	19.0	21.0	22.0	10.0	6.5	21.8	28.9
a	Mining & quarrying	0.0	0.9	0.9	1.2	1.2	0.9	1.6	0.6	2.5	2.2
b	Manufacturing	16.8	14.8	13.6	11.1	11.0	10.5	2.2	-3.5	8.6	18.3
c	Electricity, gas & water supply	1.7	1.5	0.8	1.0	0.8	1.1	1.2	1.2	2.1	2.0
d	Construction	8.8	10.9	7.2	5.7	8.0	9.4	5.0	8.2	8.7	6.4
3	Services	64.2	65.5	58.1	76.3	72.2	73.2	93.2	85.7	71.7	69.6
a	Trade, hotels, transport & communication	37.6	33.5	33.4	44.5	45.4	44.0	27.4	32.1	37.8	31.7
b	Financing, insurance, real estate & bus. Services	20.1	20.7	17.4	16.7	13.4	12.8	19.9	23.4	19.7	14.9
c	Community, social & personal services	6.6	11.3	7.3	15.2	13.4	16.4	45.9	30.2	14.3	23.0
4	GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

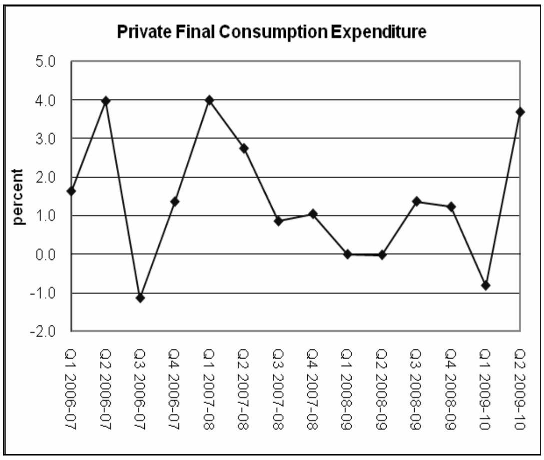
Source: CSO

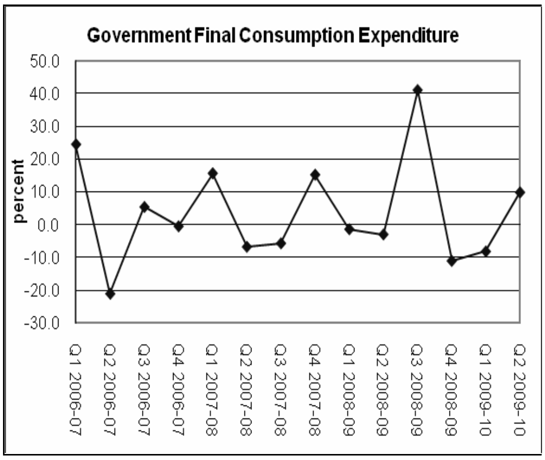
1.10 While analysis of real GDP based on year-on-year comparisons is useful, it cannot however reveal the full picture for a complex economy like India, recovering from a major global shock. It is, therefore, useful to analyse the sequential growth (quarter to quarter, month to month comparisons) to gauge the process of recovery. Given the fact that there are seasonalities associated with macroeconomic parameters, seasonally adjusted measures are useful in such cases. While there may be volatilities associated with such magnitudes emerging from the embedded momentum of macro parameters, it would be useful in detecting inflexion points. The sequential quarterly growth rate over previous quarter of macro indicators (Chart 1.1) confirms the recovery of almost the entire economy, even though there was stagnation in the agricultural sector.

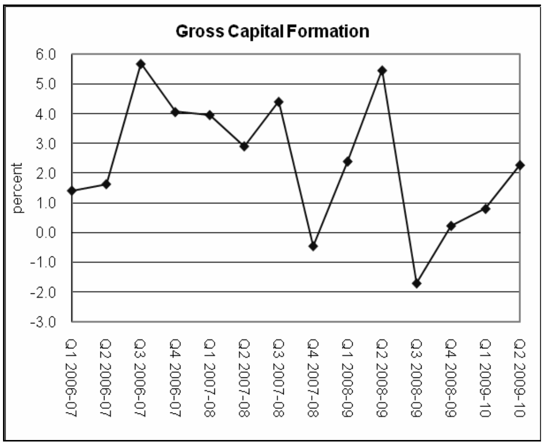
Chart 1.1

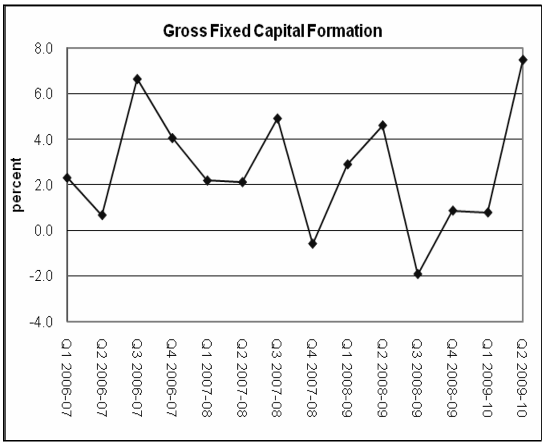
Quarterly sequential growth (Q-O-Q) in GDP (deseasonalized) and its components

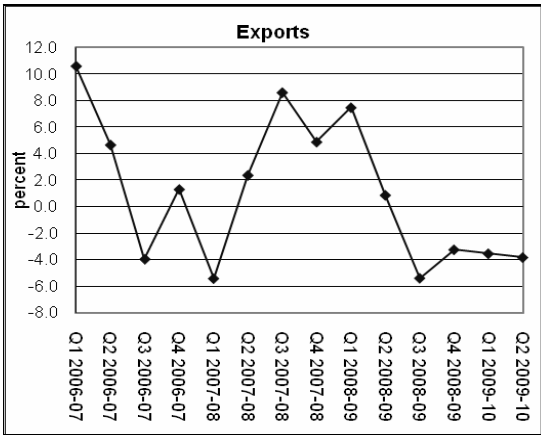



Private Final Consumption Expenditure
percent
5.0
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
Q1 2006-07
Q2 2006-07
Q3 2006-07
Q4 2006-07
Q1 2007-08
Q2 2007-08
Q3 2007-08
Q4 2007-08
Q1 2008-09
Q2 2008-09
Q3 2008-09
Q4 2008-09
Q1 2009-10
Q2 2009-10


Government Final Consumption Expenditure
percent
50.0
40.0
30.0
20.0
10.0
0.0
-10.0
-20.0
-30.0
Q1 2006-07
Q2 2006-07
Q3 2006-07
Q4 2006-07
Q1 2007-08
Q2 2007-08
Q3 2007-08
Q4 2007-08
Q1 2008-09
Q2 2008-09
Q3 2008-09
Q4 2008-09
Q1 2009-10
Q2 2009-10


Gross Capital Formation
percent
6.0
5.0
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
-3.0
Q1 2006-07
Q2 2006-07
Q3 2006-07
Q4 2006-07
Q1 2007-08
Q2 2007-08
Q3 2007-08
Q4 2007-08
Q1 2008-09
Q2 2008-09
Q3 2008-09
Q4 2008-09
Q1 2009-10
Q2 2009-10


Gross Fixed Capital Formation
percent
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
Q1 2006-07
Q2 2006-07
Q3 2006-07
Q4 2006-07
Q1 2007-08
Q2 2007-08
Q3 2007-08
Q4 2007-08
Q1 2008-09
Q2 2008-09
Q3 2008-09
Q4 2008-09
Q1 2009-10
Q2 2009-10


Exports
percent
12.0
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
-6.0
-8.0
Q1 2006-07
Q2 2006-07
Q3 2006-07
Q4 2006-07
Q1 2007-08
Q2 2007-08
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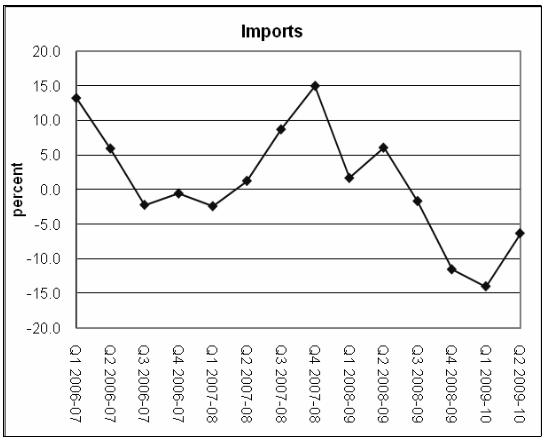
Q4 2007-08
Q1 2008-09
Q2 2008-09
Q3 2008-09
Q4 2008-09
Q1 2009-10
Q2 2009-10


Imports
percent
20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
-15.0
-20.0
Q1 2006-07
Q2 2006-07
Q3 2006-07
Q4 2006-07
Q1 2007-08
Q2 2007-08
Q3 2007-08
Q4 2007-08
Q1 2008-09
Q2 2008-09
Q3 2008-09
Q4 2008-09
Q1 2009-10
Q2 2009-10

1.11 Growth acceleration in industry, particularly in manufacturing is evident. The otherwise observed close co-movement of service sector growth and real GDP growth had deviated in H2 of 2008-09, but are again in evidence in Q2 of 2009-10. Growth in aggregate investment at 1.9 per cent and total final consumption expenditure at 8.4 per cent could explain almost 90 per cent of the contribution to growth on the demand side in Q2 2009-10

1.12 As already noted, growth in real GDP in Q2 of 2009-10 has not fully captured the impact of the deficient South West monsoon rainfall on the agricultural GDP. While the impact may be modest, given the low share in affected Kharif crop output, it is still a macroeconomic concern on account of the large dependence on agriculture in terms of rural employment and income. The deficient and erratic monsoon rainfall had impacted the sowing. The major shortfall in kharif season was in the case of paddy (15.54 percent) and groundnut (16.62 percent) as compared to last year. With concerted efforts for the Rabi season, it should be possible to compensate to a certain extent the decline in Kharif output. The level of agricultural output in 2008-09 and the availability of stocks provide comfort for meeting any deficiency in output in the current year. A number of measures have been taken to address this challenge which includes: a scheme of "diesel subsidy" for drought affected areas; provision of funds for agricultural reconstruction programme; additional ad-hoc monthly allocation of food grains for APL (Above the Poverty Line) households; additional employment generation under employment guarantee scheme and central assistance for irrigation projects. To address medium term concerns of greater availability of agricultural produce and to stabilise prices, higher Minimum Support Prices (MSPs) have been provided.

1.13 The economic slowdown in 2008-09 was mainly attributable to the decline in industry, particularly manufacturing. After remaining subdued in the first two months of the current fiscal, there is a strong pick up in June-September 2009 with a growth of 8.9 per cent (year-on-year) in IIP. This growth was made possible by robust growth in consumer durables and in intermediate goods. There is some slack in consumer non- durables, particularly in a limited number of items of food products, beverages, tobacco products, cloth and footwear.

1.14 Head line inflation as measured by the wholesale price index (WPI) remained subdued in the current year reflecting the base effect and some correction in prices of non-food items. Within the headline measures of WPI inflation, the food items (food articles and manufactured food) have exhibited high inflation. In fact, it was in double digits in most months (June-October 2009). In respect of the consumer price indices, headline inflation was much higher and in double digits for most months in the current fiscal. The incongruence of the levels of headline inflation measured by WPI and consumer price indices (CPI) owes to a large extent to the differential in weighting diagram adopted reflecting different purposes. The WPI represents the entire commodity group in the GDP, whereas CPIs are designed to reflect the price changes in the consumption basket of select group of consumers or sections of the population. An important development in the current year in measurement of inflation was that the Government, on October 19, 2009 decided to release the current series of WPI on a monthly basis to overcome the low response associated with the weekly series.

1.15 The Government has taken a number of measures to address the price rise in essential commodities. These include reducing import duties to zero in wheat, pulses, crude petroleum and maize; reducing import duties in some edible oils; import of raw sugar at zero duty under OGL; removal of levy obligation in respect of raw/refined sugar, and administrative control measures; and monetary measures by the RBI. While imports and administrative measures could help tide over the problem in the short run, ultimately as it is a structural problem, a longer term and sustainable solution therefore lies in increasing productivity and levels of agricultural production across the country in agricultural products.

1.16 Monetary policy had remained accommodative in the wake of the impact of the global financial crisis since the second half of last fiscal. The continuance of the policy stance was considered apposite in the current context thus far, with the objective of providing for credit expansion at viable rates while preserving credit quality so as to support the return of the economy to a steady growth path. RBI's Second Quarter Review of Monetary Policy 2009-10 (October 27, 2009) expressed the dilemma of inflationary concerns calling for an early exit from accommodative monetary policy as contrasted with growth drivers warranting a delay in such exit. It however refrained from initiating any move that would overtly lead to liquidity tightening in view of the current status of recovery in growth.

1.17 During the current financial year, growth in bank credit has remained low. Growth in non food credit during 2009-10 (up to November 6, 2009) was 4.4 per cent as compared with 11.4 per cent during the corresponding period of the preceding year. This is below the Reserve Bank's indicative projected trajectory for the full year, of 20.0 per cent as set out in the First Quarter Review for 2009-10 and 18.0 per cent in the Second Quarter Review. The lower expansion in credit relative to the significant expansion in deposits during 2009-10 has resulted in a decline in the incremental credit-deposit ratio. A slow pick up in credit is not unusual in a recovery and may not act as a brake on growth momentum. Moreover, while the overall credit demand of the manufacturing sector from the banking sector has slowed down, corporates had been able to access non-bank domestic sources of funds and external financing at lower costs. Liquidity conditions remained in the excess mode in the current fiscal.

1.18 Easy liquidity conditions and lower credit offtake helped in anchoring the expansionary fiscal policy without any crowding out of the resources for the private sector. The Central Government completed a large part (84.68 percent) of the budgeted gross market borrowing programme (including amounts raised through de-sequestering of MSS balances) during April to November 2009. However, gradual increase in the yield across the maturity spectrum was particularly evident during the second quarter of 2009-10. The weighted average yield of dated securities issued during the current fiscal year so far (up to November 09, 2009) was lower at 7.16 per cent from a level of 8.37 per cent in the corresponding period of the previous year as well as 7.55 per cent for the financial year 2008-09 as a whole. The weighted average maturity period of the securities issued during the current year was about 11 years.

1.19 Given the higher interest rates and the return of investor confidence in global financial markets, there has been a revival of net capital flows to emerging market economies. Even in the second half of the last fiscal, investment flows were bi-directional; but, net outflows occurred as gross outflows were larger. The resilience of the external sector was evident in the fact that there was a current account surplus in Q4 of 2008-09 given the dynamics of international oil prices and strong FDI flows. The revival of net FII inflows this year was marked by a rise in the equity market indices. The BSE Sensex rose by 73.6 per cent between end-March 2009 and November 11,

2009. Net FII inflows and positive domestic factors including investor confidence in India's growth prospects and better than expected performance of corporates and banks were the main factors behind this performance. No amount of data and hard facts can lead to non-controvertible predictions for an economy. As a lot of recent research and also the early insights of John Maynard Keynes shows, economic growth and development depend not only on hard, quantifiable facts and purely economic motivations, but also on what is often called "animal spirits"—non-economic factors like confidence, trust and social norms. As the recent monograph by George Akerlof and Robert Shiller (Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism) illustrates, these amorphous, extra-economic factors play a role in determining the exact trajectory of an economy. Though the most recent results of the Business surveys indicate rising business confidence, it would not be appropriate to be complacent; on the other hand, there is need to be ever vigilant. As of now, despite uncertanities, it is fair to state that, overall, both real sector and financial sector of the economy are doing well and seem set on the recovery path.

B. Output and prices

(1) Agriculture

1.20 The year 2009-10 experienced the most deficient South West monsoon rainfall (June–September) since 1972. 23 out of 36 meteorological sub- divisions recorded deficient rainfall during this period. The country as a whole received 689.8 mm of rainfall against normal (long period) average rainfall of 892.2 mm which represents a deviation of (-) 23 per cent. Twelve States, namely, Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Rajasthan and Uttar Pradesh had declared 300 districts as affected by drought/scarcity/drought-like situation.

1.21 The country's agricultural output depends substantially on the monsoon, as about 60 per cent of net sown area is rainfed. The delayed and deficient monsoon coupled with erratic distribution over most parts of the country and North-West India, in particular, did much damage to kharif sowing and thereby possible adverse impact on the production of kharif crops during 2009-10. This was compounded by flash floods in some parts of Andhra Pradesh and Karnataka.

Kharif Sowing

1.22 The deficiency in South West monsoon resulted in shortfall in the area sown during 2009-10 under kharif crops. Table 1.4 reveals that area sown under paddy is lower by 15.54 per cent compared to the last year, when there was a record crop. Among oilseeds, the area sown under groundnut is lower by 16.62 per cent, sunflower by 10.90 per cent, nigerseed by 24.81 per cent. Area under sugarcane and jute are also lower by 2.95 and 1.98 per cent, respectively. However, there is an increase in the area sown in the case of jowar, sesamum, pulses and cotton. In addition to the loss in area sown for kharif, some of the States may also witness productivity losses due to erratic rainfall. Preliminary estimates suggest that as compared to the last year, production of kharif rice and oilseeds may have marked decline. Most of the shortfall in kharif crops is likely to occur in the States of Uttar Pradesh, Rajasthan, Andhra Pradesh, Jharkhand, Bihar, Karnataka and Madhya Pradesh.

Table 1.4

Cropwise area sown - kharif

(Area in lakh hectares)

S.No.	Crop	Normal Area	Area sown		Increase / decrease over last year (+/ -)	Percentage change in 2009-10 as compared to 2008-09
			2009-10	2008-09		
Major cereal crops (as on 30.10.2009)						
1	Paddy	391.17	328.98	389.49	-60.51	-15.54
2	Jowar	42.08	31.27	29.34	1.93	6.58
3	Bajra	91.81	85.44	85.27	0.17	0.20
4	Maize	63.71	71.13	70.53	0.60	0.85
Oilseeds (as on 15.10.2009)						
5	Groundnut	53.59	44.46	53.33	-8.86	-16.62
6	Soyabean	78.1	96.11	96.35	-0.23	-0.24
7	Sunflower	8.06	6.05	6.79	-0.74	-10.90
8	Sesamum	14.94	17.82	15.65	2.17	13.88
9	Niger	3.84	2.94	3.91	-0.97	-24.81
10	Castor	7.89	7.50	8.4	-0.9	-10.62
Pulses (as on 04.11.2009)						
12	Arhar	35.80	35.92	34.47	1.44	4.21
13	Urd	24.61	22.40	20.90	1.50	7.19
14	Moong	27.34	24.01	22.35	1.65	7.42
15	Others	23.93	19.08	18.26	0.81	4.47
Other crops (as on 03.09.2009)						
16	Cotton	83.73	96.21	84.86	11.35	13.37
17	Sugar cane	39.27	42.50	43.79	-1.29	-2.95
18	Jute	8.24	6.92	7.06	-0.14	-1.98

Note: The last date of reporting of the area coverage of kharif crops during 2009-10 is indicated against the crop variety.

Source: Department of Agriculture and Cooperation (DAC)

Agriculture production

1.23 As per the first advance estimates of kharif production for 2009-10 released by Ministry of Agriculture on November 3, 2009, production of foodgrains is estimated at 96.63 million tonnes, oilseeds at 15.23 million tonnes, sugarcane at 249.48 million tonnes and cotton at 23.66 million bales of 170 kg each. The first advance estimates indicates a shortfall in production of around 21.07 million tonnes in food grains, 2.65 million tonnes in oilseeds, 24.4 million tonnes in sugar cane and 0.50 million bales in cotton during kharif 2009-10 as compared to the fourth advance estimates 2008-09 (Table 1.5).

Table 1.5

Kharif production in 2008-09 and 2009-10

(million tonnes)

Crops	2008-09 (4th Advance Estimates)	2009-10 (1st Advance Estimates)	Absolute difference (Col 3-4)	Percent change in 2009-10 over 2008-09
1	2	3	4	5
Foodgrains	117.70	96.63	-21.07	-17.90
Oilseeds	17.88	15.23	-2.65	-14.82
Sugarcane	273.93	249.48	-24.45	-8.93
Cotton@	**23.16**	**23.66**	**0.50**	**2.16**

@-production in million bales of 170 kg each
Source : DAC

1.24 As per the fourth advance estimates 2008-09, there was a record all time high production of foodgrains at 233.88 million tonnes. It comprised 117.70 million tonnes of kharif food grains and 116.18 million tonnes of rabi food grains. As per the same estimates, production of all cereals was placed at 219.21 million tonnes as against 216.02 million tonnes in 2007-08 (final estimates). In the case of wheat and rice, the estimated production in 2008-09 at 80.58 million tonnes and 99.15 million tonnes respectively, were also an all time high. However, production of oilseeds declined from 29.76 million tonnes in 2007-08 to 28.16 million tonnes in 2008-09. This was due to decrease in production of groundnut and soyabean. (Table 1.6).

Table 1.6

All India Area, Production and Yield of Major Crops

Crops	Area(lakh hectare)			Production (million tonnes)			Yield(kg/hectare)		
	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09*	2006-07	2007-08	2008-09*
Food grains	1237	1241	1232	217.18	230.78	233.88	1756	1860	1898
Oilseeds	265	267	275	24.29	29.76	28.16	916	1115	1026
Sugarcane	52	51	44	355.52	348.19	271.25	69022	68877	62321
Cotton@	**91**	**94**	**94**	**22.63**	**25.88**	**23.16**	**421**	**467**	**419**

**4th Advance Estimates*
@ Production in Million Bales of 180 Kg.
Source : DAC

1.25 The Government has taken a number of steps to protect the standing crops and to ensure that no land remains unsown for want of inputs so that the losses in kharif can be partially offset through augmented production in the rabi season. Further, various other measures have been taken to address the situation arising due to drought such as shortage of drinking water, food, etc. [Box: 1.1]

Box 1.1: Steps taken to protect the kharif crops and address other challenges due to deficit in rainfall.

(i) A scheme of "Diesel Subsidy" was introduced for the farmers in drought and deficit rainfall affected areas to enable them to provide supplementary irrigation through diesel pump sets with a view to protect the standing crops in the field.

(ii) States were requested to prepare alternate plans for unsown/germination failed areas with short duration/alternate crops.

(iii) Use of Truthfully Labelled (TL) seeds, relaxation of age for seed varieties and distribution of minikits were allowed under the government programmes; like National Food Security Mission (NFSM) and Rastriya Krishi Vikas Yojana (RKVY).

(iv) Funds were made available under the Centrally Sponsored Programmes, NFSM and RKVY etc. to enable taking up of agriculture re-construction programmes.

(v) Conference of Chief Secretaries of all States/U.Ts. held on 8.8.2009, to review the situation arising out of deficit rainfall and steps required to be taken.

(vi) Additional ad-hoc monthly allocation of foodgrains was made for APL category under Targetted Public Distribution System (TPDS) to drought affected States, during October to December, 2009.

(vii) Additional allocation of power from central pool in addition to normal allocation was made to States of Punjab, Haryana, Uttar Pradesh, Bihar, Andhra Pradesh, Assam and Tamil Nadu

Other Measures

National Rural Employment Guarantee Scheme (NREGS): Alternate employment generation upto 100 days has been provisioned under NREGS and further upto 50 days from Calamity Relief Fund/National Calamity Contingency Fund, totaling to 150 days. Number of households completing 100 days as percentage of employment provided is maximum for Andhra Pradesh (11.4%) followed by Rajasthan (8.7%).

Central Assistance for irrigation projects: The existing guidelines for major schemes of the Ministry of Water Resources provide for special consideration to drought-prone areas. Central assistance @ 90% of the project cost is provided to irrigation projects benefiting drought-prone areas under the Accelerated Irrigation Benefits Programme (AIBP) as well as under the scheme for Repair, Renovation and Restoration (RRR) of water bodies for their expeditious implementation.

Drinking Water and Fodder: At the request of States affected by drought, Railways arrange transportation of drinking water and fodder to the affected areas at "NO COST" to the concerned State Governments. The actual expenditure incurred in this regard is reimbursed to the Railways from National Calamity Contingency Fund (NCCF).

Agriculture Credit

1.26 The availability of agricultural credit on time is an important input for farmers in India. Credit flow to the agriculture sector has been targeted at Rs. 3,25,000 crore during 2009-10 compared to Rs.2,80,000 crore during 2008-09. Agricultural credit flow as at the end of September 2009 stood at approximately 42 per cent of the target for 2009-10, as detailed in Table 1.7.

Table 1.7

Credit flow 2009-10

Name of the Agency	Target for agricultural credit (Rs. crore)	Achievement as on September 30, 2009 (Provisional) (Rs. crore)	Achievement in per cent	No. of accounts (In lakh)
Commercial banks	2,50,000	92,595.08	37.04	83.96
Cooperative banks	45,000	27,704.85	61.57	92.78
RRBs	30,000	17,531.31	58.44	41.72
Total	**3,25,000**	**1,37,831.24**	**42.41**	**218.46**

Source : NABARD

1.27 The Kisan Credit Cards (KCC) Scheme introduced in August, 1998, has since stabilized, with major share of crop loans being routed through it. The KCC limit covers crop loans, marketing credit limit, consumption loans and investment credit. As on 30.9.2009, a total of approximately 8.60 crore Kisan Credit Cards, have been issued by commercial banks, cooperative banks and regional rural banks with the sanctioned amount of Rs. 3, 77,981 crore.

1.28 To bring those who were hitherto excluded from 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 utilize the services of NGOs, SHGs, micro finance institutions (MFI) and other civil society organizations 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.

Rural Infrastructure Development Fund (RIDF)

1.29 The RIDF was set up by the Government in 1995-96 for financing on- going rural infrastructure projects. The fund is maintained by NABARD. The contributions to the RIDF 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 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 2008-09, total sanctions under RIDF (XIV Tranches) stood at Rs.14,704.84 crore (allocation Rs. 14,000) while the disbursement was Rs.10,458.64 crore. NABARD has sanctioned RIDF projects of Rs. 93,371.76 crore to various State Governments under various tranches of RIDF-I to XIV, against which cumulative disbursement stood at

Rs.60,465,51 crore as on 30.9.2009. Further, allocation of Rs 14,000 crore has been made for the year 2009-10 under RIDF-XV. In addition to this, allocation of Rs 4000 crore has also been approved for 2009-10, at the same level as in 2006-07, 2007-08, 2008-09 for funding rural roads under the flagship programme Bharat Nirman.

Agriculture Sector Growth

1.30 Agriculture and allied sector witnessed a growth of 2.5 per cent during the Tenth Plan. The sector registered a growth of 5.8 per cent in 2005-06, 4.0 per cent in 2006-07, and 4.5 per cent in 2007-08. However, there was a slow down in agriculture growth in 2008-09 to 1.6 percent. In the first quarter of 2009-10, agriculture and allied sector recorded a growth of 2.4 per cent as against 3.0 per cent in the corresponding quarter of the previous year. In the second quarter of 2009-10, agriculture and allied sector recorded a growth of 0.9 per cent as against 2.7 per cent in the corresponding quarter of the previous year. The impact of deficient monsoon and consequent shortfall in agricultural production is expected to get reflected in third quarter GDP estimates once data relating to kharif harvesting figures (October–December) are available. Rice, coarse cereals, pulses and oilseeds account for about 18 per cent of GDP in ‘agriculture, forestry and fishing’ sector. Therefore, bulk of the estimates of GDP of this sector to the extent of 82 per cent in Q2 was based on the anticipated production of fruits and vegetables, other crops, livestock products, forestry and fisheries, which were estimated to register positive growth rates in the range of 3 to 4 per cent. As per the Revised Estimates (RE) of Central Statistical Organization for the year 2008-09, the agricultural sector contributed about 17 per cent to the GDP. There has been a continuous decline in the share of agriculture in the GDP from 20.2 percent in 2004-05 to 17.8 percent in 2008-09. This is inherent in a fast growing economy undergoing structural change. Nevertheless, agriculture sector occupies an important place in the economy as it accounts for 52 per cent of the employment in the country. Considering its importance, the plan outlay for the Ministry of Agriculture has been raised to Rs. 11,307 crore in 2009-10 from the level of Rs 10,106 crore in 2008-09 (an increase of 11.9 percent). The plan outlays for the agriculture & allied sector have also increased substantially in the State Plans, partly as a result of the introduction of Rashtriya Krishi Vikas Yojna (RKVY) which incentivizes States to increase the percentage share of State Plan expenditure in agriculture & allied sector. 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) from 11.1 percent in 2003-04 to 14.24 per cent in 2007-08.

Minimum support price

1.31 The price policy for agricultural commodities seeks to ensure remunerative prices to the growers for their produce with a view to encourage higher investment and production, and to safeguard the interest of consumers by making available supplies at reasonable prices. The price policy also seeks to evolve a balanced and integrated price structure in the perspective of the overall needs of the economy.

1.32 The Government has fixed the Minimum Support Prices (MSPs) of kharif crops of 2009-10 season. The MSP for paddy (Common) has been fixed at Rs. 950 per quintal and that of Paddy (Grade A) at Rs.980 per quintal. A bonus of Rs.50 per quintal is also payable over and above the MSP of paddy. The MSP of arhar (tur) has been raised by Rs. 300 per quintal over the levels in 2008-09, and fixed at Rs. 2,300 per quintal, while that of moong has been raised by Rs.240 per quintal and fixed at Rs. 2,760 per quintal. The MSP of sesamum has been fixed at Rs.2,850 per quintal after raising it by Rs.100 per quintal. The MSPs of other kharif crops have been retained at their 2008-09 level.

1.33 The MSPs of rabi crops for 2009-10 season to be marketed in 2010-11 have also been further revised. The MSP of wheat has been raised to Rs. 1,100 per quintal and of barley to Rs.750 per quintal. MSP of gram has been raised to Rs.1,760 per quintal and of masur fixed at Rs.1,870 per quintal. The MSP of rapeseed/mustard has been fixed at Rs.1,830 per quintal. The Government has also fixed the MSP for raw-jute for 2009-10 season at Rs.1,375 per quintal for TD-5 variety ex-Assam. The higher MSPs announced in the last two seasons are expected to incentivize farmers to produce more which in turn ease the pressure on prices.

Central Issue Price

1.34 The issue prices of wheat and rice for the beneficiaries under the Targeted Public Distribution System, however, has remained unchanged, since July 2002. The central issue prices for wheat and rice for different categories of beneficiaries are given in Table 1.8.

Table 1.8

Central Issue Price (in Rupees per Kg)

APL		BPL		Antodaya Anna Yojana	
Wheat	Rice (Gr.A)	Wheat	Rice (Common/Gr.A)	Wheat	Rice (Common/Gr.A)
6.10	**8.30**	**4.15**	**5.65**	**2.00**	**3.00**

Source : Ministry of Consumer Affairs, Food & Public Distribution

1.35 While the policies relating to minimum support prices for agricultural crops and the central issue price for PDS serve the twin objectives of providing remunerative prices to the farmers and affordable prices to consumers, the spread between the economic cost and the issue price, has widened leading to an increase in food subsidy.

Buffer Stocks

1.36 The central pool of buffer stocks is required to have sufficient stocks of rice and wheat in order to meet any emergencies like drought/failures of crop, as well as to enable open market intervention in case of price rise. The details of minimum buffer norms and the actual stock position in the central pool are in Table 1.9. The actual stocks in each of the relevant periods were higher than the norms.

Table 1.9

Details of minimum buffer norms and actual stock position

(in Lakh Tonnes)

DATE	Rice		Wheat		Total	
	Actual stock	Buffer norms	Actual stock	Buffer norms	Actual stock	Buffer norms
1st Jan 2009.	175.76	118	182.12	82	357.88	200
1st April 2009	216.04	122	134.29	40	350.33	162
1st July 2009.	196.16	98	329.22	171	525.38	269
1st Oct. 2009	**153.49**	**52**	**284.57**	**110**	**438.06**	**162**

Source : Ministry of Consumer Affairs, Food & Public Distribution

(2) Prices

1.37 The headline inflation measured in terms of Wholesale Price Index (WPI) varied in a wide range from a maximum of 12.82 per cent in August 2008 to a minimum of 1.20 per cent in March, 2009 during the last financial year. The financial year 2009-10, started with headline inflation of 1.31 per cent in April 2009 and moved to negative zone during June to August, 2009 in the range of -0.17 per cent to -1.01 per cent. Thereafter, it has returned to positive zone and reported to be 1.34 per cent in October, 2009 (Table-1.10).

Table 1.10

Monthly WPI inflation during 2008-09 and 2009-10 (per cent)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2008-09	8.04	8.86	11.82	12.36	12.82	12.27	11.06	8.48	6.15	4.95	3.50	1.20
2009-10	1.31	1.38	-1.01	-0.67	-0.17	0.50	1.34					

Note: WPI is provisional for the months of September and October 2009.

1.38 The high level of inflation recorded during June to October 2008 was explained by high food, fuel and commodity prices (including metals), triggered by increase in prices in the international market. The substantial fall in inflation and its deceleration to the negative zone during June to August, 2009 owes to:

i) Decrease in the domestic price of fuel, power, light & lubricants group and non-food commodity prices (metals and edible oils).

ii) Effect of higher statistical base of WPI during the corresponding period in 2008-09.

Disaggregated WPI Inflation

1.39 The WPI inflation of 1.34 per cent in October, 2009 can be disaggregated on the basis of three major groups. Primary articles having a weight of 22.02 per cent recorded annual inflation of 8.71 per cent as compared to 12.33 per cent in the same month last year. Manufactured products, having weight of 63.75 per cent recorded annual inflation of 1.36 per cent as compared to 9.41 per cent in the same month last year. However, fuel, power, lights & lubricants having weight of 14.23 per cent recorded annual inflation of (-) 6.55 per cent as compared to 14.06 per cent in the same month last year (Table- 1.11).

Table: 1.11

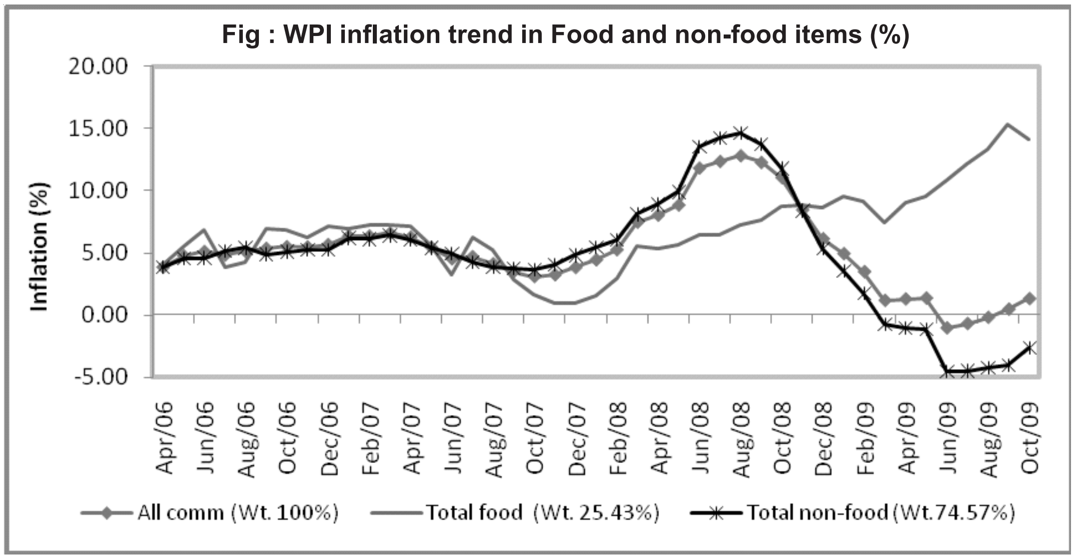
Year-on-year rate of Inflation (in per cent)

Item	Weight(%)	Rate of inflation		
		Oct-08	Sep-09(P)	Oct-09(P)
All commodities	100.00	11.06	0.50	1.34
Primary articles	22.02	12.33	9.36	8.71
Fuel, power, light & lubricants.	14.23	14.06	-8.18	-6.55
Manufactured products	63.75	9.41	0.29	1.36

P: Provisional

1.40 The WPI can also be disaggregated on the basis of total food (wt. 25.43 per cent) and total non-food items (Wt. 74.57 per cent) (Chart 1.2). It clealy reflects that whereas inflation in total food items has been rising since December, 2007, inflation in total non-food items which was following a similar trend till August 2008, started declining sharply thereafter and moved to negative zone in March, 2009. It continued to be so till October 2009; but has gradually moved up since June 2009. Such an asymmetric trend between food and non-food items in WPI inflation requires caliberated policy measures to contain inflation in food items.

Chart 1.2



WPI inflation based on weekly data

1.41 Department of Industrial Policy and Promotion (DIPP) had been releasing weekly data for WPI till October 17, 2009. However, in view of low reporting response on a weekly basis, of items included in manufactured products group, Government decided to release the current series of Wholesale Price Index (Base 1993-94) on a monthly basis (Box-1.2).

Box-1.2: Change in the reporting system of WPI

The Government, on October 19, 2009 decided that Department of Industrial Policy and Promotion would release the current series of Wholesale Price Index (Base 1993-94) on a monthly basis, instead of the current practice of releasing the index on a weekly basis. Collection of price data for manufactured products will accordingly have a monthly frequency consistent with the practice of release of WPI. The monthly release of WPI is a widely followed international practice. This change is expected to improve the quality of Wholesale Price Index through better reporting response and better monitoring.

Compilation of weekly Wholesale Price Index, for primary articles and commodities in fuel, power, light and lubricant group would, however, continue on weekly basis. This would facilitate weekly monitoring of the prices of agricultural commodities and petroleum products, which are sensitive in nature. The weights and number of commodities included in the WPI basket is given below:

Weights and number of items covered in major groups in WPI		
Major groups in WPI	**Weight (in per cent)**	**No. of items**
Primary articles	22.02	98
Fuel, power, light and lubricant	14.23	19
Manufactured products	63.75	8
Overall WPI	100.00	435

1.42 Headline WPI inflation during the current financial year, based on weekly WPI data, started from the level of 0.83 per cent on April 4, 2009 and after increasing to a maximum of 1.75 per cent moved to negative zone from June 6, 2009. It remained negative for 11 consecutive weeks until August 15, 2009 (Table 1.12)

Table 1.12

Weekly movement of WPI inflation

Week ending	WPI	Inflation (%)	Week ending	WPI	Inflation (%)
4-Apr-09	229.7	0.83	18-Jul-09	239.2	-0.54
11-Apr-09	230.4	0.96	25-Jul-09	239.0	-0.71
18-Apr-09	232.6	1.62	1-Aug-09	239.4	-0.83
25-Apr-09	233.1	1.75	8-Aug-09	240.2	-0.37
2-May-09	233.9	1.48	15-Aug-09	240.6	-0.21
9-May-09	234.2	1.56	22-Aug-09	241.6	0.17
16-May-09	234.6	1.65	29-Aug-09	242.0	0.25
23-May-09	234.3	1.34	5-Sep-09	242.7	0.41
30-May-09	234.4	0.90	12-Sep-09	242.5	0.33
6-Jun-09	234.1	-1.01	19-Sep-09	242.8	0.62
13-Jun-09	234.2	-1.14	26-Sep-09	242.3	0.41
20-Jun-09	235.8	-0.80	**3-Oct-09**	**241.9**	**0.92**
27-Jun-09	235.8	-1.09	**10-Oct-09**	**242.2**	**1.21**
4-Jul-09	237.5	-0.75	**17-Oct-09**	**242.2**	**1.51**
11-Jul-09	238.0	-0.63			

Figures after week ending October 3, 2009 are provisional

1.43 In view of the Government decision referred to earlier, DIPP has discontinued weekly release of WPI for all commodities after October 17, 2009 and only WPI for primary articles (wt. 22.02 per cent) and fuel group (wt. 14.23 per cent) are being released on weekly basis (Table 1.13).

Table 1.13

Weekly trend in WPI in primary articles and fuel group

Week ending on	Primary articles (wt. 22.02 %)		Fuel, Power, Light & Lubricants (wt. 14.23 %)	
	WPI	Inflation (%)	WPI	Inflation (%)
17-Oct	273.3	**8.67**	344.9	**-6.20**
24-Oct	273.0	**8.94**	344.9	**-6.20**
31-Oct	274.2	**9.16**	344.2	**-1.71**
07-Nov	276.4	**9.94**	344.7	**-1.51**
14-Nov	279.7	**11.04**	344.7	**-1.51**
21-Nov	281.9	**12.53**	345.0	**0.00**
28-Nov	284.4	13.90	345.0	0.06

Food inflation in WPI

1.44 Though there is relatively lower inflation at the overall level, inflation continues to be high in the primary articles, which have preponderance of food articles and other essential commodities. WPI inflation in the composite group of food items called food index (wt. 25.43 per cent comprising primary and manufactured food), increased from 9.04 per cent in April, 2009 to 15.30 per cent in September, 2009. During October, 2009 it is reported to have declined to 14.13 per cent. There is similar trend in inflation in primary food articles (wt. 15.40 per cent). It increased from 8.59 per cent in April, 2009 to 15.69 per cent in September, 2009. During October, 2009 it is reported to have declined to 13.32 per cent. However, inflation in manufactured food items has been fluctuating in the range of 9.77 to 14.56 per cent during April – September, 2009. It is reported to have increased to 15.72 per cent in October, 2009 (Table 1.14).

Table 1.14

WPI inflation in food and essential commodities in 2009-10 (per cent)

Item	Weight(%)	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Food combined	25.43	9.04	9.56	10.80	12.09	13.32	15.30	14.13
Food articles	15.40	8.59	8.45	10.89	13.31	14.08	15.69	13.32
Food manufactured	10.03	9.88	11.69	10.63	9.77	11.87	14.56	15.72
30 Essential commodities	**17.63**	**10.33**	**11.88**	**13.24**	**15.34**	**16.93**	**16.85**	**17.91**

Inflation based on consumer price indices

1.45 Inflation measured in terms of the Consumer Price Index for Industrial Workers (CPI-IW), remained higher than the WPI in the last 12 months (Nov-08 to Oct-09). Further, inflation in terms of Consumer Price Index for Agriculture Labour and Rural Labour (CPI-AL and CPI-RL) was higher than inflation based on CPI-IW during all these months. Average inflation during April- October, 2009 measured in terms of WPI, CPI-IW, CPI-UNME, CPI-AL and CPI-RL were 0.4, 10.5, 9.5, 11.9 and 11.8 per cent as against 11.0, 8.7, 8.1, 9.8 and 9.7 per cent respectively during the same period of last year (Table 1.15).

Table 1.15

Year-on-year inflation based on different 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)	
	2008-09	**2009-10**	**2008-09**	**2009-10**	**2008-09**	**2009-10**	**2008-09**	**2009-10**	**2008-09**	**2009-10**
April	8.0	1.3	7.8	8.7	7.0	8.8	8.9	9.1	8.6	9.1
May	8.9	1.4	7.8	8.6	6.8	9.7	9.1	10.2	8.8	10.2
June	11.8	-1.0	7.7	9.3	7.3	9.6	8.8	11.5	8.7	11.3
July	12.4	-0.7	8.3	11.9	7.4	13.0	9.4	12.9	9.4	12.7
August	12.8	-0.2	9.0	11.7	8.5	12.9	10.3	12.9	10.3	12.7
September	12.3	0.5	9.8	11.6	9.5	12.4	11.0	13.2	11.0	13.0
October	11.1	1.3	10.4	11.5	10.4	-	11.1	13.7	11.1	13.5
November	8.5		10.4		10.8		11.1		11.1	
December	6.2		9.7		9.8		11.1		11.1	
January	4.9		10.4		10.4		11.6		11.4	
February	3.5		9.6		9.9		10.8		10.8	
March	1.2		8.0		9.3		9.5		9.7	
Average (Apr-Oct)	**11.0**	**0.4**	**8.7**	**10.5**	**8.1**	**9.5**	**9.8**	**11.9**	**9.7**	**11.8**

Leading Food inflation in WPI, CPI (IW) and CPI (RL)

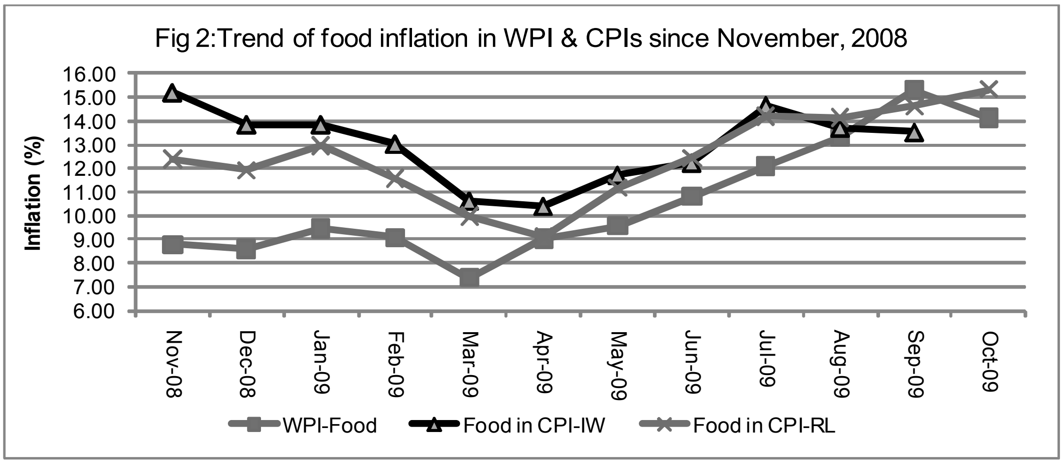
1.46 Food inflation based on all the indices with different weights has been in double digits since May, 2009 (Table 1.16 and Chart 1.3). It is reported to have marginally declined in terms of WPI in October 2009 over the previous month but it has continued to move up in CPI - RL.

Table 1.16

Food inflation based on WPI, CPI-IW and CPI-RL (%)

WPI Food composition	Weight(%)	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Food (CPI-IW)	46.20	10.42	11.72	12.24	14.67	13.73	13.55	
Food (CPI-RL)	66.77	9.09	11.16	12.44	14.22	14.13	14.63	15.33
Food (WPI)	25.43	9.04	9.56	10.80	12.09	13.32	15.30	14.13

Chart 1.3



WPI Inflation in essential commodities

1.47 The WPI inflation in thirty essential commodities (wt. of 17.63 per cent) exhibits an almost similar trend in inflation as in WPI food combined (wt. 25.43 %) basket. It increased from 10.33 per cent in April, 2009 to 16.93 per cent in August, 2009. After marginally declining in September, 2009, it is reported to have further increased to 17.91 per cent in October, 2009 (Table-1.17). Out of 30 essential commodities, 11 commodities registered a relatively high inflation of above 20 per cent.

Table 1.17

Inflation above 20 per cent in essential items of WPI

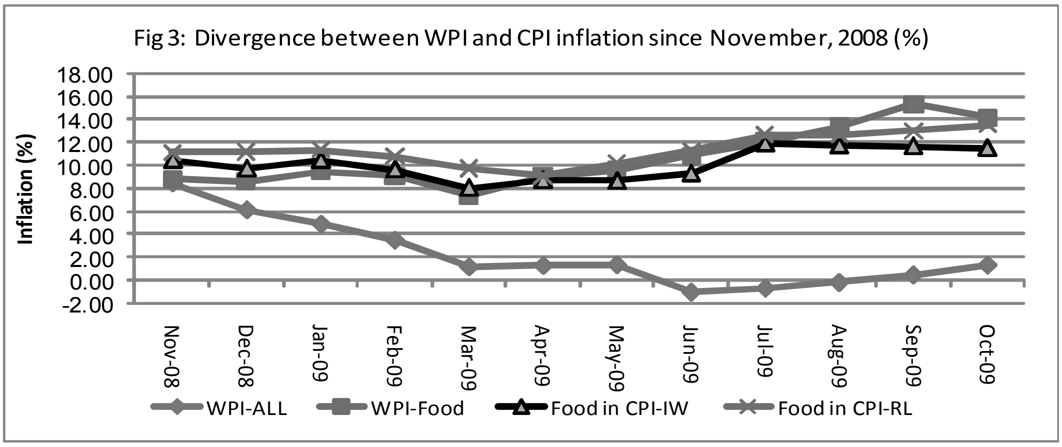
Commodities	Weight	WPI (93-94=100)	Y-o-Y inflation in	
	(%)	October-09	October-08	October-09
30 Essential commodities	17.63	264.5	8.41	17.91
Items with inflation above 20 per cent				
Potatoes	0.26	478.5	-17.79	96.43
Fish-Inland	0.50	459.0	1.08	57.84
Arhar	0.14	353.9	9.23	55.70
Sugar	3.62	234.0	13.50	45.70
Gur	0.06	285.5	19.11	39.68
Onions	0.09	314.7	-35.16	37.60
Moong	0.11	402.1	17.24	36.26
Laundry soap	0.17	353.5	9.07	35.44
Mutton	0.45	385.8	14.24	29.64
Bajra	0.11	313.2	10.83	25.99
Urad	0.10	422.4	1.37	21.07

1.48 Out of remaining nineteen items, six items registering inflation in the range of 5 to 15 per cent were masur, jowar, rice, milk, chillies (dry) and wheat. Two items, atta and tea recorded annual inflation in the range of 0 and 3 per cent. Eleven items, vanaspati ghee, coking coal, kerosene, long cloth/ sheeting, safety matches, salt, groundnut oil, gram, dhoties/ sarees/ voils, mustard oil and coconut oil witnessed no change or decline in inflation.

Divergence between WPI and CPI

1.49 The divergence between WPI and CPI inflation rates became more pronounced in 2009-10, with inflation in WPI turning negative. This is in contrast to the historical trend when CPI inflation tracked WPI inflation, although with a lag, as retail price changes followed wholesale price changes. The CPI inflation has remained stubborn at elevated levels. CPI inflation, however tracks the food/ essential commodities component of WPI inflation quite closely (Table 1.14, 1.15, 1.16 & Chart 1.4).

Chart 1.4



Reasons for the divergence of WPI and CPI

1) The Wholesale Price Index defines the temporal price changes of wholesale transactions of a basket of commodities excluding service sector representing the entire economy. On the other hand, the consumer price indices measure the changes in (retail) prices of goods and services consumed by a specific user group. Thus, in case of WPI, the basis of inclusion in the commodity basket is the importance of the commodity produced or transacted in the economy; whereas in case of CPIs only those goods and services are included which form part of the budget of the family of the identified group.

2) The basket for CPIs, therefore, includes only a segment of the items covered in the WPI basket. The capital goods, intermediate goods and other non-consumption goods of the economy, which are included in the WPI Basket, do not find place in the basket of CPIs. On the other hand, the CPI-IW includes services like education fee, doctor's fee and personal care, etc. and shelter cost (house rent) which are not covered under the WPI.

3) The weights of items in WPI, broadly, have been assigned in proportion to their share in the total value of transaction in the economy. In this case of CPI (IW), the weights are in proportion to their share in the total consumption expenditure of the family of industrial workers

in the selected centres. For example, the food items account for major proportion of the weights (46.20 per cent) in CPI (IW) as against combined weight of 25.43 per cent in WPI.

Domestic retail prices

1.50 Ministry of Consumer Affairs, Food and Public Distribution, (Department of Consumer Affairs) monitors retail prices of essential food items. The movement of retail prices of some of these commodities (in Delhi), month over month and increase in prices from January to November, 2009 indicate a rising trend (Table 1.18). Due to demand supply mismatch, retail prices of pulses (tur dal) have increased significantly as compared to the prices in January 2009. The retail price of sugar has also increased by about Rs.15 per kg during this period. The increase in retail price of potato during this period was because of short supply due to seasonal factors and impact of delayed and weak monsoon. The potato prices however, have stablized before decline in November 2009 because of arrival of the new crop.

Table 1.18

Month end retail prices in Delhi during 2009 of select commodities (Rs./kg)

Items	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Total increase in Rs. between Jan-Nov
Rice	22	22	21	20	20	20	20	21	22	22	22	0
Wheat	13	13	13	13	14	13	13	13	13	13	15	2
Atta	14	15	15	15	15	14	15	15	15	15	18	4
Gram Dal	35	35	34	34	34	34	39	38.5	37	38	40	5
Tur Dal	50	55	52	59	61	65	82	83	82	82	91	41
Sugar	23	25	24	27	27	27	27.5	32	34	32	38	15
Groundnut Oil	109	103	101	109	109	106	107	111	112	101	101	-8
Mustard Oil	77	74	63	69	70	66	67	71	68	60	63	-14
Vanaspati	54	52	51	54	56	55	54	62	60	51	51	-3
Tea(Loose)	144	143	139	139	146	144	146	143	143	154	156	12
Milk/ltr	21	21	21	21	21	21	21	21	21	21	22	1
Potato	8	6	8	11	12	16	18	19	23	24	24	16
Onion	21	19	17	13	11	14	15	15	16	24	23	2
Salt(Pack)	11	11	11	11	12	12	12	12	12	12	12	1

Source: Department of Consumer Affairs.

World commodity prices

1.51 Among fuel group, coal prices have decelerated by 36 per cent in October 2009 over October 2008. However, the average crude oil price for October, 2009 at US $74.1/bbl is about

1.9 per cent higher than the price prevailing during the same month last year. This reflects gradual recovery in demand in the international market considering the average crude price of US $59.2/bbl during April- June, 2009 (Table 1.19).

Table 1.19

World prices of select commodities

Commodity	Unit	Average Apr-Mar 2008-09	Quarterly averages		Monthly averages				Annual per cent change in Oct-2009/ over Oct-2008
			Apr-Jun 2009	Jul-Sep 2009	Oct 2008	Aug 2009	Sep 2009	Oct 2009	
Coal	$/mt	116.6	66.5	71.3	111.3	72.5	67.6	71.1	-36.1
Crude oil	$/bbl	84.2	59.2	68.2	72.7	71.6	68.3	74.1	1.9
Palm oil	$/mt	803.9	743.0	678.7	564.0	723.0	674.0	678.8	20.4
Soybean meal	$/mt	404.7	423.8	430.7	945.0	438.0	425.0	412.5	-56.3
Soybean oil	$/mt	1101.0	863.0	856.0	339.0	886.0	846.0	900.8	165.7
Rice	$/mt	677.3	552.4	539.0	609.0	526.3	518.8	490.3	-19.5
Wheat	$/mt	281.0	251.1	208.6	186.0	210.1	190.8	198.8	6.9
Maize	$/mt	209.8	176.0	151.3	183.0	152.0	150.4	167.3	-8.6
Sugar	c/kg	28.3	33.9	47.0	26.2	49.5	50.8	49.9	90.5
Cotton	c/kg	145.6	132.3	141.9	137.0	141.6	141.2	147.3	7.5
Aluminum	$/mt	2227.1	1485.0	1811.9	2121.0	1933.8	1834.1	1878.6	-11.4
Copper	$/mt	5864.0	4663.0	5859.1	4926.0	6165.3	6196.4	6288.0	27.6
Gold	$/toz	867.2	921.5	960.1	807.0	949.4	996.6	1043.2	29.3
Steel cr coilsheet	$/mt	1033.3	700.0	700.0	1100.0	700.0	700.0	700.0	-36.4
Steel hr coilsheet	$/mt	941.7	600.0	600.0	1000.0	600.0	600.0	600.0	-40.0
Tin	c/kg	1682.1	1350.8	1459.3	1440.0	1487.0	1486.9	1500.9	4.2
Zinc	c/kg	156.0	147.3	176.1	130.0	182.2	188.4	207.2	59.4

Source: Pink Sheet, World Bank

1.52 In October 2009, among agriculture commodities, the prices of soybean meal, rice and maize have dropped by 56.3 per cent, 19.5 per cent and 8.6 per cent, respectively, as compared to prices in October 2008. However, prices of wheat and sugar have increased by 6.9 and 90.5 per cent, respectively, during the same period. The international steel and aluminium prices are lower by about 40 per cent and 11 per cent, respectively, during the same period (Table 1.19) .

Cross country CPI inflation

1.53 Consumer price inflation in most developed and emerging market economies (other than India, Russia, and Brazil) have remained negative/low in 2009. In India CPI inflation has remained elevated because of higher food prices (Table 1.20).

Table 1.20

Monthly CPI inflation of different countries- year-on-year (%)

Month	India	Brazil	China	Korea	Russia	US	UK	Euro
Jan-09	10.4	5.8	1.0	3.7	13.4	0.0	3.0	1.1
Feb-09	9.6	5.9	-1.6	4.1	13.9	0.2	3.2	1.2
Mar-09	8.0	5.6	-1.2	3.9	14.0	-0.4	2.9	0.6
Apr-09	8.7	5.5	-1.5	3.6	13.2	-0.7	2.3	0.6
May-09	8.6	5.2	-1.4	2.7	12.3	-1.3	2.2	0.0
Jun-09	9.3	4.8	-1.7	2.0	11.9	-1.4	1.8	-0.1
Jul-09	11.9	4.5	-1.8	1.6	12.0	-2.1	1.8	-0.7
Aug-09	11.7	4.4	-1.2	2.2	11.6	-1.5	1.6	-0.2
Sep-09	11.6	4.3	-0.8	2.2	10.7	-1.3	1.1	-0.3

Source: Official Web site of respective countries and Bloomberg

Measures to contain inflation

1.54 The Government monitors the price situation regularly as price stability remains high on its agenda. Measures taken to contain prices of essential commodities include selective ban on exports and futures trading in food grains, zero import duty on select food items, permitting import of pulses and sugar by public sector undertakings, distribution of imported pulses and edible oils through the PDS and release of higher quota of non-levy sugar. In addition, State Governments are empowered to act against hoarders of food items by holding in abeyance the removal of restrictions on licensing, stock limits and movements of food articles under the Essential Commodities Act 1955. Some of the important anti-inflationary measures taken are given in Box 1.3.

Box 1.3

Measures taken by Government to contain the price rise

1. Fiscal Measures

- Reduced import duties to zero-for sugar, rice, wheat, pulses , edible oil (crude) and maize.
- Reduced import duties on refined & hydro-generated oils & vegetable oils to 7.5 per cent;

- Import of raw sugar at zero duty under O.G.L. upto December 31, 2010. Import of raw sugar has been opened to private trade upto December, 31, 2010, for being processed by domestic factories on job basis.
- Allowed import of white/refined sugar by STC/MMTC/PEC and NAFED up to 1 million tonnes by 01.08.2009 under O.G.L. at zero duty (notified on 17.04.2009). This has since been extended upto 31.3.2010. Furthermore, the duty free import of white/refined sugar under OGL has been opened to other Central/State Government agencies and to private trade in addition to existing designated agencies.
- Removed levy obligation in respect of imported raw sugar and white/refined sugar.

2. Administrative Measures

- Banned export of non-basmati rice, edible oils and pulses (except kabuli chana);
- No changes in Tariff Rate Values of edible oils;
- Imposition of stock limit orders in the case of paddy, rice, pulses, sugar, edible oils and edible oilseeds upto September 31, 2010;
- Use of Minimum Export Price (MEP) to regulate exports of onion (averaging at US $ 450 per tonne for December, 2009) and basmati rice (US $900 per tonne);
- Distribution of imported edible oils to States/UTs with a subsidy of Rs.15/kg.
- Permitted Public Sector Undertakings (namely, STC, MMTC and PEC) and NAFED to import and sell pulses under a scheme and losses, if any, up to 15 per cent to be reimbursed by the Government.
- Distribution of imported pulses through PDS with a subsidy of Rs.10 per kg to State Governments.
- Permitted sugar factories to sell processed raw sugar in the domestic market and fulfil export obligation on tonne to tonne basis.
- Increased quota of levy sugar from 10 per cent to 20 per cent with effect from October 1 , 2009 for 2009-10 sugar season to ensure adequate levy sugar supplies under PDS,
- Suspensions of futures trading in rice, urad and tur by the Forward Market Commission in the year 2007-08 continues during 2009-10. Futures trading in sugar suspended w.e.f. May 27, 2009 upto December 31, 2009.

(3) Industry and Infrastructure

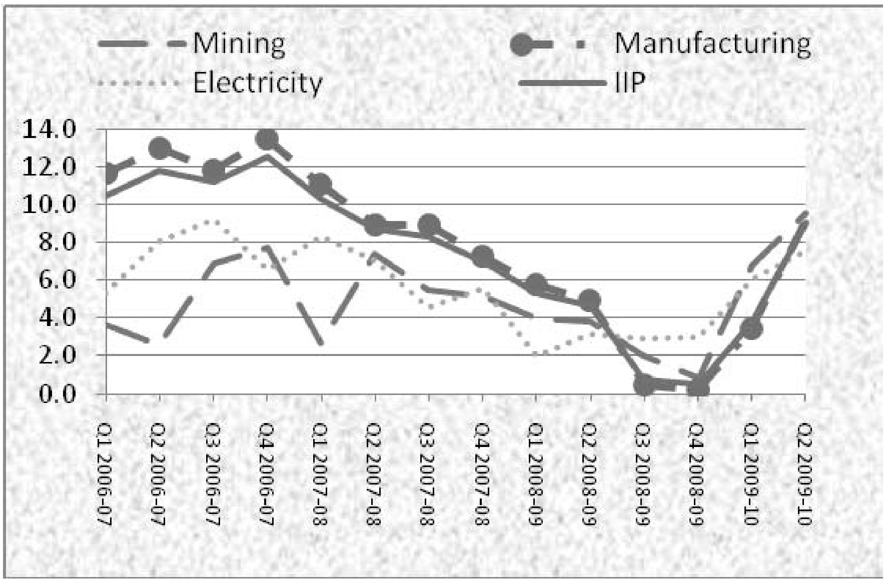
1.55 The slowdown in industrial growth, as measured by the Index of Industrial Production (IIP), that set in during the first half (H1) of 2007-08 continued through H1 2008-09 and deepened in the second half (H2) of 2008-09 with the sudden worsening of the international financial situation and economic outlook. The growth in IIP dwindled to a negligible level of 0.6 per cent during H2 of 2008-09. After remaining subdued for the first two months of the current financial year, IIP recorded four months (June to September 2009) of healthy growth close to 9 per cent, strongly indicating an industrial recovery (Table 1.21 and chart 1.5).

Table 1.21

Growth in broad industrial groups (per cent)

Period	Mining	Manufacturing	Electricity	IIP
Weight	10.5	79.4	10.2	100
H1 2007-08	4.9	10.0	7.7	9.5
H2 2007-08	5.3	8.0	5.1	7.6
H1 2008-09	3.9	5.3	2.6	5.0
H2 2008-09	1.4	0.4	2.9	0.6
H1 2009-10	8.1	6.3	6.8	6.5
April-May 09	3.4	1.1	5.1	1.6
June-Sept 09	10.7	8.9	7.6	8.9

Chart 1.5: IIP Growth (per cent) from Q1 2006-07 to Q2 2009-10



Source: Central Statistical Organisation

1.56 The sustained robust growth in consumer durables and in intermediate goods is the most visible indication of the pick-up in IIP growth. The strong growth in capital goods in the later part of H1 2009-10, that too on a high base, points to an improvement in investment sentiments (Table 1.22).

Table 1.22

Growth in use-based industrial groups (per cent)

Period	Basic goods	Capital goods	Intermediate goods	Consumer durables	Consumer Non-durables
H1 2007-08	9.3	20.2	9.9	-3.2	8.8
H2 2007-08	4.8	16.2	7.9	1.1	8.3
H1 2008-09	3.9	10.7	0.4	7.2	7.7
H2 2008-09	1.4	4.4	-4.2	1.9	2.2
H1 2009-10	6.7	5.3	9.5	18.9	-0.5
April-May 2009	4.2	-4.7	7.2	15.3	-8.1
June-Sept 2009	7.9	9.4	10.6	20.6	3.8

Source: Central Statistical Organisation

1.57 An analysis of the trends in the use-based industrial groups (Table 1.22) and sectoral categories subsumed under the National Industrial Classification (Table 1.23) in tandem makes the industrial scenario clearer. Among the use-based industrial groups, the basic goods are composed mainly of basic chemicals, basic metals, cement, electricity and minerals. Electricity and mining account for about 58 per cent weight of the basic goods captured by the IIP and hence the growth pattern in the two sectors got largely reflected in the growth of basic goods in H1 2009-10. While other important basic goods like cement and fertilizers recorded reasonable growth, different components of the iron and steel industry have shown a mixed picture. The strong growth in the machinery and equipment fed into the growth in capital goods, while some automobile components like commercial vehicles exhibited a slack in growth. Different components of capital goods have shown a highly varied growth pattern. Industrial machinery, laboratory and scientific equipments, transformers, electric generators, power-driven pumps and material handling equipment catalyzed growth, while items like diesel engines, well/off shore plate forms, process control equipment, telecom cables and agricultural implements dampened the growth of capital goods during H1 2009-10. Despite the slack production performance of petroleum products (except natural gas) and textile intermediates, the intermediate goods could register robust growth in H1 2009-10, aided by the strong growth in important items like PVC pipes, commercial plywood, chemical intermediates like paints, granite and stone chips filament yarn, polyster fibre, viscose staple fibre and a wide range of other items.

1.58 Growth in consumer durables was broad-based; robust production performance of the automobiles being quite significant. On the other hand, the slack growth in food products, beverages and tobacco products and cloth and footwear acted as dampeners to the growth in consumer non-durables. Paradoxically, their disaggregated growth scenario has not been as bleak. The strong contractionary movement in some of the important items like sugar, milk powder, beverages and some pharmaceuticals has had an exaggerated impact on the negative growth consumer non-durables during H1 2009-10; otherwise, majority of the non-durable items of consumption have shown positive growth during the period.

Table 1.23

Growth of industry product groups (at two digit level)

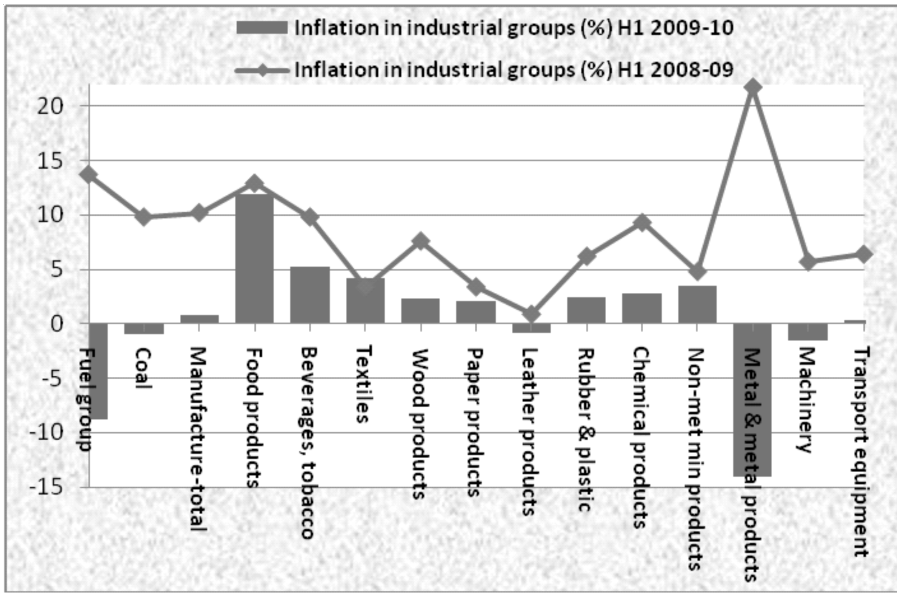
Industry group				H1	
	weight	2007-08	2008-09	2008-09	2009-10
Industrial groups with growth rates exceeding 10 per cent during H1 2009-10					
Miscellaneous manufacturing	25.6	19.8	0.4	-1.1	13.9
Rubber, plastic & petroleum	57.3	8.9	-1.5	-4.0	12.6
Machinery & equipment	95.7	10.4	8.7	10.1	11.0
Wool, silk & manmade textiles	22.6	4.8	-0.2	-0.9	11.7
Industrial groups with growth rates between 5 to 10 per cent during H1 2009-10					
Transport equipment	39.8	2.9	2.1	12.2	9.1
Textile products	25.4	3.7	4.2	5.2	9.0
Chemicals	140	10.6	4.1	6.1	7.5
Non-metalic mineral products	44	5.7	1.1	0.6	7.2
Basic metals	74.5	12.1	4.0	6.7	6.8
Wood products	27	40.5	-10.3	-6.1	6.8
Industrial groups with lower growth rates during H1 2009-10					
Paper products	26.5	2.7	1.7	4.6	1.5
Leather products	11.4	11.7	-6.9	-1.8	1.1
Cotton textiles	55.2	4.3	-2.1	0.1	0.9
Metal products	28.1	-5.6	-4.1	1.9	-1.6
Beverages & tobacco products	23.8	12.0	16.2	20.3	-2.6
Food Products	90.8	7.0	-9.7	-1.0	-11.6
Jute textiles	5.9	33.1	-10.0	-5.4	-16.2
Manufacturing	793.6	9.0	2.6	5.3	6.3

Source: Central Statistical Organisation

The area of concern could be the slack in some of the highly labour-intensive industries like food products, textiles, especially cotton textiles and leather products. The poor production performance of these industries has continued from the year 2008-09. This is reflected in the poor growth in consumer non-durables.

1.59 During H1 2009-10, the inflation in manufactured items was significantly lower than that during H1 2008-09 (Chart 1.6). Inflation in basic goods and intermediate goods, year-on-year, was considerably negative during H1 of 2009-10, while that in capital goods was mildly negative. On the other hand, while the inflation in consumer durables was mildly positive, consumer non-durables recorded the highest inflation among all the use-based industrial groups. This is broadly in line with the growth trends that are seen above. The inflation in basic goods turned negative, mainly because of the correction from the abnormal rise in the prices of basic metals and the mild fall in the prices of coal and electricity, both on year-on-year basis (Chart 1.6). While the decline in prices in intermediates owes mainly to the decline in fuel prices, the firm price levels of consumer non-durables, in the other extreme, owes to the high inflation in food products and the moderate to high inflation in beverages and tobacco products and textiles.

Chart 1.6: Inflation in industrial groups



1.60 The emerging industrial recovery is better understood in the background of trends in the energy sector, transport of goods and communications. Despite a steep decline in hydro power generation, the overall growth in electricity generation was close to 6.5 per cent during April-October 2009. This has been aided by a robust growth in thermal power generation of about 10 per cent. A half of the growth in electricity generation during April-October 2009 has been due to the appreciable growth in generation in the private sector. The Central sector achieved a reasonable growth, as compared to the State sector. In the petroleum sector, both crude and refining segments failed to pick up in April-October 2009, registering decline of 1.4 per cent and 2.0 per cent respectively. Coal, on the other hand, grew at 10.2 per cent during April-October 2009. Thus, the ongoing industrial recovery has been associated with a mixed growth picture in the energy sector.

1.61 The freight traffic of the Railways recorded an increase of 6.45 per cent during H1 2009-10, representing pick-up in the internal movement of goods. The growth in total seaborne cargo at Indian ports was 8.4 per cent during H1 2009-10, compared to 7.2 per cent during H1

2008-09. While the cargo handled by major ports grew only at a rate close to 2 per cent, the cargo handled at non-major ports grew by 26.4 per cent during H1 2009-10. The growth in air export cargo was at 1.2 per cent, while air import cargo went down steeply by 9.3 per cent.

1.62 Communication services sustained their momentum during H1 2009-10. With 488.4 million wireless connections by end-October 2009, Indian telecom has become the second largest wireless network in the world. The total number of telephones increased from 441.5 million in April 2009 to 525.65 million in October 2009. The tele-density went up from 37.7 per cent to 44.9 per cent during the period. With persistent measures for promotion of broadband, its subscriber base grew from 6.1 million from to about 7.4 million during the period.

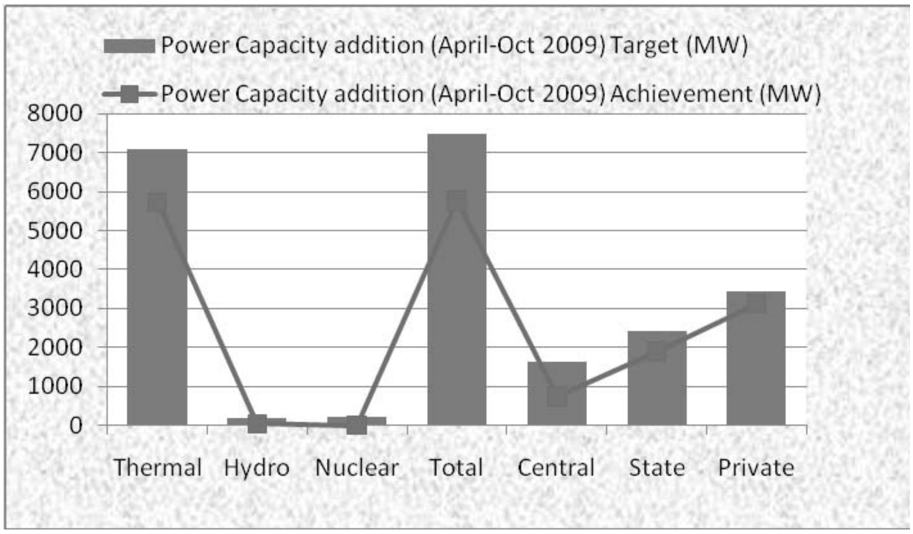
Investment and capacity addition

1.63 Gross capital formation (GCF) in manufacturing grew at a compound annual rate of 26.2 per cent during 2003-04 to 2007-08. As the National Accounts data on capital formation are available only till 2007-08, it is not possible to analyze the trends beyond that year. However, the increase in the investment demand is evident from the strong growth in capital goods recorded during June-September 2009. The CMIE (Centre for Monitoring Indian Economy) capex data on investment intentions show that for the quarter-ending September 2009 there is some signs of pick up and that the accretion of new investment announcements is very high and could possibly stimulate growth.

1.64 The capacity addition programme in the major infrastructure sectors during H1 2009-10 is detailed below.

(i) **Power:** Of the total capacity of 7,481 MW targeted for April-October 2009, 18.9 per cent was to be added in the Central sector; 32.8 per cent in the State sector; and the remaining 48.3 per cent in the private sector (Chart 1.7). Almost 95 per cent of the total capacity addition was planned in the thermal sector. During April-October 2009, only about 77 per cent of the total target in capacity addition could be achieved. About 51 per cent of the underachievement of targets for capacity addition has been on account of the Central sector projects, about 30 per cent due to State sector projects and the remaining 19 per cent on account of private sector projects.

Chart 1.7: Capacity addition in the power sector



(ii) **Railways:** During H1 2009-10: 33 km of new railway line has been constructed; about 125 km of rail line was doubled; 642 km of rail line underwent gauge conversion; and 327 route km have been energized. In the case of the Dedicated Freight Corridor project, final location survey has been completed on the entire Western Corridor and from Ludhiana to Sonnagar on the Eastern Corridor. Railways launched its first ever non-stop superfast passenger-carrying 'Duronto' trains in September 2009, which will ensure better speed, comfort and security for passengers. 'Duronto' trains will be non-stop and take passenger from end to end. The Sealdah-Delhi 'Duronto' and Chennai-Nizamuddin 'Duronto' have already started running. With increasing measures for safety, train accidents during H1 2009-10 came down to 68 as compared to a level of 91 in H1 2008-09.

(iii) **National Highways:** The National Highways Development Project (NHDP) is being implemented under seven phases at an estimated cost of about Rs. 2,35,690 crore.

Table 1.24

Progress in National Highways Projects

NHDP component	Total length (km)	Completed (km)	Under implementation
GQ	5846	5736	110
NHDP III	12109	982	2463
NHDP V (Six laning)	6500	148	886
NS-EW	7142	4238	2904

Under NHDP Phase-VI, the alignment studies of Vadodara-Mumbai, Delhi-Meerut, Bangalore-Chennai and Kolkata-Dhanbad Expressway have been completed. Work of Feasibility studies for 28 projects for a total of 3,594 km of NHDP Phase IVA and other selected stretches have been awarded. The letter of award has been issued for the development of Beawer-Gomti Section of NH-8 in Rajasthan through Public Private Partnership (PPP). The Government approved two / four laning of about 3,632 km of NHs and two laning / improvement of about 4,825 km of state roads in North Eastern Region under Special Accelerated Road Development Programme for North Eastern region (SARDP-NE). The High-powered Inter Ministerial Committee, set up to approve and co-ordinate individual sub projects under SARDP-NE, has approved various sub projects covering 1,160 km at an estimated cost of about Rs. 3,699 crore under Phase "A" of the programme. Under the special programme for development of roads in Left Wing Extremism (LWE) affected areas, an outlay of Rs.500 crore has been provided during 2009-10.

(iv) **Civil Aviation:** Against the plan for acquisition of 31 aircraft during 2009-10, 18 aircraft (15 by National Aviation Company of India Ltd and 3 by Air India Charters Ltd) have been acquired during H1 2009-10. The outlay earmarked for investment in airport infrastructure during 2009-10 is around Rs.3,245 crore. The international airports in Delhi and Mumbai have been restructured and are being modernized with private sector participation.

(v) **Ports:** During 2009-10, an additional capacity for handling 10 million tonnes (MT) of cargo has already been added. Addition of another 17.50 MT capacity is envisaged till March 2010.

(vi) **Communications:** Under the Universal Service Obligation Fund that provides for the development in telecom sector in rural areas, 59,800 village public telephones and 40,691 rural community phones have been provided till August 2009. Under the scheme of providing support for setting up and managing infrastructure sites spread over 500 districts for the provision of mobile services in rural and remote areas, 6,566 towers have been set up till end-August 2009, which is 88.3 percent of the target. Factors like inadequate transport facilities in sites, disturbances in project areas, non availability of electricity connection and clearances required from different agencies constrain the setting up of these infrastructure sites. An agreement has been signed with BSNL to provide 8,61,459 wire-line broadband connections to individual users and Government institutions from 27,789 DSLAMs (Digital Subscriber Line Access Multiplexes), installed at existing rural and remote exchanges over a period of 5-years, i.e., by 2014. The implementation of Mobile Number Portability (MNP) in Metro & category 'A' service areas is expected to be operationalised before the end of this fiscal year.

(vii) **Urban Development:** Some of the new initiatives in urban development include: the approval and the commencement of funding for the Sea Water Reverse Osmosis desalination Plant at Nemmeli near Chennai, coverage of five capital cities of the states of Meghalaya, Sikkim, Mizoram, Tripura and Nagaland under the ADB-aided North Eastern Region Urban Development Programme project (2009-2015), approval for the scheme for infrastructure development in the satellite towns around the seven mega cities in July 2009 at a cost of Rs 500 crore, finalization of the service level benchmarks for e-governance in urban local bodies, selection of 13 centres of excellence under the Capacity Building Programme of the Ministry of Urban Development, taking up of the work relating to construction of metro rail corridors in Kolkata and Chennai and the notification of the Metro Railways Amendment Act, 2009 that provides legal cover to construction work of metro railways.

Under Jawaharlal Nehru National Urban Renewal Mission (JNNURM- 2005 to 2012), 477 projects were approved under its Urban Infrastructure and Governance (UIG) component since inception till October 2009. Of this, 43 projects have been completed so far. Under the component of Urban Infrastructure Development Scheme for Small and Medium Towns, 753 projects were approved till October 2009, out of which 80 projects have been completed so far. The issues of concern for reforms and timely completion of projects under the JNNURM, *inter alia,* include; lack of coordination between the State departments, lack of clarity on implementation of optional reforms, complexities involved in reforms in rent control legislation and implementation of the 74th Constitutional Amendment Act, high capital intensity of process oriented reforms like e-governance and accounting, increase in material costs and issues related to land acquisition for solid waste management and sewerage projects.

(viii) **Public-private partnerships (PPPs):** The global financial crisis has dampened the appetite of the private sector for investing in PPPs; yet, interest still remains for well structured projects. Loosely developed and mega projects have fewer takers, which underscores the need to have a coherent policy framework in place before embarking on individual projects. As per the available database, currently there are around 450 PPP projects in the country with an estimated project cost of Rs. 2,24,266 crore. Road sector projects account for the most significant share in PPPs with 60.2 per cent share in terms of number of projects and accounting for 45.5 per cent of the total estimated cost. This is followed by ports (9.6 per cent and 29.7 per cent shares in total number and total cost respectively) and the urban development sector (16.0 per cent share in total number and 6.8 per cent share in total cost). The other sectors with significant shares in the total cost of PPPs include airport and energy.

Industrial and investment financing

1.65 Enterprises bank on a variety of sources- domestic and international- for financing their investment, apart from their own internal resources. Some of the predominant sources, other than banks and financial institutions, include resource mobilization through the issue of equities and bonds, private placement, private equity and commercial papers, and foreign sources like foreign direct investment (FDI), American Depository Receipts/ Global Depository Receipts (ADRs/ GDRs) and external commercial borrowings (Table 1.25). It is difficult to compare the quantities as sources of meeting the current and capital expenditures of the industrial sector (including infrastructure), as most of these include the total commercial mobilization of resources, of which industry forms only a part.

1.66 Given the above caveat, three tentative conclusions seem contextually relevant for H1 2009-10. First, the growth in bank financing of the industrial sector decelerated significantly during H1 2009-10. With the organized sector having access to varieties of financial instruments to raise resources; the implications for the enterprises of smaller scale become more pronounced. Second, the mobilization of financial resources from the domestic non-bank sector, including the capital market, has been significantly higher during H1 2009-10 compared to H1 2008-09. Third, the inflow of investible resources from external sources remained strong during H1 2009-10, with higher flows from ADRs/GDRs and steady inflow of foreign direct investment (FDI).

Table 1.25

Flow of financial resources to commercial sector (Rs. crore)*

Source	Item	2007-08	2008-09	H1 2008-09	H1 2009-10$
Domestic sources	Public issues by non-financial entities	51,478	14,205	11,913	13,617
	Qualified Institutional Placements (QIPs)	25525	189	75	26180
	Gross private placements by NFIs	68,249	77,856	17,847	34,790 #
	Net issuance of CPs subscribed by non-banks	10,660	5,590	22,187	51,012
	Bank credit to industry (incl. infra)	169536	187515	63768	41529
	Systemically important non-deposit taking NBFCs (net of bank credit)	36,460	76,828	37,744	17,990 ^
	Mutual Funds Investments in Debt (non-Gilt)	88,457	-32,168	19,896	1,01,956
	LIC's gross investment in corporate debt, infrastructure and social sector	24,275	65,815	10,686	18,027 ^
Foreign sources	External Commercial Borrowings / FCCB	91,180	38,009	10,906	6,486
	ADR/GDR issues (excluding banks & FIs)	11,836	4,788	4,652	12,645
	Foreign direct investment	1,37,434	1,58,579	69,034	78,919 ^

Source: RBI/SEBI.

**: Comparable period for respective items. ^: Data pertain to April-August. #: Data pertain to April-June.*

$ Figures are provisional

1.67 The sectoral composition of the gross deployment of bank credit to industry, including infrastructure, shows widely varying patterns (Table 1.26). It is the infrastructure sector that kept up growth in industrial credit close to a level of 18 per cent during August 2009, on year-on-year basis. The growth in the credit to industrial sector, net of infrastructure, was significantly lower, i.e, 9.9 per cent in August 2009, compared to 32.0 per cent during the corresponding period of the previous year.

Table 1.26

Industry-wise deployment of gross bank credit (outstanding)*

(in per cent)

Industry	Growth (Y-o-Y)		Share in total industrial credit	
	Aug-08	Aug-09	Aug-08	Aug-09
Mining and quarrying (incl. coal)	44.3	15.0	1.4	1.3
Food processing	30.4	5.4	5.4	4.8
Beverage & tobacco	34.7	51.5	0.7	0.9
Textiles	21.9	9.3	10.4	9.7
Leather & leather products	20.7	-0.1	0.6	0.5
Wood & wood products	40.6	20.6	0.4	0.4
Paper & paper products	26.6	9.3	1.6	1.4
Petroleum, coal products & nuclear fuels	90.7	-3.5	6.7	5.5
Chemicals & chemical products	30.2	5.1	7.5	6.7
Rubber, plastic & their products	24.9	11.3	1.3	1.2
Basic metals & metal products	30.2	22.1	12.3	12.8
Iron and steel	31.6	23.2	9.5	9.9
All engineering	21.3	9.2	6.1	5.6
Automobiles	27.9	8.0	3.6	3.3
Infrastructure	36.1	44.7	22.5	27.6
Power	21.8	50.8	10.5	13.5
Telecommunications	70.8	35.3	3.6	4.1
Roads & ports	28.4	66.9	3.9	5.6
Other Infrastructure	63.6	18.2	4.4	4.4
INDUSTRY	32.9	17.8	100.0	100.0

Source: Reserve Bank of India

* *Figures are provisional*

1.68 Credit growth during the period was the lowest in petroleum, coal products & nuclear fuels, followed by leather products. However, in the absence of information about the total financial resources mobilized by particular sectors, it is difficult to draw conclusions about the emerging sectoral investment sentiments.

C. External Sector and Financial Development

(1) Balance of payments, foreign exchange reserves and exchange rate

Global Economy

1.69 The world economy as per the estimates of IMF, appears to show signs of recovery after nearly two years, supported by the strong performance of Asian economies and modest positive growth in advanced economies and with stabilization of recovery elsewhere. After successive rounds of downward revisions of growth outlook for 2009 from 3.9 per cent in July 2008 to (-) 1.4 per cent in July 2009, the International Monetary Fund (IMF), for the first time, has revised the projections upwards to (-) 1.1 per cent in World Economic Outlook (WEO) October 2009. The projections for 2010 have been revised upwards to 3.1 per cent as compared to 2.9 per cent projected in the update of WEO in July 2009. The developed countries as a group are expected to grow by 1.3 per cent and developing countries by 5.1 per cent. The global trade is expected to increase by 2.5 per cent in 2010 after falling by nearly 12 per cent in 2009 (Table 1.27). To the extent the change in the IMF estimates reflect the available quarterly data in October 2009, there is a recovery. Though the world economy is showing signs of recovery due to concerted efforts, the risks remain. These include signs of asset price bubble and heightened carry trade activity, supported by increase in investor appetite for risk.

Table 1.27

Select economic indicators – World

Sl		Item	2008	2009 P	2010 P
I	World output (per cent change) #		3.0	-1.1	3.1
	a	Advanced Economies	0.6	-3.4	1.3
	b	Other emerging market and developing countries	6.0	1.7	5.1
		of which			
		Developing Asia	7.6	6.2	7.3
		China	9.0	8.5	9.0
		India	7.3	5.4	6.4
II	Net capital flows to emerging market and developing countries (US$ billion)				
	i	Net private capital flows (a+b+c)	129.5	-52.5	28.3
		a) Net private direct investment	425.0	279.0	269.5
		b) Net private portfolio investment	-85.4	-99.8	-110.4
		c) Net other private capital flows	-210.1	-231.6	-130.8
	ii	Net official flows	-105.7	50.3	-14.2

Sl	Item		2008	2009 P	2010 P
III	World trade @				
	i	Trade volume	3.0	-11.9	2.5
	ii	Export volume	2.8	-11.4	2.6
IV	Current Account Balance (Per cent to GDP)				
	i	US	-4.9	-2.6	-2.2
	ii	China	9.8	7.8	8.6
	iii	India	-2.2	-2.2	-2.5
	iv	Middle East	18.3	2.6	7.9

Source: World Economic Outlook, October 2009, International Monetary Fund (IMF)

Note : P – Projections, # growth rates are based on GDP at purchasing power parities, @ Average of annual percentage change for world exports and imports of goods and services.

Asia and the financial crisis

1.70 The Asia region has been severely hit through both trade and financial channels during the crisis. Exports fell throughout the region, capital flowed out of Asia, and industrial production dropped precipitously. The turnaround began in the first half of 2009, and as per the IMF's Regional Economic Outlook for Asia and the Pacific, October 2009, Asia is emerging from the global downturn faster and stronger than any other region. Growth in the region is expected to be higher than previously projected with emerging economies such as China and India turning around strongly. The key driver of Asia's recovery has been the region's rapid and forceful policy response, which was made possible by strong fundamentals; sound fiscal positions; credible monetary policies, and strong corporate and bank balance sheets. These conditions have given policymakers the space to cut interest rates sharply and adopt large fiscal packages, helping to sustain overall domestic demand.

Balance of Payments developments during first quarter of 2009-10 (April-June)

1.71 India's balance of payments (BoP) position during the first quarter of 2009-10 (April-June) reflected the impact of the continuing slowdown in global demand as well as tight international credit market conditions. Both exports and imports continued their declining trend during the first quarter of 2009-10, while private transfer receipts remained buoyant. Despite surplus in net invisibles, the large trade deficit led to a current account deficit, *albeit* a lower one. At the same time, the growing confidence of international investors in India's long-term growth prospects was manifest in the revival of capital flows, especially foreign investments which turned the capital account balance into positive territory, from a negative balance in the last two quarters of 2008-09. Accordingly, there was a marginal increase in foreign exchange reserves on BoP basis (*i.e.*, excluding valuation). Including valuation effects, reserves showed a large increase during the first quarter of 2009-10, which implied large valuation gains on account of depreciation of the US dollar against major currencies. The latest available information reinforces the trend of revival in capital inflows. India's foreign exchange reserves increased from US$ 252 billion at end-March

2009 to US$ 265 billion at end-June 2009 and reached a level of US$ 281 billion at end September 2009. It further increased to a level of US$ 284 billion at end October 2009.

1.72 The trade deficit at US$ 26.0 billion (9.6 per cent of GDP) during the Q1 of 2009-10 registered a decline of 17.3 per cent over the deficit of US$ 31.4 billion (10.6 per cent of GDP) during Q1 of the previous year. Similarly, Goods and Services balance (i.e trade balance and services) declined to US$ 17.0 billion (6.2 per cent of GDP) during Q1 of 2009-10 as compared to US$ 19.8 billion (6.7 per cent of GDP) during the corresponding period of last year. During Q1 of 2009-10, there was a marginal decline in invisible receipts, mainly on account of decline in software exports and higher invisible payments, leading to marginally lower net invisible surplus (invisible receipts minus invisible payments) of US$ 20.2 billion (7.4 per cent of GDP) in Q1 of 2009-10 vis-a-vis US$ 22.4 billion (7.6 per cent of GDP) in Q1 of 2008-09. However, it was higher than that of US$ 19.3 billion (6.9 per cent of GDP) in the last quarter of 2008-09. The Current Account Deficit (CAD) at US$ 5.8 billion (2.1 per cent of GDP) during Q1 of 2009-10 registered a decline of 35.6 per cent as compared to US$ 9.0 billion (3.0 per cent of GDP) in Q1 of 2008-09.

1.73 The capital account showed a turnaround from a negative balance in Q3 and Q4 of fiscal 2008-09 to a positive balance of US$ 6.7 billion (2.5 per cent of GDP) during Q1 of 2009-10. Gross capital inflows were US$ 78.5 billion during Q1 of 2009-10 vis-a-vis US$ 90.9 billion during the corresponding period of last fiscal 2008-09. The major sources were FIIs (US$ 38.6 billion), NRI deposits (US$ 11.2 billion), trade credit (US$ 10.1 billion), FDI (US$ 9.6 billion), and banking capital excluding NRI deposits (US$ 4.4 billion).

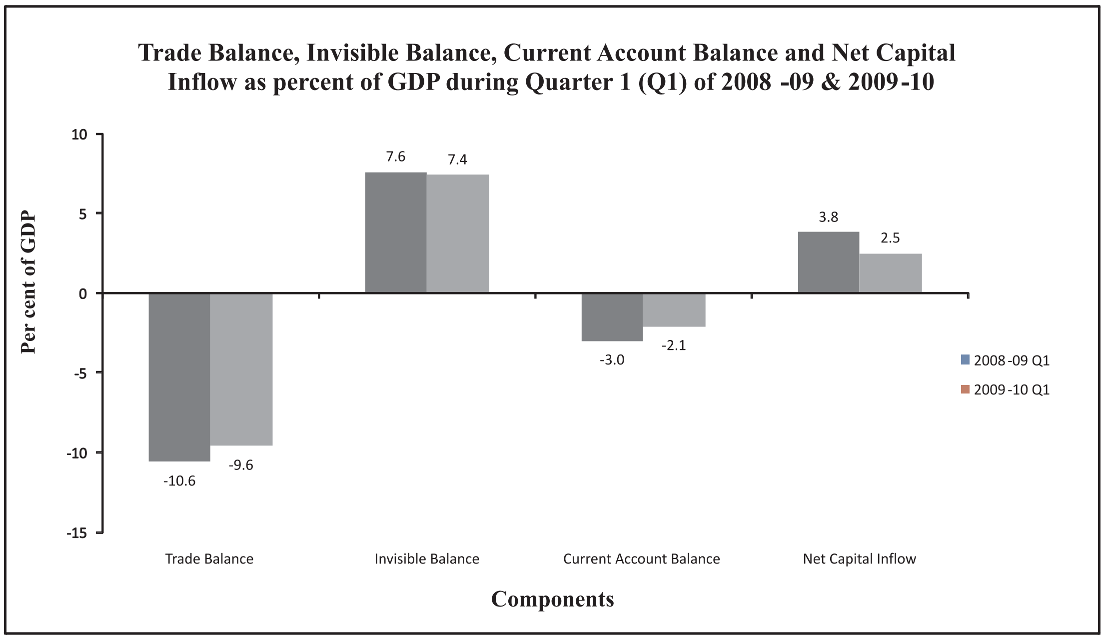
1.74 The net capital inflows of US$ 6.7 billion during Q1 of 2009-10, however, was lower compared to US$ 11.1 billion during the corresponding period of last year. This was mainly on account of large net outflows under short term trade credit (US$ 3.1 billion) and banking capital (US$ 3.4 billion).

1.75 Net FDI inflows (net inward FDI minus net outward FDI) amounted to US$ 6.8 billion in Q1 of 2009-10 (US$ 9.0 billion in Q1 of 2008-09). FDI inflows were channeled mainly into manufacturing sector (19.2 per cent), real estate activities (15.6 per cent), financial services (15.4 per cent), construction (12.2 per cent) and business services (11.7 per cent). Mauritius continued to be the major source of FDI during Q1 of 2009-10 with a share of 48.9 per cent followed by USA at 12.8 per cent.

1.76 Portfolio investment comprises foreign institutional investors (FIIs) investments and American depository receipts (ADRs)/global depository receipts (GDRs). The sharp increase in FII inflows of US$ 8.2 billion during Q1 of 2009-10 as compared to net outflow of US$ 5.2 billion during Q1 of 2008-09 could be attributed to the better corporate performance, political stability, comparatively better growth prospects and recovery of domestic stock market in line with international stock markets. Net inflows under ADRs/ GDRs were significantly lower at US$ 0.04 billion during the first quarter of 2009-10 as against an inflow of US$ 1.0 billion during the corresponding quarter of 2008-09.

1.77 The tight liquidity in the overseas markets continued during the first quarter of 2009-10. There was a net ECB outflow of US$ 0.4 billion as against an inflow of US$ 1.5 billion in the first quarter of 2008-09. Net Banking capital, including NRI deposits, were negative (outflow) at US$ 3.4 billion during the first quarter of 2009-10 as against a positive net inflow of US$ 2.7 billion during the first quarter of 2008-09. During April-June 2009, the disbursements under short-term trade credit were at US$ 10.1 billion as compared with US$ 10.2 billion during April-June 2008. With repayments at somewhat higher levels (US$ 13.2 billion) as against US$ 7.8 billion during April-June 2008, there was an outflow of US$3.09 billion during April - June 2009. The capital account balance was placed at US$ 6.7 billion (2.5 per cent of GDP) during Q1 of 2009-10 as compared to US$ (-) 5.3 billion during Q4 of 2008-09. The trade balance, invisibles balance, current account balance and net capital flows as per cent of GDP during Q1 (April-June) of 2008-09 and 2009-10 are somewhat stable (Chart 1.8).

Chart 1.8



1.78 The salient features of BoP developments during 2007-08, 2008-09 and Q1 of fiscal 2008-09 and 2009-10 are summarized below (Table 1.28).

Table 1.28

Balance of Payments developments during 2007-08 to 2009-10 (Q1)

(US $ billion)

Sl	Items	2007-08 (PR)	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)
1	Exports	166.16	175.18	49.12	38.79
2	Imports	257.79	294.59	80.55	64.78
3	Trade balance	-91.63	-119.40	-31.43	-25.99
4	Net invisibles	74.59	89.59	22.41	20.18
5	Goods & Services Balance	-54.06	-69.59	-19.81	-16.95

(US $ billion)

Sl	Items	2007-08 (PR)	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)
6	Current Account Balance	-17.03	-29.82	-9.02	-5.81
7	FDI (Net)	15.40	17.50	8.97	6.83
8	Portfolio	29.56	-14.03	-4.21	8.27
9	External assistance (Net)	2.11	2.64	0.35	0.08
10	Commercial borrowing (Net)	22.63	8.16	1.47	-0.36
11	Short term Credit	17.18	-5.80	2.40	-3.09
12	Banking Capital	11.76	-3.40	2.70	-3.37
13	Rupee Debt Service	-0.12	-0.10	-0.03	-0.02
14	Other Capital	9.47	4.18	-0.50	-1.62
15	Total Capital Account Balance	107.99	9.15	11.14	6.74
16	Error and Omissions	1.21	0.59	0.12	-0.81
17	Overall Balance(Total Current Account, Capital Account and Errors & Omissions)	92.16	-20.08	2.24	0.12
18	Change in Reserves (-indicates increase; +indicates decrease) (on BOP Basis)	-92.16	20.08	-2.24	-0.12
	Memo Items/Assumptions				
1	Trade balance/GDP (%)	-7.8	-10.3	-10.6	-9.6
3	Invisible balance/GDP (%)	6.4	7.7	7.6	7.4
2	Goods & services balance/GDP (%)	-4.6	-6.0	-6.7	-6.2
4	Current Account Balance / GDP (%)	-1.5	-2.6	-3.0	-2.1
5	Net Capital Flows/GDP (%)	9.2	0.8	3.8	2.5

PR: Partially Revised *P: Preliminary*

Source: Reserve Bank of India

1.79 The latest available information on certain components of the capital account suggests a revival in capital flows to India. This could be attributed to relatively better macroeconomic performance of India during 2009-10 and positive sentiments of global investors about the growth potential of India.

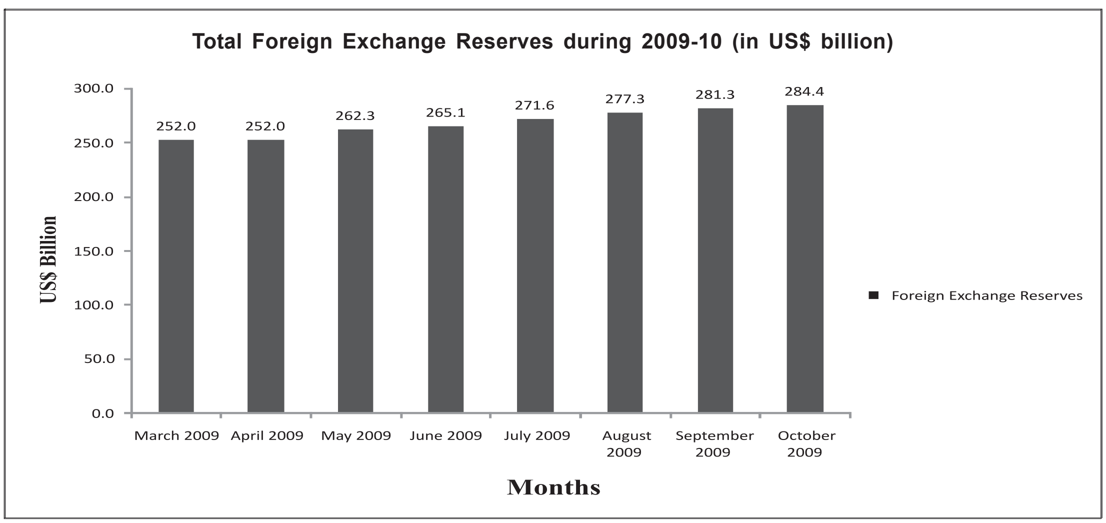
Foreign exchange reserves

1.80 The twin objectives of safety and liquidity are the guiding principle of foreign exchange reserves management in India with return optimization being an embedded strategy within this framework. The demands placed on the foreign exchange reserves may vary widely among countries, depending upon a variety of factors including the exchange rate regime, the extent of openness of the economy, the size of the external sector in a country's GDP and the nature of markets operating in the country. Even within this divergent framework, the primary objective of reserve management is preservation of the long-term value of the reserves in terms of purchasing power and to minimize risk and volatility in returns. India is no exception in this regard.

1.81 Although both US dollar and Euro are intervention currencies, the foreign exchange reserves are denominated and expressed in US dollar only. Taking into account the valuation losses of US$ 37.7 billion, arising out of depreciation of major currencies against the US dollar, India's foreign exchange reserves recorded a decline of US$ 57.7 billion during 2008-09 to a level of US$ 252.0 billion as at end-March 2009.

1.82 During the current fiscal 2009-10 the foreign exchange reserves position has shown an increasing trend. The level of foreign exchange reserves increased from US$ 252.0 billion at end March 2009 to US$ 281.3 billion at the end September 2009. It further increased to US$ 284.4 billion at end October 2009 (Chart 1.9).

Chart 1.9



1.83 Foreign Currency Assets (FCAs) are a major constituent of the foreign exchange reserves in India. FCAs increased by 9.5 per cent from US$ 241.4 billion at end March 2009 to a level of US$ 264.4 billion at end September 2009. It further increased to a level of US$ 266.8 billion at end October 2009 (Table 1.29). Out of the total increase of US$ 25.4 billion in FCAs during the period under reference, US$ 20.8 billion was account of valuation gain, reflecting the depreciation of the US dollar against the major currencies, amounting to 81.9 per cent and remaining 18.1 per cent was on account of intervention by the Reserve Bank of India in form of net purchase of US dollar amounting to US$ 4.6 billion to maintain stability in the foreign exchange market.

Table 1.29

Foreign Exchange Reserves, Component wise and Month wise, during 2008-09 and 2009-10

(US $ billion)

SI	Month(end of Month)	FCA	Gold	SDRs	RTP in IMF	Total Foreign Exchange Reserves
1	March 2008	299.23	10.04	0.018	0.436	309.72
	2008-09					
2	April 2008	304.22	9.43	0.018	0.485	314.16
3	May 2008	304.87	9.20	0.011	0.526	314.61
4	June 2008	302.34	9.21	0.011	0.528	312.09
5	July 2008	295.92	9.74	0.011	0.512	306.18
6	August 2008	286.12	8.69	0.004	0.496	295.31
7	September 2008	277.30	8.57	0.004	0.467	286.34
8	October 2008	244.05	8.38	0.009	0.447	252.88
9	November 2008	238.97	7.86	0.003	0.854	247.69
10	December 2008	246.60	8.49	0.003	0.877	255.97
11	January 2009	238.89	8.88	0.003	0.830	248.61
12	February 2009	238.72	9.75	0.001	0.816	249.28
13	March 2009	241.43	9.58	0.001	0.981	251.99
	2009-10					
14	April 2009	241.74	9.23	0.001	0.983	251.95
15	May 2009	251.46	9.60	0.001	1.245	262.31
16	June 2009	254.09	9.80	0.001	1.248	265.14
17	July 2009	260.63	9.67	0.001	1.338	271.64
18	August 2009	261.25	9.83	4.828	1.349	277.25
19	September 2009	264.37	10.32	5.224	1.365	281.28
20	October 2009	266.77	10.80	5.242	1.581	284.39

Source: Reserve Bank of India

Note: FCA: Foreign Currency Asset, SDRs: Special Drawing Rights; RTP in IMF; Reserve Tranche Position in IMF; 2 FCA is maintained as a multicurrency portfolio, comprising major currencies, such as, US dollar, Euro, Pound sterling, Japanese yen, etc. and is valued in US dollar; 3. Gold: Physical stock has remained unchanged at approximately 357 tonnes.

1.84 In the current year, inflows under FDI, portfolio investments and NRI deposits and also valuation gains due to weakness of the US dollar against major currencies were the major sources contributing to the increase in foreign exchange reserves. The increase in foreign exchange reserves during this period also includes the SDRs allocation made by the IMF in two consecutive tranche on August 28, 2009 and September 9, 2009, respectively.

Exchange Rate

1.85 The foreign exchange rate policy in India has been guided by the broad principles of careful monitoring and management of exchange rates with flexibility, while allowing the underlying demand and supply conditions to determine the exchange rate movements over a period in an orderly manner. Subject to this predominant objective, the Reserve Bank of India's intervention in the foreign exchange market has been driven by the objectives of reducing excess volatility, maintaining adequate level of reserves, and developing an orderly foreign exchange market.

US dollar

1.86 During 2009-10 so far, the appreciating trend in US$ has been reversed because of declining safe haven flows to the US, large-scale quantitative easing in the US and change in the market sentiment against the dollar. Between end-March 2009 and October 13, 2009, the US dollar depreciated by 10.5 per cent against the euro, 9.3 per cent against the pound sterling and 8.2 per cent against the Japanese yen (Table 1.30). The Emerging Market Economy (EME) currencies witnessed appreciating trend in Q3 of 2009, reflecting in part their relative attractiveness to foreign investors for higher yields. With respect to the Asian currencies, the US dollar depreciated against Indian rupee, Indonesian rupiah, Malaysian ringgit, South Korean won and Thai Baht.

Table 1.30

Exchange rate of US dollar against international currencies

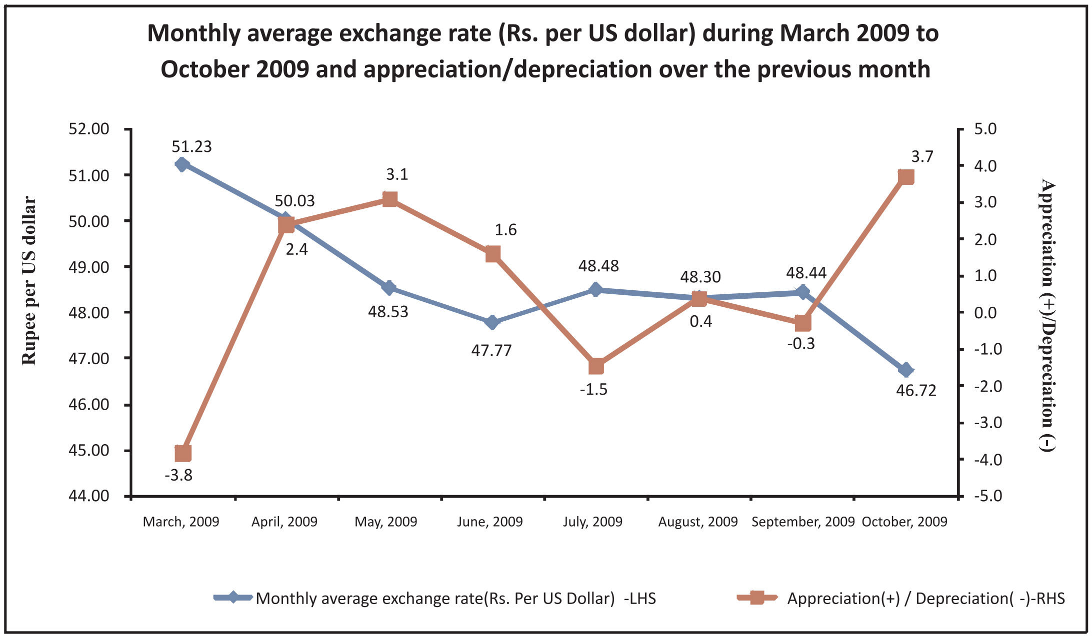
Month/Year	GBP/USD	Euro/USD	USD/JPY
1	2	3	4
March 2008	1.9885	1.5812	100.10
April 2008	1.9668	1.5540	104.08
May 2008	1.9735	1.5508	105.66
June 2008	1.9917	1.5764	106.40
July 2008	1.9805	1.5611	107.99
Aug 2008	1.8289	1.4735	109.10
Sept 2008	1.8161	1.4395	105.87
Oct 2008	1.6076	1.2726	98.46

Month/Year	GBP/USD	Euro/USD	USD/JPY
1	2	3	4
Nov 2008	1.538	1.2705	95.57
Dec 2008	1.4626	1.3978	90.60
Jan 2009	1.4435	1.3409	90.87
Feb 2009	1.4322	1.2668	97.63
March 2009	1.4327	1.3249	98.84
US$ Appreciation (+)/Depreciation (-) (End March 2008– End March 2009)	38.79	19.34	- 1.26
2009-10			
April 2009	1.4787	1.3226	98.57
May 2009	1.5511	1.3690	96.79
June 2009	1.6466	1.4036	96.33
July 2009	1.6721	1.4250	94.68
August 2009	1.6276	1.4249	95.18
September 2009	1.6257	1.4506	90.85
US$ Appreciation (+) / Depreciation (-) (End March 2009– End September 2009)	(-)11.87	(-) 8.66	(-) 8.08

Source: Reserve Bank of India

1.87 The rupee depreciation during 2008-09 reflected mainly the supply-demand imbalance in the foreign exchange market, which widened significantly during September-October 2008, as fallout of the global crisis. In the fiscal 2009-10, with the signs of recovery in terms of return of foreign institutional investors (FIIs) flows, continued inflows under FDI and NRI deposits, better macroeconomic performance of the Indian economy and weakening of the US dollar in the international markets, rupee has again been strengthening against US dollar. Additionally, the outcome of the general elections, which generated expectations of political stability, buoyed the market sentiment and strengthened the rupee, especially in the second half of May 2009. The rupee has exhibited significant strength against the US dollar during October 2009 so far on the back of sustained dollar inflows and continued weakness of the US dollar against the euro. At end October 2009, the rupee appreciated by 9.6 per cent against the US dollar over end-March 2009 level (Chart 1.10) and 1.4 per cent against Japanese yen. The rupee, however, depreciated by 3.7 per cent against the pound sterling, and 3.4 per cent against the euro during the same period.

Chart 1.10



1.88 The month wise details of exchange rate of Rupee against major international currencies and RBI's sale / purchase of foreign currency in foreign exchange market during 2008-09 and 2009-10 is indicated in the Table 1.31 below.

Table 1.31

Exchange rates and RBI's sale/purchase of foreign currency in exchange market, 2008-09 and 2009-10

Month	Monthly average exchange rates (Rupee per foreign currency)*				RBI Net sale (-)/ purchase (+) US$ million
	US$	Pound	Euro	Yen**	
April 2008	40.02 (0.83)	79.20 (2.02)	63.03 (-0.63)	38.93 (2.99)	(+) 4325
May 2008	42.13 (-4.99)	82.74 (- 4.27)	65.55 (- 3.85)	40.41 (- 3.66)	(+) 148
June 2008	42.82 (-1.63)	84.11 (-1.62)	66.57 (-1.54)	40.07 (0.87)	(-) 5229
July 2008	42.84 (-0.04)	85.17 (- 1.25)	67.56 (- 1.47)	40.15 (-0.20)	(-) 6320
August 2008	42.91 (-0.17)	81.34 (4.71)	64.45 (4.84)	39.34 (2.06)	(+) 1210

Month	US$	Pound	Euro	Yen**	RBI Net sale (-)/ purchase (+) US$ million
	Monthly average exchange rates (Rupee per foreign currency)*				
September 2008	45.56 (-5.82)	82.06 (-0.88)	65.55 (-1.69)	42.74 (-7.96)	(-) 3784
October 2008	48.66 (-6.35)	82.65 (-0.71)	64.84 (1.10)	48.57 (-11.99)	(-) 18666
November 2008	49.01 (-0.71)	75.18 (9.94)	61.67 (5.13)	51.15 (-5.04)	(-) 3101
December 2008	48.63 (0.76)	72.56) (3.61	65.67 (-6.08)	53.30 (-4.04)	(-) 318
January 2009	48.79 (-0.32)	70.77 (2.52)	65.10 (0.87)	54.04 (-1.37)	(-) 29
February 2009	49.26 (-0.96)	70.83 (-0.08)	62.89 (3.52)	53.47 (1.06)	(+) 230
March 2009	51.23 (-3.84)	72.90 (-2.85)	66.92 (-6.03)	52.51 (1.83)	(-) 3388
Average 2008-09	45.99 (-12.46)	78.29 (3.24)	64.98 (-12.20)	46.22 (-23.53)	
2009-10					
April 2009	50.03 (2.39)	73.58 (- 0.92)	65.81 (1.69)	50.84 (3.29)	(-) 2487
May 2009	48.53 (3.09)	74.83 (- 1.67)	66.20 (- 0.60)	50.22 (1.25)	(-) 1437
June 2009	47.77 (1.59)	78.16 (- 4.25)	66.98 (- 1.16)	49.45 (1.56)	(+) 1044
July 2009	48.48 (- 1.46)	79.35 (- 1.50)	68.24 (- 1.85)	51.26 (- 3.55)	(-) 55
August 2009	48.30 (0.37)	79.93 (-0.73)	68.87 (-0.91)	50.80 (0.91)	(+)181
September 2009	48.44 (-0.29)	79.35 (0.74)	70.44 (-2.22)	52.85 (-3.89)	
October 2009	46.72 (3.68)	75.73 (4.78)	69.30 (1.66)	51.76 (2.12)	

** FEDAI indicative rate; ** Per 100 Yen , Figures in parentheses indicate appreciation (+) and depreciation (-) over the previous month / year*

Source: Reserve Bank of India

1.89 The 6-currency trade-based REER (base: 1993-94=100) depreciated by 13.8 per cent between March 2008 and March 2009. The broader 36-currency trade-weighted REER also depreciated by 13.6 per cent during the same period. The sharp depreciation of REER during 2008-09 was mainly on account of significant depreciation of the rupee against the US dollar and against other major currencies such as the euro, the Japanese yen and the Chinese yuan and significant moderation in the inflation rate in India. The average 6-currency trade-based REER (base: 1993-94=100) appreciated by 6.1 per cent between March and September 2009, mainly on account of appreciation of the rupee against the US dollar and increase in inflation differential between India and its trading partners. The 6-currency REER stood at 104.92 on October 16, 2009 (Table 1.32). In relation to the base year, over a long-term, the REER exhibits relative stability.

Table 1.32
Indices of Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER) of the Indian Rupee (6-Currency Trade Based Weights)Base 1993-94 (April-March) = 100

Monthly Averages	NEER	Appreciation (+)/ Depreciation (-) in NEER over previous month	REER	Appreciation (+) / Depreciation (-) in REER over previous month
2008-09 (P)				
April 2008	71.18		112.23	
May 2008	67.98	-4.5	108.34	-3.5
June 2008	66.85	-1.7	108.22	-0.1
July 2008	66.30	-0.8	107.91	-0.3
August 2008	67.64	2.0	111.20	3.0
September 2008	64.81	-4.2	106.96	-3.8
October 2008	62.34	-3.8	102.09	-4.6
November 2008	63.25	1.5	102.45	0.4
December 2008	62.35	-1.4	99.93	-2.5
January 2009	62.49	0.2	99.23	-0.7
February 2009	62.97	0.8	99.43	0.2
March 2009 (P)	60.35	-4.2	95.68	-3.8
2009-10 (P)				
April 2009 (P)	61.49	1.9	98.58	3.0
May 2009 (P)	62.31	1.3	101.37	2.8
June 2009 (P)	62.43	0.2	101.11	-0.3
July 2009 (P)	61.36	-1.7	100.64	-0.5
August 2009 (P)	61.22	-0.2	100.77	0.1
September 2009 (P)	60.61	-1.0	101.56	0.8
October 16, 2009 (P)	62.83		104.92	

Source: Reserve Bank of India

(2) External debt

1.90 As per the latest data available, India's external debt stood at US$ 227.7 billion at end-June 2009, recording an increase of US$ 3.7 billion or 1.7 per cent over the end-March 2009 level of US$ 224.0 billion. The depreciation of US dollar against major currencies and Indian rupee resulted in an increase of US$ 5.0 billion in external debt at the end of June 2009. Excluding the valuation effect, the external debt at end-June 2009 would have declined by US$ 1.3 billion over the end-March 2009 level.

1.91 Long-term external debt increased by US$ 6.7 billion to US$ 187.1 billion as at end-June 2009, while short-term debt by original maturity declined by US$ 3.0 billion to US$ 40.6 billion on account of decline in short-term trade credit up to 6 months. Short-term debt by residual maturity at US$ 89.1 billion was 39.1 per cent of total external debt. At this level, the ratio of short-term debt by residual maturity to foreign exchange reserves worked out to 33.6 per cent. Among the long-term debt components, NRI deposits recorded an increase of US$ 3.0 billion during the quarter ended June 2009. ECB approvals during April-June 2009 were lower at US$ 2.7 billion (US$ 3.8 billion during April-June 2008). Reflecting the lower level of ECB approvals/disbursements, external commercial borrowings outstanding posted a marginal rise of US$ 645 million to reach a level of US$ 63.2 billion at end-June 2009. Sovereign debt recorded an increase from US$ 54.9 billion at end-March 2009 to US$ 57.4 billion at end-June 2009. Its share in total external debt increased marginally to 25.2 per cent from its previous quarter level of 24.5 per cent.

1.92 India's foreign exchange reserves provided a cover of 116.5 per cent to external debt stock as at end-June 2009 from 112.5 per cent as at end-March 2009. The ratio of short-term debt to foreign exchange reserves was lower at 15.3 per cent at end-June 2009 (17.3 per cent at end-March 2009). The share of concessional debt in total external debt increased marginally to 19.0 per cent as at end-June 2009 from 18.7 per cent as at end-March 2009. Debt service ratio stood at 5.5 per cent during April-June 2009 as against 4.6 per cent during the financial year 2008-09.

1.93 A cross-country comparison of external debt of *twenty* most indebted developing countries, based on World Bank publication 'Global Development Finance, 2009' indicates that India was the *fifth* most indebted developing country in 2007 in terms of stock of external debt. In terms of ratio of external debt to Gross National Income, India's position was the *sixth* lowest, with China having the lowest ratio of external debt to GNI at 11.6 per cent.

Table 1.33

Key external debt indicators

(Per cent)

Year	External debt (US$ billion)	Total external debt to GDP	Debt service ratio	Concessional to total debt	Foreign exchange reserves to total debt	Short-term debt to foreign exchange reserves	Short-term to total debt
1	2	3	4	5	6	7	8
1990-91	83.8	28.7	35.3	45.9	7.0	146.5	10.2
1995-96	93.7	27.0	26.2	44.7	23.1	23.2	5.4
2000-01	101.3	22.5	16.6	35.4	41.7	8.6	3.6

(Per cent)

Year	External debt (US$ billion)	Total external debt to GDP	Debt service ratio	Concessional to total debt	Foreign exchange reserves to total debt	Short-term debt to foreign exchange reserves	Short-term to total debt
1	2	3	4	5	6	7	8
2001-02	98.8	21.1	13.7	35.9	54.7	5.1	2.8
2002-03	104.9	20.3	16.0*	36.8	72.5	6.1	4.5
2003-04	111.6	17.8	16.1**	36.1	101.2	3.9	4.0
2004-05	133.0	18.5	5.9^	30.9	106.4	12.5	13.3
2005-06	138.1	17.2	10.1#	28.6	109.8	12.9	14.1
2006-07	171.3	18.1	4.7	23.1	116.2	14.1	16.4
2007-08PR	223.3	18.9	4.8	19.8	138.7	14.8	20.5
2008-09QE	224.0	21.4	4.6	18.7	112.5	17.3	19.5
End-June 2009QE	227.7	-	5.5	19.0	116.5	15.3	17.8

PR: Partially Revised; QE: Quick Estimates.

* *Works out to 12.4 % with the exclusion of pre-payment of external debt of US$ 3.4 billion.*

** *Works out to 8.2% with the exclusion of pre-payment of external debt of US$ 3.8 billion and redemption of Resurgent India Bonds of US$ 5.5 billion.*

^ *Works out to 5.7 % excluding pre-payment of external debt of US$ 381 million.*

Works out to 6.3 %, excluding India Millennium Deposit repayments of US$ 7.1 billion and pre-payment of external debt of US$ 23.5 million.

Note: Suppliers' credits up to 180 days and FII investments in short-term debt instruments are included under short-term external debt since end-March 2005. Short-term debt also includes Nostro/Vostro liabilities of the banking sector and balances under non-resident rupee accounts/investment in treasury bills maintained by foreign central banks/international institutions with the Reserve Bank from end-March 2007 onwards.

Source: Ministry of Finance, Government of India and Reserve Bank of India.

(3) Trade

1.94 The deepening of global financial crisis in September 2008 resulted in a full blown global recession and unprecedented contraction in the levels of global GDP and fall in world trade volumes in 2009. In its Update of the World Economic Outlook in July 2009, the IMF projected a fall in world trade volume at 12.2 percent for 2009 and a modest recovery with 1.0 percent growth in 2010. Now the trough in world trade growth seems to have been reached and green shoots have started appearing with IMF giving slightly better projections in WEO, October 2009 which places growth in world trade volumes at (-) 11.9 percent for 2009 and 2.5 percent for 2010. Latest available import growth rates for August and September 2009 of some major trading partners of India like China, Hong Kong USA and Japan also show that the pace of deceleration is moderating in these countries.

1.95 India's exports was also affected by global recession though India weathered the crisis better than other countries with overall export growth in 2008-09 being reasonably good at 13.1 per cent (as per revised figures). India's positive and moderately good export growth in 2008-09 contrary to earlier estimates owes to the revision in export figures in 2008-09. However, India's merchandise exports during 2009-10 (April- October) valued at US $ 91.0 billion was lower by 26.0 percent (in US dollar terms) over the corresponding period of the previous year.

1.96 Imports grew by 18.9 percent in 2008-09, but registered a decline of 29.6 percent during 2009-10 (April-October) over the corresponding period of the previous year. POL imports declined by 39.3 percent to reach a level of US $ 42.9 billion and non-POL imports fell by 24.8 percent to reach a level of US $ 105.5 billion during 2009-10 (April-October) over the corresponding period of the previous year. There was a decline of 16.8 per cent in import of gold and silver. Non-POL non-bullion imports which largely represent capital imports and inputs needed for exports and industrial activity, declined by 25.8 percent.

1.97 The growth performance of exports and imports (in US dollar terms) for the first and second quarters of 2009-10 (Table 1.34) shows a relatively higher negative growth in Q1 for exports and in Q2 for imports. While the impact of global recession on exports can be seen from Q3 of 2008-09 with export growth turning negative and becoming more negative in each quarter after that, in Q2 of 2009-10, the negative growth is relatively lower with the appearance of early green shoots of global recovery. Import growth which decelerated with a lag and turned negative in Q4 of 2008-09 and continued to be negative till Q2 of 2009-10. It has shown signs of revival in October 2009 with a much lower negative growth compared to earlier months. Net POL import growth which started turning negative in Q4 of 2008-09 turned highly negative in Q1 2009-10. Quarterly growht of POL and Non POL exports and imports are given in charts 1.11 and 1.12.

Table 1.34

Year-on-Year growth rate of exports and imports (percent)

	2007-08							2008-09							2009-10		
	Q1	Q2	Q3	Q4	HY1	HY2	FY	Q1	Q2	Q3	Q4	HY1	HY2	FY	Q1	Q2	HY1
Exports	22.9	17.3	37.3	37.8	19.9	37.6	28.9	57.1	39.3	-8.4	-20.4	47.9	-14.7	13.1	-35.9	-20.5	-28.4
Imports	40.1	25.3	29.2	48.4	24.4	38.4	35.4	49.0	61.2	7.4	-27.0	65.2	-10.4	18.9	-31.4	-33.8	-32.7
POL	24.3	11.1	38.8	91.1	17.2	64.0	39.4	73.5	91.2	-10.2	-50.3	82.5	-32.7	14.7	-44.2	-45.7	-45.0
Non-POL	47.7	32.4	25.3	31.2	39.7	28.1	33.6	39.2	48.6	15.3	-13.3	43.9	1.2	20.8	-25.0	-27.4	-26.2
Net POL	14.4	9.7	15.7	101.6	11.9	56.3	33.3	92.1	113.0	13.8	-52.7	102.9	-26.7	25.7	-40.4	-	-

Source: DGCI&S, Kolkata.

Note: Q1 refers to April-June, Q2 refers to July-Sept, Q3 refers to Oct-Dec and Q4 refers to Jan-Mar.

H1 refers to Apr-Sept., H2 refers to Oct-Mar and FY refers to April-March

Chart 1.11

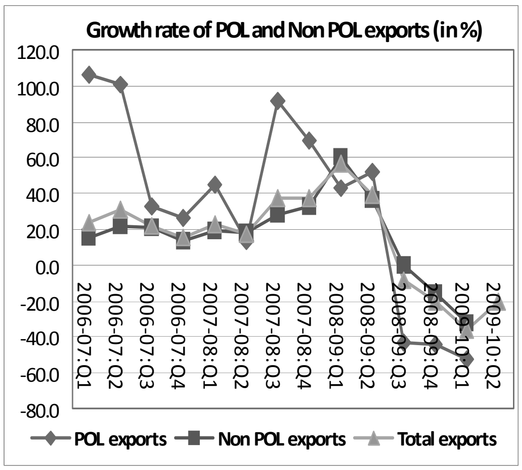
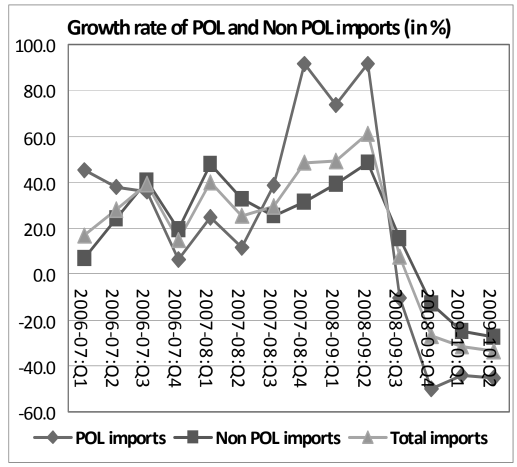


Chart 1.12



1.98 The trade deficit, on customs basis, during 2009-10 (April-October) at US$ 57.3 billion was lower by 34.7 percent over the corresponding period of the previous year. This owes to the larger decline in imports with higher initial levels over exports.

Composition and direction of exports

1.99 The first quarter of 2009-10 (April-June) witnessed substantial decline in exports in all items as a result of global recession; though marine products, electronic goods, and textiles witnessed relatively lower levels of decline (Table 1.35). While the effect of global recession on India's export growth in 2008-09 was more through the contraction in US market in Q1 of 2009-10; the worst hit markets were 'Others' and EU with export growth over corresponding previous period falling from 66.6 percent to (-) 37.3 percent and 52.4 percent to (-) 35.5 percent respectively. The composition and direction of exports for the above periods show the following:

- Marine product export growth to USA was less affected by recession in 2008-09 and in Q1 of 2009-10; there is actually a positive and robust export growth to US market while it is highly negative in the case of EU market.
- In Gems & Jewellery, in 2008-09, India's export growth was robust at 42.1 per cent with exports to 'Others' being very high, which was better than the 23.2% export growth in 2007-08. The only major market where there was negative growth was U.S. However, in Q1 of 2009-10, there was high negative growth in all the markets.
- In chemicals and related products, while export growth to USA and EU markets continued to be positive in 2008-09, in Q1 of 2009-10 export growth to all markets was negative.
- Engineering goods exports to all markets registered good growth in 2008-09, but registered negative growth in all markets in Q1 of 2009-10.

- Electronic goods registered very high export growth of 104 per cent in 2008-09, with exports to all markets showing robust growth, but registered negative growth in all markets in Q1 of 2009-10.
- India's textiles export growth, though low, was positive in 2008-09 with negative growth only to US market. But in Q1 of 2009-10, it turned out to be highly negative in all the markets.
- Handicrafts and carpets exports of India were negative in both 2008-09 and Q1 of 2009-10 in all the markets.
- India's petroleum products export growth was negative in 2008-09; though it was positive to EU market. But it became negative in Q1 of 2009-10 in all the markets.

1.100 The top 10 destinations of exports for the period 2009-10 (April-June) which accounted for 53.5 per cent of the total exports witnessed a negative export growth rate. While UAE has displaced USA as the top most destination of India's exports in 2008-09 and 2009-10 (April-June) with export share of 13.0 per cent and 12.4 percent respectively, in Q1 of 2009-10, India's exports to all the top 3 export destinations-UAE followed by USA and China registered decline of (-) 44.7, (-) 27.0 and (-) 29.8 percent respectively.

Table 1.35

Share and growth rate of export of some principal commodities

Commodity	Share		Growth rate in US $ terms			
	2008-09 (Apr-Mar)	2009-10 Q1	2007-08 (Apr-Mar)	2008-09 (Apr-Mar)	2008-09 Q1	2009-10 Q1
Agri. & Allied products (incl plantation)						
World	8.3	9.0	51.7	6.0	91.2	-35.6
USA	5.2	4.6	18.8	20.3	59.0	-41.5
EU	5.5	5.7	28.4	9.8	27.4	-33.3
Others	9.8	10.7	60.0	4.2	111.1	-35.5
Marine Products						
World	0.8	0.8	-2.7	-10.7	-4.8	-11.6
USA	1.0	1.1	-22.4	-5.5	-15.2	24.1
EU	1.4	1.1	7.7	-12.8	-12.0	-28.5
Others	0.6	0.6	-3.0	-10.5	3.8	-7.3
Ores & Minerals						
World	4.2	4.0	30.2	-14.5	31.9	-41.4
USA	1.2	1.2	-14.5	-18.1	-23.4	-34.9
EU	1.4	1.6	10.4	-17.1	-19.4	-29.3
Others	5.6	5.1	34.9	-14.1	42.5	-42.6
Leather & Mnfrs.						
World	1.9	1.8	16.1	-1.1	21.5	-28.5
USA	1.7	1.4	-1.1	16.0	25.1	-34.4
EU	5.8	5.8	19.5	1.5	22.4	-25.9
Others	0.7	0.7	15.0	-12.3	18.3	-32.6

Commodity	Share		Growth rate in US $ terms			
	2008-09 (Apr-Mar)	2009-10 Q1	2007-08 (Apr-Mar)	2008-09 (Apr-Mar)	2008-09 Q1	2009-10 Q1
Gems & jewellery						
World	15.2	15.3	23.2	42.1	101.3	-39.2
USA	21.9	21.6	4.6	-7.7	15.0	-34.0
EU	8.3	6.9	28.5	24.8	88.2	-54.2
Others	16.2	16.8	31.6	66.2	140.2	-37.7
Chemicals & related products						
World	11.5	12.0	21.4	-5.4	32.9	-27.1
USA	14.4	15.3	25.6	15.6	33.4	-13.8
EU	12.8	11.6	37.5	8.7	35.0	-36.1
Others	10.6	11.6	16.6	-13.3	32.1	-26.5
Engineering Goods						
World	21.7	22.1	27.2	18.7	58.4	-33.4
USA	24.1	19.2	14.7	16.1	46.3	-37.4
EU	25.7	24.4	31.9	25.7	79.6	-45.8
Others	20.1	21.9	28.4	16.6	52.4	-27.1
Electronic Goods						
World	3.9	4.0	19.5	103.6	133.4	-17.4
USA	5.3	5.0	-7.1	57.3	35.2	-21.1
EU	4.7	3.9	34.7	86.6	103.7	-27.1
Others	3.4	3.9	25.9	130.9	201.7	-12.9
Textiles						
World	10.3	11.6	12.4	2.8	21.7	-19.9
USA	18.6	20.3	-0.9	-4.8	0.9	-20.1
EU	18.4	21.2	12.4	7.9	18.1	-20.4
Others	6.4	7.3	21.0	2.3	38.9	-19.2
Handicrafts						
World	0.2	0.1	16.0	-40.8	-48.5	-41.6
USA	0.3	0.3	-7.7	-45.2	-50.5	-31.2
EU	0.3	0.2	-25.6	-21.6	-28.6	-56.7
Others	0.1	0.1	134.5	-50.4	-62.7	-27.2
Carpets						
World	0.4	0.4	1.7	-17.8	24.7	-44.9
USA	1.3	1.2	-4.0	-25.4	12.1	-44.4
EU	0.8	0.8	2.9	-16.6	33.5	-44.6
Others	0.1	0.1	12.2	-4.9	31.2	-46.1
Petroleum products						
World	14.6	12.0	51.8	-5.4	42.8	-52.7
USA	0.7	1.9	136.0	-77.6	-59.0	-6.0
EU	10.7	10.5	99.3	5.4	126.3	-33.5
Others	18.1	14.2	44.6	-5.2	38.9	-56.0
Total Exports						
World	100.0	100.0	28.9	13.1	57.1	-35.9
USA	100.0	100.0	9.8	1.3	17.6	-27.0
EU	100.0	100.0	28.7	13.0	52.4	-35.5
Others	100.0	100.0	33.5	15.4	66.6	-37.3

Source: DGCI&S, Kolkata

Note: Q1 refers to April-June

Composition and sources of imports

1.101 During Q1 of 2009-10, POL imports accounted for about 27.2 per cent of India's total imports with negative growth of (-) 44.2 percent (Table 1.36). In fact, negative import growth was registered in all items except edible oils, pulses, project goods and artificial resins.

Table 1.36

Import of Principal Commodities Groups

	Share		Growth rate			
	2008-09	2009-10	2007-08	2008-09	2008-09	2009-10
Commodity	(Apr-Mar)	Q1	(Apr-Mar)	(Apr-Mar)	Q1	Q1
A) BULK IMPORTS	45.1	40.6	33.3	21.1	69.2	-41.2
of which						
01 Fertilizers	4.5	2.7	71.9	151.2	257.0	-36.3
02 Edible Oil	1.2	2.0	21.4	34.4	-10.4	95.8
03 Non-ferrous metals	1.9	1.6	34.6	62.5	335.6	-70.9
04 Metalliferrous ores & products	2.6	2.8	-5.2	-0.1	-4.1	-29.6
05 Iron & Steel	3.2	3.0	35.2	8.9	3.8	-25.7
06 Petroleum crude & products	30.6	27.2	39.4	14.7	73.5	-44.2
B) **PEARLS, PRECIOUS & SEMI-PRECIOUS STONES**	5.5	4.7	6.5	107.7	145.2	-49.1
C) **MACHINERY**	9.2	9.7	44.9	9.4	-8.1	-30.1
D) **PROJECT GOODS**	1.1	1.8	-28.0	146.6	140.8	45.0
E) **OTHERS**	34.7	43.1	29.4	21.0	39.1	-17.6
of which						
01 Pulses	0.4	0.6	55.2	-2.4	1.2	16.7
02 Coal, coke & briquettes	3.3	3.6	40.4	55.5	81.8	-19.0
03 Organic & Inorganic chmls	4.1	4.8	26.5	23.0	50.5	-18.0
04 Dyeing, tanning matrl.	0.3	0.4	25.1	10.4	35.4	-4.6
05 Medicinal & Pharma.prods.	0.6	0.8	29.0	12.4	30.9	-6.9
06 Artf.resins, etc.	1.3	2.1	42.6	6.8	28.0	13.7
07 Chemical products	0.7	0.8	23.0	28.6	62.7	-13.7
08 Manufactures of metals	1.1	0.9	66.1	21.7	93.7	-39.9
09 Profl. Insruments, etc.	1.5	1.6	31.0	43.3	65.4	-17.0
10 Electronic goods	7.8	8.0	29.3	12.8	30.6	-22.8
11 Gold & Silver	7.3	6.9	22.0	22.3	-12.0	-34.5
TOTAL IMPORTS	**100.0**	**100.0**	**35.4**	**18.9**	**49.0**	**-31.4**

Source: DGCI&S, Kolkata

1.102 In Q1 of 2009-10, China remained the major source of imports with a share of 11.9 per cent in India's total imports followed by USA (6.3 per cent), UAE (5.6 percent) and Saudi Arabia (5.6 per cent). India's import growth was negative from all the top 20 countries except Indonesia.

1.103 Some recent developments in the trade sector

i) Foreign Trade Policy 2009-14

The Foreign Trade Policy (FTP) 2009-14 was released on August 27, 2009. Some important policies announced in the FTP include: a special thrust to the employment oriented sectors which have witnessed job losses in the wake of recession especially in the field of textiles, leather, handicrafts, etc; extension of DEPB scheme upto December 2010; encouraging value addition in manufactured exports by stipulating a minimum 15 per cent value addition on imported inputs under advanced authorization scheme; diversification of exports to emerging markets of Africa, Latin America, Oceania and CIS countries under Focus Market Scheme and Market Linked Focus Product Scheme; promoting technological upgradation by importing capital goods for certain sectors at zero percent duty under EPCG scheme, besides giving 'status holders' additional duty credit scrips @ 1 per cent of FOB value of past exports for procurement of capital goods with actual user condition; setting up a Directorate of Trade Remedy Measures; plan to establish more diamond bourses to make India an international diamond trading hub; etc.

ii) Agreement on Trade in Goods under the Comprehensive Economic Cooperation Agreement (CECA) between India and the ASEAN

On August 13, 2009, India and the ASEAN (Association of South East Asian Nations) signed the Trade in Goods Agreement under the broader framework of Comprehensive Economic Cooperation Agreement between India and the ASEAN. The Agreement is envisaged to come into force on January 1, 2010. The Agreement also provides for a safeguard mechanism to address sudden surge in imports on account of tariff concessions. The Agreement is expected to further boost bilateral trade and investment between India and the ASEAN. Indian exporters of Machinery & Machine Parts, Steel & Steel Products, Oilcake, Wheat, Buffalo Meat, Automobiles & Auto Components, Chemicals, Synthetic Textiles, etc would gain additional market access into the ASEAN countries and Indian manufacturers would be able to source intermediate products at competitive prices from the ASEAN markets. India and ASEAN are currently negotiating Agreements on Trade in Services and Investment which are targeted to be concluded by August 2010.

iii) Development in the WTO negotiations

The Doha Round of trade negotiations at the World Trade Organisation (WTO) underway since 2001 witnessed some progress in the years 2007 and 2008 by way of intensive discussions and considerable progress on many elements of the Agriculture and Non-Agricultural Market Access (NAMA) modalities; but the Round could not be concluded. The pronouncements by Ministers and Heads of State at various international meetings signalled considerable political enthusiasm for an early conclusion of the Doha Round. In order to translate this expression of broad-based international political support into a work plan, India hosted an informal Ministerial meeting of about 30 WTO Member countries in September 2009. Multilateral discussions on Agriculture and NAMA have since resumed in September 2009 on the basis of the draft modalities on Agriculture and NAMA issued by the Chairs of the respective Negotiating Groups in December 2008. The Seventh WTO Ministerial conference was held from 30 November to 2 December 2009 in Geneva, Switzerland.

(4) Money and banking

Monetary Policy Stance during 2009-10

1.104 The monetary policy stance during 2009-10 has been conditioned by the developments during 2008-09. In the first half of the year 2008-09, the Indian economy had to contend with high global and domestic inflation consequent on global commodity price shocks, and increased capital inflows, which called for calibrating monetary liquidity to counter inflationary expectations. Accordingly, the monetary policy stance of the Reserve Bank of India (RBI) reflected this. However, after the collapse of Lehman Brothers, in September 2008 and the ensuing global financial turbulence, the liquidity position tightened in India. The monetary policy of the Reserve Bank of India accordingly changed to one of permitting increase in liquidity to minimize the knock-on effects of global crisis and to ensure that the domestic growth process was not impaired. The thrust of the various policy initiatives taken by the Reserve Bank from the second half of 2008-09 was on providing ample rupee liquidity for the smooth functioning of the financial market, ensuring comfortable dollar liquidity and maintaining a market environment conducive for the continued flow of credit to productive sectors for sustaining and reviving economic growth in the midst of severe global recession.

1.105 The important measures taken since September 2008, reflecting the accommodative monetary policy stance of RBI included reduction in policy rates, as well as several sector-specific facilities. The repo rate that had been increased from 7.75 per cent in April 2008 to 9.0 per cent in August 2008 to counter the inflationary expectations was reduced in several tranches and stood at 5.0 per cent in March 2009. Similarly, the reverse repo rate which was 6.00 per cent in April 2008 was scaled down in the second half of the year and stood at 3.5 per cent in March 2009. Reductions in the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR) were also announced in the second half of 2008-09. The CRR was reduced to 5.00 per cent of Net Demand and Time Liabilities (NDTL) by January 2009 while the SLR was reduced from 25 per cent of NDTL to 24 per cent with effect from November 8, 2008.

1.106 Taking into account the need to respond to slackening economic growth, the monetary policy authority viz the RBI, has aimed to provide a policy regime during 2009-10 that would enable credit expansion at viable rates while preserving credit quality so as to support the return of the economy to a steady growth path. The Annual Policy Statement for 2009-10 of RBI (April 21, 2009) clearly indicated the resolve to minimize the impact of the global financial crisis on the domestic economy and restore the economy to a high growth path consistent with price and financial stability. It announced a further reduction in the repo rate from 5.00 percent to 4.75 per cent with effect from April 21, 2009, while the reverse repo rate was reduced from 3.5 per cent to 3.25 per cent.

1.107 RBI's First Quarter (Q1) Review of the Monetary Policy 2009-10 (July 28, 2009) did not announce any revisions in the policy rates. While continuing the accommodative monetary stance, it however, noted that there could be a reversal of the expansionary measures to anchor inflation expectations and subdue inflationary pressures, if so warranted.

1.108 RBI's Second Quarter Review of Monetary Policy 2009-10 (October 27, 2009), had made an overall assessment of the economy, and indicated that the stance of monetary policy for the remaining period of 2009-10 would be to: (i) maintain a monetary and interest rate regime consistent with price stability and financial stability, and supportive of the growth process. (ii) keep a vigil on the trends in inflation and be prepared to respond swiftly and effectively through policy adjustments to stabilise inflation expectations; and to (iii) monitor the liquidity situation closely and manage it actively to ensure that credit demands of productive sectors are adequately met while also securing price stability and financial stability. The Second Quarter Review kept the Bank Rate, Repo and Reverse Repo rates unchanged. The Review highlighted the dilemma of inflationary concerns calling for an early exit from accommodative monetary policy as contrasted with growth drivers warranting delayed exit. It however, refrained from initiating any move that would overtly lead to liquidity tightening in view of the current status of recovery in growth.

1.109 Taking note of the fact that Scheduled Commercial Banks (SCBs) investment in SLR securities were higher than the stipulated 24 per cent, the RBI announced that the SLR which had earlier been reduced from 25 percent of Net Demand and Time Liabilities (NDTL) to 24 per cent in November 2008, was being restored to 25 per cent with effect from the fortnight beginning November 7, 2009. It was also announced that liabilities of scheduled banks arising from transactions in collateralized borrowing and lending obligation (CBLO) (which were earlier exempted from CRR prescription), would be brought into the fold for maintenance of CRR with effect from the fortnight beginning November 21, 2009. Keeping in view the large increase in credit to commercial real estate sector, provisioning requirements to the sector classified as "standard assets" was increased from 0.40 to 1 per cent. The limit for export credit refinance facility [(under section 17(3A) of the RBI Act], which was raised to 50 per cent of eligible outstanding export credit, was returned to the pre-crisis level of 15 per cent. The two non-standard refinance facilities: (i) special refinance facility for scheduled commercial banks under section 17(3B) of the RBI Act (available up to March 31, 2010), and (ii) special term repo facility for scheduled commercial banks (for funding to MFs, NBFCs, and HFCs) (available up to March 31, 2010) were also discontinued.

1.110 The response of the monetary authority to the changing economic environment was also reflected in the indicative projections for macro level parameters made by RBI for 2009-10 in the Annual Policy Statement 2009-10 and subsequent quarterly reviews. Briefly these are summarized in Table 1.37.

Table 1.37

Indicative projections of macro parameters by RBI for 2009-10

	Indicative projections for growth rates (per cent)		
	Annual Policy 2009-10 (April 21,2009)	**First Quarter Review (July 28, 2009)**	**Second Quarter Review (October 27, 2009)**
GDP growth	**6.0 per cent**	**6.0 per cent with an upward bias**	**6.0 per cent with an upward bias**
WPI inflation	**4.0 per cent**	**5.0 per cent**	**6.5 per cent with an upside bias.**
Money supply growth (M_3)	**17.0 per cent**	**18 per cent**	**17 per cent**
Aggregate deposits of SCBs	**18.0 per cent**	**19.0 per cent**	**18.0 per cent**
*Adjusted non-food credit	**20.0 per cent**	**20 per cent**	**Revised downwards to 18 per cent**

**Includes investment by SCBs in bonds/debenture/shares of Public Sector Undertakings, private corporate sector and commercial paper.*

Reserve Money (M_0)

1.111 Growth in reserve money remained low/negative during much of 2009-10. During the first quarter of 2009-10, M_0 increased by 1.9 per cent on a year on year basis as against an increase of 29.3 per cent on the corresponding date of the quarter of 2008-09. In the second quarter, growth in M_0 was only 0.9 per cent as against 22.5 percent growth recorded in the second quarter of 2008-09. (Table 1.38) Thus at the end of H1 (2009-10), year on year growth in M_0 was recorded at a low of 0.9 per cent; however it has increased to 12.2 per cent as of November 13, 2009.

Table 1.38
Quarterly growth rates of select monetary aggregates
Quarterly growth rate (Year on Year basis)

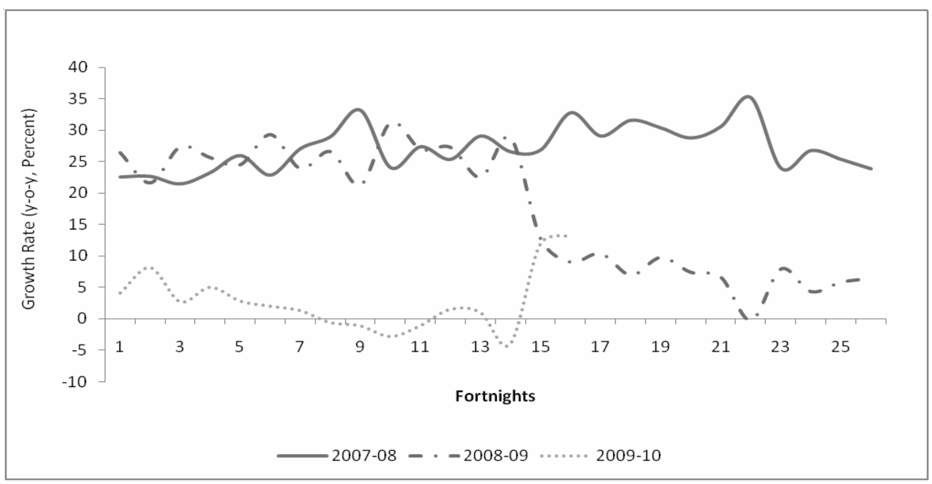
Percent

Item	2006-07				2008-09				2009-10	
	I	II	III	IV	I	II	III	IV	I	II
Reserve Money (M_0)	22.9	29.1	30.4	31.0	29.3	22.5	9.7	6.4	1.9	0.9
Broad Money (M_3)	21.9	21.9	23.3	21.4	21.5	19.5	19.9	18.6	20.1	19.0

Source: RBI

The tempo of movement in fortnightly reserve money growth (year on year basis) reflects the current situation (Chart 1.13).

Chart 1.13
Reserve Money Growth (year-on –year)



1.112 On a financial year basis, M_0 had shown a decline by 2.2 per cent during the period April to end September 2009, as compared to increase of 3.1 per cent a year ago; however during the period after the first half of the year, there has been growth in reserve money. It is placed at 0.7 per cent (April-Novmber 13, 2009) as compared to a decline of (-) 4.5 per cent for the corresponding period of the previous year.

1.113 Net Foreign Exchange Assets (NFA) and Net RBI credit to Central Government are the main sources of expansion in M_0.Increase in NFA had been the main driver of growth in M_0 in 2007-08 and the first half of 2008-09 through large capital inflows. Consequent to the global financial crisis in the second half of 2008-09, which had impacted seriously overall capital inflows, NFA of RBI ceased to be main source for growth in reserve money The growth in NFA of RBI during the first half of 2009-10 (on the financial year basis) was a mere 2.6 per cent and on year on year basis was (-) 2.7 per cent. With the resumption of net overall inflows, the position has shown an improvement lately; the growth in NFA of the RBI, as of November 13, 2009 stood at 2.0 per cent on financial year basis (April-November 13, 2009) and at 7.4 per cent on year on year basis.

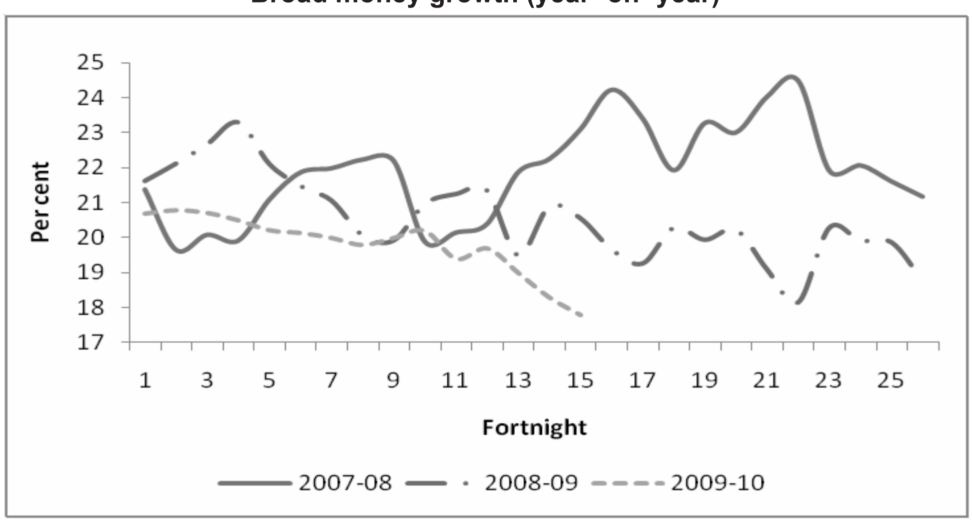
1.114 Movements in the Reserve Bank's net credit to the Central Government during 2009-10, so far largely reflects, the liquidity management operations of the Reserve Bank and changes in Central Government deposits with the Reserve Bank. With the easing of liquidity conditions, Reserve Bank started absorbing large amount of liquidity through reverse repo under the Liquidity Adjustment Facility (LAF). It also resorted to unwinding of Market Stabilisation Scheme (MSS) securities. Having regard to the changed pattern of capital inflows and the lower increase in NFA as a major source of Reserve Money, the outstanding amount under MSS has reduced from Rs.88,077 crore at end-March 2009 to Rs.18,773 crore as on November 13, 2009.

1.115 Keeping in view the developments, the ceiling for the outstandings under the MSS for the fiscal year 2009-10 was re-fixed at Rs.50,000 crore in July 2009, as against the higher limit of Rs.2,50,000 crore fixed in November 2007 to accommodate the then surge in net inflows. Net purchases under Open Market Operations (OMO)/Special Market Operations (SMO) led to higher holding of Central Government securities/bonds by the Reserve Bank.

Broad Money (M_3)

1.116 During 2009-10, in the first two quarters, broad money growth remained below the levels in the corresponding period of the preceding year. At the end of the first quarter of 2009-10, year-on-year growth in M_3 was 20.1 percent as against an increase of 21.5 per cent in the first quarter of 2008-09. At the end of the second quarter, growth in M_3 on year-on-year basis, was 19.0 per cent as against 19.5 percent growth recorded in the second quarter of 2008-09. (Table 1.38 & Chart 1.14).

Chart 1.14
Broad money growth (year- on- year)



1.117 On financial year basis, growth in broad money (M_3) during 2009-10 at the end of the first quarter of the year was 4.7 per cent as against 3.4 growth in the corresponding period of the previous year; by the end of the second quarter of 2009-10, growth in M_3 (on the financial year basis) was 7.0 per cent against 6.6 per cent last year. As of November 6, 2009 the M_3 growth on financial year basis was 8.6 per cent as against 9.3 per cent in the corresponding period of the previous year. The year-on-year M_3 growth as on November 6, 2009 was 17.8 per cent as against 19.7 per cent in the corresponding date last year.

1.118 Much of the expansion in broad money (M_3) during the financial year 2009-10 (up to November 6, 2009) resulted from the increase in commercial banks' credit to the Government. On the other hand, net Reserve Bank credit to the Centre during 2009-10 (up to November 6, 2009) decreased, reflecting large absorption under the LAF, despite the sizeable decline in outstanding balances under MSS with the Reserve Bank and increase in purchases under OMOs.

Bank Credit

1.119 During the current financial year, growth in bank credit has remained low. The year-on-year growth in 2009-10 at the end of H1 was only 12.6 per cent as against 25.2 per cent in a corresponding date of the previous year. Non food credit recorded an increase of 13 per cent as on September 25, 2009 as against an increase of 25.3 per cent recorded in the corresponding date of the last year.

1.120 On financial year basis, for the first half of the year 2009-10, growth in credit extended by SCBs stood at 3.5 per cent (April to September 25, 2009), as compared to 8.0 per cent growth in the corresponding period of 2008-09 . There has however, been some improvement subsequently, in as much as the credit extended by SCBs during the period April-November 6, 2009 was placed at 4.2 per cent. Growth in non food credit during 2009-10 (up to November 6, 2009) was 4.4 per cent as compared with 11.4 per cent during the corresponding period of the preceding year. This is below the Reserve Bank's indicative projected trajectory of 20.0 per cent for the full year, as set out in the First Quarter Review for 2009-10 and 18.0 per cent in the Second Quarter Review. The lower expansion in credit relative to the significant expansion in deposits during 2009-10 has resulted in a decline in the incremental credit-deposit ratio to 39.5 on November 6, 2009 from a level of 64.9 at end-March 2009.

1.121 In the main, the factors that have contributed to the slowdown in non-food bank credit from the banking sector, are the economic conditions as well as the cost of funds. While the overall credit demand of the manufacturing sector from the banking sector has slowed down, corporates had been able to access non-bank domestic sources of funds and external financing (which had almost dried up earlier during the crisis) at lower costs. Further, unlike in the previous year, oil marketing companies reduced their borrowings from the banking sector as oil prices moderated. Banks had also reined in credit to the retail sector due to the perceptions of increased risk on account of the general slowdown and to guard against bad loans.

1.122 While moderation in credit growth was witnessed across the banking sector, it was noticed that growth in credit extended by public sector banks was better as compared to the deceleration in respect of private banks and decline in the case of foreign banks. Driven by the higher market borrowing by the Government, scheduled commercial banks' (SCBs) investment in SLR securities expanded. Apart from low credit growth, the availability of ample liquidity in the system led to this. Commercial banks' holdings of such securities close to 29.8 per cent of their net demand and time liabilities (NDTL) in early November 2009 were higher than stipulated SLR level of 24 per cent (25 per cent with effect from November 7, 2009).

1.123 Disaggregated data on sectoral deployment of gross bank credit available up to September 25, 2009 show that barring agriculture and allied sector, all other major sectors recorded a deceleration in growth of credit. (Table 1.39)

Table 1.39
Growth in Sectoral deployment of gross bank credit (year on year)

S.No.	Sector	Year on Year variations (%) September 26, 2008	September 25, 2009
	Non food gross bank credit (1 to 4)	25.7	12.6
1.	Agriculture and allied activities	19.7	22.4
2.	Industry	34.6	16.5
3.	Personal loans (a to e)	12.0	2.4
	a. Housing	9.6	6.4
	b. Advances against fixed deposits	9.3	-2.6
	c. Credit card outstanding	30.3	-17.2
	d. Education	37.1	33.1
	e. Consumer durables	-11.7	-9.9
4.	Services (f to g)	29.6	11.3
	f. Transport operators	20.6	3.2
	g. Professional services	60.5	22.9
	h. Trade	18.8	15.4
	i. Real estate	41.8	33.9
	j. Non Banking Financial Companies	49.7	29.4
	Priority sector	22.2	16.3

Source:RBI

1.124 It would be relevant to recall that during the peak of the crisis in 2008-09, the flow of resources to the commercial sector from both bank and non-bank sources had contracted. While bank credit during 2009-10 has continued to decelerate, there has been a turnaround in financing from non-bank sources. The resource flow from non-bank sources increased in Q2 of 2009-10 with increased pick-up in primary issues, increased support from insurance companies, and large investment by mutual funds in non-gilt debt instruments. While the resource flow from the non-bank sources was marginally higher in 2009-10, the total flow of financial resources to the commercial sector declined in comparison with the corresponding period of 2008-09 due to slowdown in bank credit. (Table 1.40)

Table 1.40

Flow of resources to commercial sector

(Rs. crore)

S.No.	Item	Full year		Apr-Sept.	
		2007-08	2008-09	2008-09	2009-10
A.	Adjusted Non food credit	4,44,807	4,21,091	2,40,092	1,07,861 *
B.	Flow from Non Bank (B1+B2)	5,64,558	4,68,567	2,28,119	2,30,130 **
B1	Domestic sources	2,55,230	2,98,351	1,22,518	1,40,213
B2	Foreign sources	3,09,328	1,70,216	1,05,601	89,917
C	Total flow of resources (A+B)	10,09,365	8,89,658	4,68,211	3,37,991

** upto October 9, 2009.*

*** Comparable period for respective items.*

Source: RBI

Policy Rates/Interest Rates

1.125 In response to the crisis, a slew of measures were taken by the RBI to address the liquidity problem. The RBI continued the accommodative policy stance with a further cut in repo and reverse repo rate to a level of 4.75 percent and 3.25 percent respectively on April 21, 2009 (Table 1.41). The SLR was also lowered by 100 basis points from 25 per cent of Net Demand & Time Liabilities (NDTL) to 24 per cent with effect from fortnight beginning November 8, 2008. The above measures had the salutary effect on the liquidity situation. As an update, it may be mentioned that the RBI in the last two Quarterly Reviews had noted the current liquidity position as being comfortable; it has however expressed its dilemma on the issue of upward revisions in policy rates at the current stage. In the event, it announced the restoration of SLR to 25 per cent of NDTL with effect from November 7, 2009 from the 24 per cent level set in November 2008 and the reduction in certain standing liquidity facilities.

Table 1.41

Revision in policy rates(In per cent)

Sl No	Date	Repo rate	Reverse repo rate	CRR
	2008			
1.	April 26	7.75	6.00	7.75
2.	May 10	7.75	6.00	8.00
3.	May 24	7.75	6.00	8.25
4.	June 12	8.00	6.00	8.25
5.	June 25	8.50	6.00	8.25
6.	July 5	8.50	6.00	8.50
7.	July 19	8.50	6.00	8.75
8.	August 30	9.00	6.00	9.00

Sl No	Date	Repo rate	Reverse repo rate	CRR
9.	October 11	9.0	6.0	6.5
10.	October 20	8.0	6.0	6.5
11.	October 25	8.0	6.0	6.0
12.	November 3	7.5	6.0	6.0
13.	November 8	7.5	6.0	5.5
14.	December 6	6.5	5.0	5.5
	2009			
15.	January 5	5.5	4.0	5.5
16.	January 17	5.5	4.0	5.0
17.	March 5	5.0	3.5	5.0
18.	April 21	4.75	3.25	5.0

Statutory Liquidity Ratio (SLR): The prescribed SLR as a per cent of Net Demand and Time Liabilities (NDTL) was lowered from a level of 25 per cent to 24 per cent with effect from November 8, 2008. This has been revised to 25 percent with effect from November 7, 2009 in the Second Quarter Review of Monetary Policy 2009-10.

Source: RBI

1.126 The reduction in the Reserve Bank's policy rates and easy liquidity conditions resulted in some softening on interest rates both for public and some private sector banks. (Table 1.42) While, changes in the policy rates get quickly transmitted to the money and debt markets, the transmission to the credit market is time lagged and slow, due to several structural rigidities in the banking system, like fixed interest rate deposit liabilities and the mismatches between maturity profiles of deposits vis-à-vis demand for credit. Though gradual moderation in deposit rates has continued, (contributing thereby to an improvement in the monetary policy transmission) rigidities still remain.

Table 1.42
Deposit & lending rates

(in per cent)

	Mar 2008	June 2008	Sep 2008	Mar 2009	June 2009	Oct 2009#
DOMESTIC DEPOSIT RATE						
Public sector banks						
Upto 1 year	2.75-8.50	2.75-9.00	2.75-10.25	2.75-8.25	1.00-7.00	1.00-6.75
1-3 years	8.25-9.25	8.25-9.50	8.75-10.25	8.00-9.25	6.50-8.00	6.25-7.50
More than 3 years	8.00-9.00	8.00-9.35	8.50-9.75	7.50-9.00	7.00-8.50	6.50-8.00
Private sector banks						
Upto 1 year	2.50-9.25	3.00-8.75	3.00-9.75	3.00-8.75	2.00-7.50	2.00-7.00
1-3 years	7.25-9.25	8.00-9.50	8.30-10.50	7.50-10.25	6.00-8.75	5.25-8.00
More than 3 years	7.25-9.75	8.00-10.00	8.25-10.25	7.50-9.75	6.00-9.00	5.75-8.25

(in per cent)

	Mar 2008	June 2008	Sep 2008	Mar 2009	June 2009	Oct 2009#
Foreign banks						
Upto 1 year	2.25-9.25	3.00-9.25	3.50-9.75	2.50-8.50	1.80-8.00	1.25-8.00
1-3 years	3.50-9.75	3.50-9.75	3.50-10.50	2.50-9.50	2.25-8.50	2.25-8.00
More than 3 years	3.60-9.50	3.60-9.50	3.60-11.00	2.50-10.00	2.25-9.50	2.25-8.50
BPLR						
Public Sector banks	12.25-13.50	12.50-14.00	13.75-14.75	11.50-14.00	11.00-13.50	11.00-13.50
Private Sector banks	13.00-16.50	13.00-17.00	13.75-17.75	12.75-16.75	12.50-16.75	12.50-16.75
Foreign Banks	10.00-15.50	10.00-15.50	10.00-16.00	10.00-17.00	10.50-16.00	10.50-16.00
ACTUAL LENDING RATE^						
Public Sector banks	4.00-17.75	4.00-18.00	6.00-18.75	3.50-18.00	3.50-17.50	N.A.
Private Sector banks	4.00-24.00	4.00-25.00	5.00-23.00	4.75-26.00	4.10-26.00	N.A.
Foreign banks	5.00-28.00	5.00-25.50	5.06-25.50	5.00-25.50	2.76-25.50	N.A.

^ Interest rate based on non export demand and term loans above Rs.2 lakhs excluding lending rates at the extreme 5 per cent on both sides.

 # As on October 15, 2009..

Source: RBI

1.127 It has also been observed that the movement in the benchmark prime lending rates (BPLRs) does not fully and accurately reflect the changes in effective lending rates as nearly two-thirds of banks' lending takes place at sub-BPLR rates. The share of sub-BPLR lending of all SCBs (excluding export credit and small loans) declined from 75.8 per cent in March 2008 to 66.9 per cent in March 2009. Further, the BPLR has appeared to be out of sync with market conditions and not adequately responding to changes in monetary policy. In addition, the tendency of banks to lend at sub-BPLR rates on a large scale on account of competitive pressures raised not only issues of non-transparency but also of commercial and profitable lending. As such, it was felt that the extant BPLR system had fallen short of expectations from its original intent of enhancing transparency in lending rates charged by banks and suitable modifications were needed. The Reserve Bank had announced the constitution of the Working Group on BPLR in its Annual Policy Statement of 2009-10 to review the system and suggest changes to make credit pricing more transparent. The Group submitted its Report on October 20, 2009. The recommendations of the Working Group are under consideration of RBI and it has already been put on the public domain. The key recommendations are brought out in Box 1.4.

Box 1.4

Recommendations of Working Group on Benchmark Prime Lending Rate (BPLR)

Key recommendations

- A system of Base Rate to replace the existing BPLR system. With the proposed system of Base Rate, there will not be a need for banks to lend below the Base Rate as the Base Rate would represent the bare minimum rate below which it would not be viable for the banks to lend.
- The proposed Base Rate may include all those cost elements which can be clearly identified and are common across borrowers.
- The actual lending rates charged to borrowers may be the Base Rate plus borrower-specific charges that would include product-specific operating costs, credit risk premium and tenor premium.
- In order to ensure that sub-Base Rate lending does not proliferate, the Group recommends that such sub-Base Rate lending in both the priority and non-priority sectors in any financial year should not exceed 15 per cent of the incremental lending during the financial year.

Movement in major monetary indicators

1.128 Subsequent to the change in the monetary/liquidity situation since September 2008, the money multiplier (M_3/M_0) that was close to 4.5 in September 2008 increased to 4.8 in end March 2009 and further to 5.3 in end-September 2009. The lower expansion in credit relative to the significant expansion in deposits during 2009-10 has resulted in a decline in the credit-deposit ratio to 69.7 in end-September 2009 from 72.4 in end-March 2009 (It stood at 74.2 in end-September 2008). The investment-deposit ratio has increased from 28.6 in end-September 2008 to 30.4 per cent in end-March 2009 and 33.6 in end-September 2009 as SCBs preferred to invest a larger share of their deposits in SLR investments.

Liquidity conditions

1.129 The fiscal stimulus packages announced since 2008-09 and the fiscal expansion in the Budget 2009-10 had implications in terms of increased government borrowing. Gross market browning were budgeted at Rs. 4,51,093 crore in 2009-10 (BE) against Rs 3,06,000 crore in 2008-09 . With a view to conduct this in a non-disruptive manner, the borrowing was front-loaded with nearly 60 percent of borrowings being concluded in first six months of the fiscal. This has effectively avoided the crowding out of the funds for the private sector, as credit demand generally picks up in the period of second half of the year and beyond. To ensure orderly liquidity conditions, an OMO program for the first half of 2009-10 was also announced on March 26, 2009 in terms of which, the RBI expressed its intention to purchase government securities amounting to Rs.80,000 crore. So far, OMO of Rs.57,487 crore had been conducted till September 2009. After September 2009, no auctions- based OMO have been conducted.

1.130 Liquidity conditions remained easy during Q1 of 2009-10. The average daily net outstanding liquidity absorption under LAF mostly remained above Rs.1,00,000 crore throughout this period.

Liquidity conditions eased further during Q2 of 2009-10 with the average daily absorption under the LAF remaining high. The daily absorption under LAF moderated somewhat during the second-half of September 2009, reflecting significant outflows on account of advance tax payments. During 2009-10 (up to September 2009), MSS unwinding at Rs.70,000 crore (including de-sequestering of Rs.28,000 crore) was also used as an instrument of liquidity management. Outstandings under MSS declined to Rs.23,273 crore at end-June 2009 from Rs.88,773 crore at end-March 2009 and Rs.1,70,554 crore at end-March 2008.

1.131 During 2009-10 so far, the rupee liquidity needs of the banking system were significantly lower. This was evident from the fact that the special term repo facility was not availed continuously since August 17, 2009. Furthermore, the outstanding under the forex swap facility, which was instituted to provide forex liquidity to Indian banks having foreign branches or subsidiaries, also declined from Rs.595 crore as at end June 2009 to Rs.240 crore at end-September 2009. Keeping in view, the low utilization of the various facilities, and taking into account the liquidity conditions in the market, the Reserve Bank in its Second Quarter Review of Monetary Policy Statement 2009-10 (issued on October 27, 2009) discontinued the special term repo facility as well as the forex swap facility for banks with immediate effect. During Q3 of 2009-10 so far, (till end November 2009), liquidity conditions have remained in surplus mode, with the average daily liquidity absorption at around Rs.1,00,000 crore.

1.132 The accommodative monetary policy stance of the RBI was focused on supporting growth-impulses during 2009-10. Liquidity conditions remained easy and there was an average daily absorption of liquidity of Rs.1,00,000 crore through the reverse repo (LAF) window. Despite abundant liquidity in the system, non-food credit from the SCBs recorded only moderate growth during 2009-10 pointing towards sluggish demand for credit. For financing of the fiscal stimulus package, there was need for enhanced Government borrowing during the year which has proceeded smoothly so far in a non-disruptive manner, since the borrowing was front-loaded and more than two thirds of the target amount has already been completed. In addition, the indent on resources being met through the OMOs and unwinding under MSS has also helped in this endeavour. Going forward, with inflationary concerns, monetary policy would have to appropriately factor in the timing and the manner of change in the policy stance.

(5) Financial Markets

1.133 Unlike real sector developments, which continued to be weighed down in 2009 by the impact of global financial crisis, developments in international financial markets reveal a distinct improvement - in risk appetite, which is reflected in declining corporate risk spreads, spreads in interbank markets and shift from government bonds to other asset classes including equities. The interbank spreads in the US market, which had reached a peak of 464 basis points in October 2008, declined thereafter to around 135 basis points by end-December 2008 and further to a low of 19.6 basis points by mid-September 2009. Reflecting the tightness in international financial markets, the corporate bond spreads, which had increased sharply during the post-Lehman phase, contracted to reach around 600 basis points for BB rated bonds by September 2009. The Credit default swap spreads have declined and reached levels lower than those before the crisis.

1.134 The international capital flows to emerging markets, portfolio flows in particular, have picked up significantly, leading to buoyant equity market conditions. The improvement in stock market indices is seen across countries (Table 1.43), with the increase being in the range of 21.7 per cent (Japan) to 99.9 per cent (Argentina) during the current fiscal year up to November 11, 2009. Thus, there is evidence to the effect that international financial markets have begun to emerge out of the crisis of confidence. The Indian equity market recorded an increase, as the BSE Sensex, rose by 73.6 per cent during the current period. This was driven by FII inflows and reflected positive domestic factors like India's growth prospects and better than expected performance of corporates and banks, that restored investor confidence.

Table 1.43
Movements in world stock market indices

	End-March 2009	November 11, 2009	Per cent Change
US (S&P 500 Index)	797.9	1,093.0	37.0
Mexico (MXX)	19,626.8	30,788.2	56.9
Argentina (Merval Buenos Aires)	1,125.9	2,250.9	99.9
Brazil (IBOVESPA)	40,926.0	66,431.2	62.3
UK (FTSE 100)	3,926.1	5,230.6	33.2
Germany (DAX)	4,084.8	5,668.4	38.8
South Korea (KOSPI)	1,206.3	1,594.8	32.2
Singapore (STI)	1,699.9	2,740.4	61.2
Taiwan (TSEC weighted)	5,210.8	7,668.1	47.2
China (Shanghai SE Composite)	2,373.2	3,175.2	33.8
Malaysia (KLSE)	872.6	1,172.6	34.4
Japan (NIKKEI 225)	8,109.5	9,871.7	21.7
Hong Kong (Hang Seng)	13,576.0	22,627.2	66.7
India (BSE Sensex)	9,708.5	16,849.6	73.6

1.135 According to the data released by the Securities and Exchange Board of India (SEBI), FIIs made net purchases of US$ 18.0 billion in the Indian stock market during the current fiscal year up to November 10, 2009 (Table 1.44).

Table 1.44: Investment by FIIs in Indian stock market

Year/Month	Equity (Rs. crore)	Debt (Rs. crore)	Total (Rs. crore)	Net investment (US$ million)
2007-08	53,403.3	12,775.9	66,179.2	16,442.0
2008-09	-47,706.2	1,895.2	-45,811.0	-9,837.2
2009-10 (April-November 10, 2009)	75,907.2	10,814.4	86,721.6	18,035.6
April 2009	6,508.2	2,490.3	8,998.5	1,790.5
May 2009	20,117.2	-2,711.4	17,405.8	3,577.3

Year/Month	Equity (Rs. crore)	Debt (Rs. crore)	Total (Rs. crore)	Net investment (US$ million)
June 2009	3,830.0	1,068.3	4,898.3	1,058.9
July 2009	11,066.3	2,115.4	13,181.7	2,726.7
August 2009	4,902.7	-379.4	4,523.3	944.6
September 2009	18,344.3	2,228.4	20,572.7	4,262.6
October 2009	9,077.0	6,895.6	15,972.6	3,428.1
November 2009 (up to Nov. 10)	2,061.5	-892.8	1,168.7	246.9

Source: SEBI

1.136 Total investment by mutual funds during April-October 2009 amounted to Rs. 126,347 crore, *i.e.*, higher than the total investment of Rs. 88,787 crore during the financial year 2008-09. Investment in debt instruments was Rs. 128,311 crore, while that in equity instruments was negative at Rs. 1,964 crore. Assets under management of mutual funds at end-October 2009 stood at Rs. 774,796 crore.

1.137 According to the IMF's World Economic Outlook, October 2009, capital flows to emerging economies, which took a major hit over the past year, will again begin to grow broadly in line with GDP. However, credit growth is expected to continue to fall or stay at very low levels, with resultant implications for investment growth in emerging economies except China. Net private financial flows to emerging and developing economies are estimated at US$ 28.3 billion in 2010 as against an outflow of US$ 52.5 billion in 2009. However, this turnaround in private financial flows would be partly offset in 2010, following negative net official flows of US$ 14.2 billion *vis-a-vis* an inflow of US$ 50.3 billion in 2009.

Money Market

1.138 The money market remained orderly both in Q1 and Q2 of 2009-10. Reflecting the surplus liquidity conditions, the call rate hovered around the lower bound of the informal LAF corridor during 2009-10. The call rate averaged 3.25 per cent in Q2, which was marginally higher than 3.22 per cent in Q1. Interest rates in the collateralized segments of the money market – the market repo (outside the LAF) and the collateralized borrowing and lending obligation (CBLO) – moved in tandem with the call rate during Q2 but remained below the call rate. The collateralized market was the predominant segment of the money market. The call rate continued to remain around the lower bound of the informal corridor in October through November (up to November 13) 2009. The average call rate was placed at 3.17 per cent during October 2009 and 3.13 per cent during November 1-13, 2009. The money market has continued to evince comfortable liquidity of the system.

Treasury Bills

1.139 There has been a substantial decline in the implicit yields at cut off price in case of 91-Day, 182-Day and 364-Day Treasury Bills (TBs) in 2009-10 as compared to 2008-09, due to improvement in liquidity conditions since November 2008. The yields for all the three categories have more or less stabilized close to 4 per cent level during the current financial year while the average yields for 2008-09 were over 7 per cent. The spread between the different tenors was also observed not to be very substantial. (Table 1.45)

Table 1.45

Average implicit yield of Treasury Bills in the Primary Market

Month end	Average implicit yield at minimum cut off price (%)		
	91-Day	182-Day	364-Day
Apr 2008	*7.28*	*7.41*	*7.53*
2009-10			
Apr	*3.81*	*4.11*	*4.07*
May	*3.26*	*3.54*	*3.58*
Jun	*3.35*	*3.56*	*3.99*
Jul	*3.23*	*3.45*	*3.76*
Aug	*3.35*	*3.84*	*4.25*
Sep	*3.35*	*3.94*	*4.47*
Oct	*3.23*	*4.01*	*4.57*
Nov*	*3.28*	*3.82*	*4.49*

** upto November 18, 2009*

Source: RBI

1.140 A new short-term instrument, known as Cash Management Bill was introduced as per the announcement on August 10, 2009, with a view to meet the temporary cash flow mismatches of the Government. The Cash Management Bills are non-standard, discounted instruments issued for maturities of less than 91 days. The new bills are not aimed at funding the government's fiscal deficit and would also not increase the size of the borrowings. Cash management bills provide an additional instrument to the government for its cash management operations in a cost-effective manner.

Government Securities Market

1.141 The Central Government completed a large part (84.68 percent) of the budgeted gross market borrowing programme (including amounts raised through de-sequestering of MSS balances) during April to November 2009.While ample liquidity in the system facilitated borrowings, there was some impact on interest rates arising from financing of higher fiscal deficit. The gradual increase in the yield across the maturity spectrum was particularly evident during the second quarter of 2009-10. The yield curve continued to reveal moderation in rates towards the short end on account of prevalence of abundant liquidity in the financial system. However, the medium to long-term yields hardened on concerns of large fiscal deficit. It was also noted that due to the extant liquidity conditions, and the varying of the maturity profile of the debt issuance tailored to market appetite, the weighted average yield of dated securities issued under the Central Government borrowing programme in 2009-10 were lower than last year even though the Government's borrowing program was large. The weighted average maturity of securities issued during 2009-10 (up to November 23, 2009) was 11.09 years as compared with the average maturity of 14.71 years in the corresponding period of the previous year.

D. Social sector programmes and recent developments

Recent Developments and Progress under Programmes.

Employment:

1.142 Global recession has affected the levels of employment in many countries. In the Indian case, the Labour Bureau has released the quarterly report on Effect of Economic Slowdown on Employment in India during April-June, 2009. This is the third in the series of quarterly reports on effect of economic slowdown on employment in India. The main features of the report are:

- During the survey, 3,003 units are covered in 21 centres spread across eleven States.
- Eight sectors viz. Textiles, Metals, Leather, Automobiles, Gems & Jewellery, Transport, IT/BPO and Handloom/Powerloom are covered.
- At overall level, the employment has declined by 1.31 lakh during April-June, 2009 over March, 2009.
- The most affected sectors are the export oriented units especially in Textiles and Gems & Jewellery.
- In the non-exporting units, the employment has in fact increased slightly during the period under study.

1.143 The Progress under some of the important programmes of Government of India is as under:

(i) National Rural Employment Guarantee Scheme (NREGS)

NREGS has been provided a sum of Rs.39,100 crore in the budget of current financial year. The coverage had been extended to all the rural districts of the country in 2008-09 as against 330 districts in 2007-08. During the year 2008-09, more than 4.51 crore households had been provided employment under the scheme. During the year 2009-10 (upto November 19, 2009), 3.57 crore households had been provided employment under the scheme. Out of the 154.04 crore person-days created under the scheme during this period, 30 per cent and 21 per cent were in favour of SC and ST population, respectively and 51 per cent of the total person-days created went in favour of women.

(ii) Pradhan Mantri Gram Sadak Yojana (PMGSY)

During 2009-10(upto September, 2009), the total achievement of 7095.27 km of new connectivity of roads under Bharat Nirman was made. The achievement for upgradation and renewal was 11518.86 km and 6457.71 km respectively, totalling 17976.57 km.

(iii) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

Ministry of Power launched Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as one of its flagship programmes in March, 2005 with an objective to electrify over one lakh un-electrified villages and to provide free electricity connections to 2.34 crore rural BPL households. This programme has been brought under the ambit of Bharat Nirman. So far, Ministry of Power has sanctioned 568 projects for 540 districts to electrify 1,18,533 villages and to provide free electricity connections to 2.46 crore BPL rural households. As on August 31, 2009, 64,331 villages have been electrified and 68.97 lakh free electricity connections have been released to BPL households. It is targeted to complete all the sanctioned projects before March 2012.

(iv) Indira Awaas Yojana (IAY):

Housing constitutes a very basic requirement for human survival. It assumes great significance for the rural poor in that it lays the foundation for a life of dignity for them by dispelling the gloom of shelterlessness and conferring a distinct, secure identity. Addressing housing shortage is thus an important strategy of poverty alleviation in India. It has been estimated that in 2009, the rural housing shortage on account of houselessness and for replacement of Kutcha houses is 281 lakhs. The Bharat Nirman Programme has recognized and accorded due priority to the need to end shelterlessness. In the first phase of Bharat Nirman programme, 60 lakh houses were envisaged to be constructed over four years i.e. from 2005-06 to 2008-2009. As against this target, 71.76 lakh houses were constructed thereby exceeding the target of Bharat Nirman. It has now been proposed to double this figure and to construct 120 lakh houses during the next five years period starting from the current year 2009-10. During 2009-10, as against the target of 40.52 lakh houses, 10.96 lakh houses have been constructed and 26.91 lakh houses are under construction so for as per monthly progress reports received from States/UTs.

(v) Rural Drinking Water supply

During Bharat Nirman period, 55,067 uncovered and about 3.31 lakh slipped-back habitations are to be covered with provisions of drinking water facilities and 2.17 lakh quality affected habitations are to be addressed for water quality problems. The achievements are given in Table 1.46.

Table 1.46

Bharat Nirman - Rural drinking water 2009-10 and cumulative achievements

Component	Target (2005–09)	2009-10 Target	2009-10 Achievements	Cumulative achievements*
Uncovered habitations to be provided with potable water	55,067	478	6	54,436
Slipped–back habitations to be provided with potable water	3,31,604	158003#	2765	3,60,743
Quality–affected habitations to be addressed with potable water	2,16,968		167	@50,335 @2,59,628

* Upto June 2009.

- Higher achievement reported cumulatively as some States have reported coverage of habitations other than those included in Bharat Nirman Programme.

includes targets for quality affected habitations

@ Projects completed=50,335 Projects ongoing=2,59,628

(vi) Rashtriya Swasthya Bima Yojana(RSBY):

The 'Rashtriya Swasthya Bima Yojana' for BPL families (a unit of five) in unorganised Sector was launched on October 1, 2007. The total sum insured is Rs.30,000/- per family per annum. The premium is shared on 75:25 basis by Centre and State Government. In case of States of North East region and Jammu & Kashmir, the premium is shared in the ratio of 90:10. The beneficiary is entitled to cashless transactions through smart card. The RSBY became operational from 01.04.2008. The scheme is being implemented in the whole country from the year 2009-10.Till 11.11.2009, 26 States/Union Territories have initiated the process to implement the scheme. Out of these 26 States/UTs, 20 States, namely Assam, Rajasthan, Haryana, Punjab, NCT of Delhi, Gujarat, Bihar, Himachal Pradesh, Kerala, Maharashtra, Tamil Nadu, Uttar Pradesh, Jharkhand, Uttarakhand, West Bengal, Goa, Nagaland, Chattisgarh, Orissa and Chandigarh Administration have started issuing smart cards and more than 70.30 lakh cards have been issued.

(vii) Skill Development Initiative Scheme (SDIS) based on Modular Employable Skills (MES):

The Ministry of Labour & Employment in pursuance of excellence in vocational training has developed a new strategic framework for skill development for early school leavers and existing workers in close consultation with industry, State Governments and experts. Implementation of the SDI scheme was operationalised from May, 2007. The total cost of the scheme is Rs.550 crores. The scheme is fully funded by Central Government. 973 course modules for employable skills covering 43 sectors of economy have been developed and approved by National Council for Vocational Training (NCVT). More course modules in Food Processing, Construction, Bamboo processing, Glassware, Fragrance and Flavour, Medical and Nursing sectors are under development. 22 Industry/Employer's organizations have been empanelled as Assessing Bodies for conducting assessment/testing. 3,55,037 persons have been trained/tested since inception as on 5.11.2009 and 4489 Vocational Training Providers (VTPs) have been registered across the country.

(viii) National Rural Health Mission(NRHM):

The progress made under NRHM as on August 31, 2009 was as under:·

- Selection of 7.30 lakh Accredited Social Health Activists (ASHAs) have been done in the entire country, out of which 6.78 lakh ASHAs received 1st module of training and 5.25 lakh completed training up to 4th module.
- 4.67 lakh ASHAs have been provided with drug kit as well.
- 1.46 lakh Sub-centres in the country are provided with untied funds of Rs.10,000 each. 3,78,090 Subcentres & VHSC have operational joint accounts of Auxiliary Nurse Midwives (ANMs) and Pradhans for utilization of annual united funds.
- 38,832 Subcentres are functional with second ANM.
- 28,877 Rogi Kalyan Samitis have been registered at different level of facilities.
- 5520 PHCs have 3 Staff Nurses.

- 9874 Doctors and specialists, 44,429 ANMs, 24,494 Staff nurses, 13, 278 paramedics have been appointed on contract basis by States to fill in critical gaps.
- 1665 professionals (CA/MBA) have been appointed in the States. 617 District level Program Management Units (PMU) and 3560 Block level Programme Management Units (BPMU) have been established to support NRHM.
- 19.26 lakh women have been benefitted so far in 2009-10 under Janani Suraksha Yojana (JSY) which has been operationalised in all the States as against beneficiaries numbering 7.04 lakh women in 2005-06, 29.31lakh in 2006-07, 70.69 lakh in 2007-08 and 83.84 lakh in 2008-09.
- 12 lakh Monthly Health and Nutrition Days (MH&NDs) organized in 2009-10 so far at the Anganwandi Centres in various states as against MH&NDs more than 35 lakh organized in 2006-07, 49 lakh in 2007-08 and 56 lakhs in 2008-09.
- The States have constituted 4,27,955 Village Health and Sanitation Committees. They are being involved in dealing with disease outbreak.

The Right of Children to Free and Compulsory Education Act, 2009

1.144 This Act to provide for free and compulsory education to all children of the age of 6 to 14 years received the assent of the President on the August 26, 2009 and has the following features:·

- Every child between the age of six to fourteen years shall have a right to free and compulsory education in a neighbourhood school till completion of elementary education and no child shall be liable to pay any kind of fee or charges or expenses which may prevent him or her from pursuing and completing the elementary education.
- The appropriate Government and local authority shall establish, within such area or limits of neighbourhood, as may be prescribed, a school where it is not so established, within a period of three years from the commencement of this Act.
- The Central Government and the State Government shall have concurrent responsibility for providing funds for carrying out the provisions of this Act.·
- It shall be the duty of every parent or guardian to admit or cause to be admitted his or her child or ward, as the case may be, to an elementary education in the neighbourhood school.·
- No school or person shall, while admitting a child, collect any capitation fee and subject the child or his or her parents or guardians to any screening procedure.
- No child admitted in a school shall be held back in any class or expelled from school till the completion of elementary education.
- No child shall be subjected to physical punishment or mental harassment.
- Within six months from the date of commencement of this Act, the appropriate Government and the local authority shall ensure that the Pupil-Teacher Ratio, as specified in the Schedule, is maintained in each school.
- No teacher shall engage himself or herself in private tuition or private teaching activity.

- The Central Government shall constitute, by notification a National Advisory Council, consisting of such number of Members, not exceeding fifteen, as the Central Government may deem necessary, to be appointed from amongst persons having knowledge and practical experience in the field of elementary education and child development.
- The functions of the National Advisory Council shall be to advise the Central Government on implementation of the provisions of the Act in an effective manner.

Unique Identification Authority of India (UIDAI)

1.145 The Cabinet on June 25, 2009 approved the creation of the position of Chairperson, Unique Identification Authority of India (UIDAI). Shri Nandan Nilekani later joined the UIDAI as Chairperson in the rank of Cabinet Minister. Prime Minister on August 3, 2009 has also constituted a Council under his chairmanship to advice the Unique Identification Authority of India (UIDAI) and ensure coordination between the Ministries, stakeholders and partners. The Council will advise the UIDAI on the programme, methodology and implementation to ensure coordination between Ministries/Departments, Stakeholders and Partners. The Council will also identify specific milestones for early completion of the project.

1.146 Lack of identity proof results in harassment and denial of services to the poor and marginalized. It also results in leakages in various programs of the Government which seek to target the poor. Providing identities to the poor and the marginalized through UIDAI will enhance their access to Government services, both at State level and Centre and will enable delivery of direct benefits to poor and under-served. Specifically, it will improve the delivery of the flagship schemes of the Central Government.

National Mission on Enhanced Energy Efficiency

1.147 The Prime Minister's Council on Climate Change on August 24, 2009 approved "in principle" the National Mission on Enhanced Energy Efficiency. This Mission will enable about Rs. 75,000 crore worth of transactions in energy efficiency. In doing so, it will, by 2015, help save about 5 per cent of country's annual energy consumption, and nearly 100 million tonnes of carbon dioxide every year. The Mission is the second of the eight missions under India's National Action Plan on Climate Change to be approved by the Council. The National Solar Mission was approved earlier.

Chapter II

CENTRAL GOVERNMENT FINANCES

A. Overview of fiscal trends during April-September 2009-10

2.1 Overall financial performance in the first half of the fiscal year 2009-10 is broadly in line with the Budget Estimates (BE) presented in July 2009. In order to minimise the adverse impact of slow down in the global economy on the Indian economy, and after a careful consideration of the macroeconomic situation, the Government took a conscious decision of continuing with the policy of providing fiscal stimulus and presented the Budget 2009-10 with a fiscal deficit of 6.8 per cent of GDP. The positive impact of these stimuli is manifest with economy recording 7 per cent growth in real GDP in the first half of 2009-10. The effect of the stimuli is best assessed in terms of it's impact on aggregate demand, particularly consumption demand. Private final consumption expenditure with a share of about 57 per cent in total demand which has been a major driver of the growth process in recent years (along with gross fixed capital formation) had declined sharply since Q3 of 2008-09. Hence, the contribution to growth on this count had declined leading to the economic slowdown. The higher growth in Government final consumption expenditure (with share of about 10 per cent in 2007-08) through higher contribution has helped stabilise growth in 2008-09 and in the recovery in 2009-10.

2.2 Summarised position in receipt and expenditure during the first half of the FY 2009-10 reflect the fiscal situation (Table 2.1). The figures therein are as at present unaudited and may undergo revision subsequent to audit. The receipts and recoveries, wherever directly linked to expenditure, have been netted out.

B. Receipts

(1) Revenue receipts

2.3 Revenue receipts were estimated at Rs.6,14,497 crore in BE 2009-10 assuming a growth of 12.8 per cent over 2008-09(Provisional Actuals). During April-September, 2009 revenue receipts were placed at 39.8 per cent of B.E. as compared to a level of 40.6 per cent of BE during April-September, 2008 (Table 2.2). However, in absolute terms, they are marginally lower than that of last year. Further, five year moving average of revenue receipts (April to September) as a proportion of BE is 38.1 per cent indicating that the revenue performance is more or less on par.

Table 2.1

Budgetary position April-September 2009-10

		2009-10 B.E.	April-September 2009-10	April-September 2008-09	2009-10 Actuals as a percentage of B.E. (col 3 as per cent of 2)	Increase over previous year (col 3 over 4) (per cent)
		Rs. crore	Rs. crore	Rs. crore		
	1	2	3	4	5	6
1.	**Revenue Receipts**	**6,14,497**	**2,44,471**	**2,44,898**	**39.8**	**-0.2**
2.	Tax Revenue (Net)	4,74,218	1,85,669	2,02,247	39.2	-8.2
3.	Non-Tax Revenue	1,40,279	58,802	42,651	41.9	37.9
4.	**Capital Receipts (5+6+7)**	**4,06,341**	**2,04,377**	**1,04,183**	**50.3**	**96.2**
	Non Debt Capital Receipts	**5,345**	**6,602**	**1,529**	**123.5**	**331.8**
5.	Recovery of Loans	4,225	2,302	1,486	54.5	54.9
6.	Other Receipts	1,120	4,300	43	383.9	9900.0
7.	**Borrowings and other liabilities**	**4,00,996**	**1,97,775**	**1,02,654**	**49.3**	**92.7**
8.	**Total Receipts (1+4)**	**10,20,838**	**4,48,848**	**3,49,081**	**44.0**	**28.6**
9.	**Non-Plan Expenditure**	**6,95,689**	**3,22,070**	**2,40,629**	**46.3**	**33.8**
10.	On Revenue Account	6,18,834	3,01,291	2,29,484	48.7	31.3
	of which					
11.	Interest Payments	2,25,511	86,669	86,061	38.4	0.7
12.	On Capital Account	76,855	20,779	11,145	27.0	86.4
13.	**Plan Expenditure**	**3,25,149**	**1,26,778**	**1,08,452**	**39.0**	**16.9**
14.	On Revenue Account	2,78,398	1,08,163	93,727	38.9	15.4
15.	On Capital Account	46,751	18,615	14,725	39.8	26.4
16.	**Total Expenditure (9+13)**	**10,20,838**	**4,48,848**	**3,49,081**	**44.0**	**28.6**
17.	Revenue expenditure (10+14)	8,97,232	4,09,454	3,23,211	45.6	26.7
18.	Capital expenditure (12+15)	1,23,606	39,394	25,870	31.9	52.3
19.	**Revenue deficit (17-1)**	**2,82,735**	**1,64,983**	**78,313**	**58.4**	**110.7**
20.	**Fiscal deficit {16 -(1+5+6)}**	**4,00,996**	**1,97,775**	**1,02,654**	**49.3**	**92.7**
21.	**Primary deficit (20 - 11)**	**1,75,485**	**1,11,106**	**16,593**	**63.3**	**569.6**

Source: Controller General of Accounts, Ministry of Finance

2.4 Gross tax revenue collection has declined from Rs.2,80,141 crore in April-September 2008 to Rs.2,58,880 crore in April-September 2009 reflecting a decline of 7.6 per cent, year-on-year. A detailed analysis of various components of tax revenue is given in the following section. Non tax revenue receipts during April-September, 2009-10 is Rs.58,802 crore amounting to 41.9 per cent of B.E. It reflects a growth of 37.9 per cent, year-on-year.

2.5 The performance in terms of revenue receipts, both as proportion of BE as well as GDP, in the first half of the current financial year is more or less on par with the trend in FRBM regime (Table 2.2).

Table 2.2
Revenue receipts in April-September

(Rs.crore)

	April-September					
REVENUE RECEIPTS	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
1. Tax revenue (Net)	77860	96249	129986	160500	202247	185669
2. Non-tax revenue	28647	26596	31420	37456	42651	58802
3. Total	**106507**	**122845**	**161406**	**197956**	**244898**	**244471**
	(3.4)	**(3.4)**	**(3.9)**	**(4.2)**	**(4.6)**	**(4.2)**
4. BE for the full year	309322	351200	403465	486422	602935	614497
5. Receipts as a proportion						
of BE (%)	**34.4**	**35.0**	**40.0**	**40.7**	**40.6**	**39.8**

Note: Figures in paranthesis are percentage of GDP.

(2) Gross Tax Revenue

2.6 Reduced rates of taxes/duties initiated as a short-term measure in 2008-09 to mitigate the adverse economic impact of the global financial crisis was continued in the Budget for 2009-10. Along with new budget proposals on direct and indirect taxes, gross tax to GDP ratio was estimated at 10.9 per cent in BE 2009-10 as against gross tax to GDP ratio of 11.5 per cent in 2008-09 (Provisional Actuals). In absolute terms, gross tax revenue in BE 2009-10 was estimated at Rs.6,41,079 crore assuming a growth of 5.1 per cent over gross tax revenue of 2008-09(Provisional Actuals). However, the gross tax revenue collection in the first half of 2009-10 was Rs.2,58,880 (Table 2.3). This is primarily attributable to the steep decline in indirect tax components, namely, Union Excise Duties and Customs. The decline owes to the economic slowdown and the impact of the reduction in tax rates. The significant shift which took place during 2007-08 wherein the direct tax collection for the first time surpassed the indirect tax collection has been maintained in 2009-10. This structural change indicates a continuing shift towards a more progressive and equitable tax system.

Table 2.3

Components of Gross Tax Revenue

	2009-2010				2008-2009		
	B.E	Actuals up to September 2009	per cent of B.E	per cent growth over September 2008	B.E.	Actuals up to September	per cent B.E.
	(Rs. crore)				(Rs. crore)		
1. Corporate tax	256725	104504	40.7	7.7	226361	96991	42.8
2. Taxes on income other than corporate tax	106800	49703	46.5	7.2	120604	46349	38.4
3. Customs	98000	37744	38.5	-32.9	118930	56241	47.3
4. Union Excise Duties	106477	36893	34.7	-22.9	137874	47870	34.7
5. Service Tax	65000	23236	35.8	-3.7	64460	24139	37.4
6. Other taxes	8077	6800	84.2	-20.5	19486	8551	43.9
Total Gross Tax Revenue	**641079**	**258880**	**40.4**	**-7.6**	**687715**	**280141**	**40.7**

(3) Direct taxes

Corporate Tax

2.7 Revenue from corporate income tax was estimated at Rs. 2,56,725 crore in BE 2009-10 and continued to be the largest component of total tax revenue. The BE 2009-10 assumed a growth of 20.1 per cent over the corporate income tax collection during 2008-09(Provisional Actuals). In the first half of 2009-10, year-on-year growth of 7.7 per cent was achieved in corporate income tax. Though this rate of growth may indicate that there may be shortfall in achieving the target set in BE 2009-10, on Compounded Annual Growth Rate (CAGR) basis was 22 per cent over 2007-08; as compared with a CAGR assumed in BE 2009-10 of 15.4 per cent over 2007-08. Therefore, the above trend along with the fact that 40.7 per cent of BE of 2009-10 has already been collected during the first half of 2009-10 indicates that there may not be shortfall from the target set in BE 2009-10.

Income Tax other than Corporate tax

2.8 Income tax (other than corporate tax) was estimated at Rs.1,06,800 crore in BE 2009-10 assuming a decline of 2.9 per cent over the levels of collections during 2008-09(Provisional Actuals). This reduction was estimated on account of increase in the basic exemption limits for individuals, women and senior citizens along with abolition of surcharge on individual tax payers having income exceeding Rs. 10 lakh. However, even with these changes, there has been a growth of 7.2 per cent in the first half of 2009-10 compared to the corresponding period in 2008-09. Further, 46.5 per cent of the BE 2009-10 has already been collected during the first half. With the present trend in growth of this component of tax likely to continue in the second half of fiscal year, the actual collection for this component of tax may exceed BE 2009-10. Realisation from securities transaction tax at 59 per cent of BE in 2009-10 (H1) was also robust (Table 2.4).

Table 2.4

Components of taxes on income

	2009-2010				2008-2009		
	B.E	Actuals up to September 2009	percent of B.E	per cent growth over September 2008	B.E.	Actuals up to September	per cent B.E.
	(Rs. crore)				(Rs. crore)		
1. Fringe benefit tax*	-	1906	-	-50.0	8160	3812	47
2. Securities transaction tax	6000	3537	59	11.2	9000	3182	35
3. Banking cash transaction tax*	50	83	167	-74.3	550	323	59

*Abolished with effect from 1.4.2009

(4) Indirect Taxes

Customs

2.9 Assuming a decline of 1.9 per cent over provisional actuals of 2008-09, BE 2009-10 was estimated at Rs. 98,000 crore. The decline was estimated due to continuing fall in volume of imports due to the prevailing economic slowdown, nil rating of crude petroleum and lower levels of global commodity prices. Receipts under this component declined by 32.9 per cent in the first half of 2009-10 over the corresponding period in 2008-09. The collections in the first half of 2009-10 was 38.5 per cent of BE 2009-10.

Union Excise Duties

2.10 A decline of 2.1 per cent over the level of revenue in 2008-09(Provisional Actuals) has been assumed in BE 2009-10 (Rs.1,06,477 crore). As part of fiscal stimulus measures in the previous financial year, CENVAT was reduced by 4 percentage points initially and followed up by reduction in general rate from 10 per cent to 8 per cent. The reduced rates continue in the year 2009-10. The estimated reduction in receipts under Union Excise Duty is mainly attributed to this. In the first half of 2009-10, the excise revenue was 34.6 per cent of BE 2009-10, and reflects a decline of 22.9 per cent over the revenue in the corresponding period of 2008-09. The performance of manufacturing sector as per the latest data, it is likely that the receipts under Union Excise Duty may come closer to BE 2009-10.

Service Tax

2.11 Assuming a growth of 6.8 per cent over revenue realised in 2008-09(Provisional Actuals), BE 2009-10 is estimated at Rs.65,000 crore. In the first half of the current fiscal, this component is showing a decline of 3.7 per cent. A part of this could be attributed to the reduction in the rate of service tax.

(5) Non Tax Revenue

2.12 Based on estimated higher receipts from transfer of surplus of Reserve Bank of India, increased dividend receipts from public sector undertakings in sectors like banking, petroleum and steel, and the receipts from Telecommunication sector, non tax revenue was estimated at

Rs. 1,40,279 crore. This implies a growth of 44.7 per cent over non tax revenue receipt of Rs. 96,925 crore in 2008-09. Non tax revenue receipts in April-September 2009 was Rs.58,802 crore equivalent of 41.9 per cent of B.E.2009-10 and a growth of 37.9 per cent over receipts during corresponding period of previous financial year.

Non-debt Capital Receipts

2.13 On account of higher receipts from disinvestment proceeds,non-debt capital receipts at Rs.6,602 crore have surpassed BE2009-10 of Rs.5,345 crore. It may be mentioned herein that the Government decided that the proceeds from disinvestment would be channelised into National Investment Fund and during April 2009 to March 2012 would be available in full for meeting the capital expenditure requirements of selected Social Sector Programmes decided by the Planning Commission/Department of Expenditure. The status quo ante will be restored from April 2012.

C. Expenditure

(1) Total Expenditure

2.14 Total expenditure in B.E.2009-10 was budgeted at Rs.10,20,838 crore (17.4 per cent of GDP), reflecting a growth of 15.8 per cent over Rs.8,81,469 crore in 2008-09. Total expenditure, during April-September 2009, at Rs.4,48,848 crore was at 44.0 per cent of B.E.2009-10 and a growth of 28.6 per cent from a level of Rs.3,49,081 crore in the previous year.

2.15 Revenue expenditure during April-September has gone up from Rs.3,23,211 crore in 2008-09 to Rs.4,09,454 crore in 2009-10 showing a growth of 26.7 per cent. This amounts to 45.6 per cent of BE 2009-10. Higher growth in revenue expenditure during the first half of 2009-10 may be attributed to the increase in salary and pension related expenditure due to the implementation of Sixth Central Pay Commission recommendations; increase in food and fertiliser subsidy; and expenditure on account of Agricultural Debt Waiver and Debt Relief Scheme for farmers. Capital expenditure during April-September 2009 was Rs.39,394 crore as against Rs.25,870 crore during the same period in 2008 reflecting growth of 52.3 per cent. Capital expenditure at the end of second quarter was 31.9 per cent of the BE 2009-10 (Table 2.5).

Table 2.5

Trends in expenditure in April-September

(Rs. crore)

	April-September					
EXPENDITURE	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
1. Revenue	166458	187942	230683	259080	323211	409454
2. Capital	29115	23041	21261	58812*	25870	39394
3. Total expenditure	**195573**	**210983**	**251944**	**317892**	**349081**	**448848**
	(6.2)	**(5.9)**	**(6.1)**	**(6.7)**	**(6.6)**	**(7.7)**
4. BE for the full year	477829	514344	563991	680521	750884	1020838
5. Item 3 as Percentage of item 4	**40.9**	**41.0**	**44.7**	**46.7**	**46.5**	**44.0**

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

Note: Figures in parenthesis are percentage of GDP.

(2) Plan Expenditure

2.16 Plan Expenditure during 2009-10 was estimated at Rs.3,25,149 crore assuming a growth of 18 per cent over the provisional actuals of 2008-09, which was in turn higher by 33.6 per cent over BE 2008-09. Plan expenditure of Rs.1,26,778 crore during April-September, 2009 accounted for 39 per cent of BE 2009-10, and a growth of 16.9 per cent over the plan expenditure of the previous year during the same period. Considering the fact that the Budget was presented in July 2009 and plan outlay is at historical high of 5.6 per cent of GDP, this shows good pace of plan expenditure (Table 2.6).

Table 2.6

Trends in plan expenditure in April-September

(Rs.crore)

	April-September					
PLAN EXPENDITURE	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
1. Revenue	34742	46123	57757	71571	93727	108163
2. Capital	18532	13283	11122	15187	14725	18615
3. Total expenditure	**53274**	**59406**	**68879**	**86758**	**108452**	**126778**
	(1.7)	**(1.7)**	**(1.7)**	**(1.8)**	**(2.0)**	**(2.2)**
4. BE for the full year	145590	143497	172728	205100	243386	325149
5. Item 3 as Percentage of item 4	**36.6**	**41.4**	**39.9**	**42.3**	**44.6**	**39.0**

Note: Figures in parenthesis are percentage of GDP.

(3) Non Plan Expenditure

2.17 Non-plan expenditure was estimated in B.E.2009-10 at Rs.6,95,689 crore which constitutes 68.1 per cent of total expenditure during 2009-10 and assumes a growth of 14.8 per cent over the level of non-plan expenditure in 2008-09 (Provisional Actuals). The Non-plan expenditure has from April-September 2009 increased from Rs.2,40,629 crore in 2008-09 to Rs.3,22,070 crore in April-September 2009-10 reflecting growth of 33.8 per cent and was at 46.3 per cent of the BE 2009-10. The higher rate of growth in non-plan expenditure is primarily in revenue expenditure for the reasons stated earlier in para 2.15.

2.18 Major subsidies have shown higher outgo in the first half of the current financial year when compared to the same period during the previous financial year. The outgo on food subsidy has increased from a level of Rs.23,579 crore to Rs. 31,864 crore in April-September 2009 reflecting a growth of 35.1 per cent. Subsidies on fertilisers have increased from Rs.30,246 crore to Rs.33,015 crore representing a growth of 9.2 per cent. Pension, a non-discretionary item, has also shown higher outgo of Rs.21,271 crore in the first half of the current financial year showing a growth of 73.7 per cent. Growth in salary related expenditure is of the order of 65 per cent. This is on account of implementation of Sixth Central Pay Commission recommendations.

2.19 Non-Plan expenditure along with higher plan revenue expenditure have added to the imbalance in the revenue account of the government in April-September 2009. Expenditure on interest payments, defence services, pensions, major subsidies and grants and loans to States taken together and amounting to Rs.2,50,473 crore continue to appropriate high proportion of total non-plan expenditure at 77.8 per cent during April-September 2009 (Table 2.7).

Table 2.7
Non-plan expenditure in April-September

(Rs. crore)

	April-September					
NON-PLAN EXPENDITURE	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
1. Revenue Account	131716	141819	172926	187509	229484	301291
of which Interest Payments	55399	53940	64003	72820	86061	86669
2. Capital Account	10583	9758	10139	43625*	11145	20779
3. Total Non-Plan Expenditure	**142299**	**151577**	**183065**	**231134**	**240629**	**322070**
	(4.5)	**(4.2)**	**(4.4)**	**(4.9)**	**(4.5)**	**(5.5)**
4. BE for the full year	332239	370847	391263	475421	507498	695689
5. Item 3 as Percentage of item 4	42.8	40.9	46.8	48.6	47.4	46.3

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

Note Figures in parenthesis are percentage of GDP

D. Resources transferred to States/UTs

2.20 Against the B.E. of Rs.3,13,751 crore for transfers to States/UTs, the actual transfer in the first half of 2009-10 was Rs.1,28,192 crore constituting 41 per cent of BE 2009-10. This reflects a growth of 0.2 per cent over Rs.1,27,967 crore transferred during the corresponding period in the previous financial year. The transfer in respect of States' share of taxes and duties was at Rs.72,135 crore during April-September 2009 as compared to Rs.76,761 crore during April-September, 2008. The decline was on account of lower estimates of gross tax revenue in BE 2009-10 when compared to BE 2008-09. Central Assistance to States/UTs in the form of various grants and loans increased from Rs.52,213 crore in 2008-09 to Rs.57,787 crore in 2009-10 during the first half of fiscal year.

E. Deficit

2.21 Fiscal deficit for the year was estimated at Rs.4,00,996 crore amounting to 6.8 per cent of GDP. In April- September, 2009 fiscal deficit was placed at Rs.1,97,775 crore which constituted 49.3 per cent of B.E.2009-10 (77 per cent of BE during 2008-09 on account of higher expenditure outgo through Supplementary Demand for Grants which was not envisaged at BE Stage). As a proportion of GDP, fiscal deficit for the period April-September 2009 was 3.4 per cent whereas this was 1.9 per cent during corresponding period of previous year.

2.22 Revenue deficit for 2009-10 was estimated at Rs.2,82,735 crore equivalent of 4.8 per cent of GDP. During the period April-September 2009, revenue deficit was placed at Rs.1,64,983 crore and constituted 58.4 per cent of B.E. 2009-10 (This was 141.9 per cent of BE during 2008-09 again due to the supplementary demands for grants). Major Subsidies were estimated at Rs.1,05,579 crore in BE 2009-10 amounting to 22.3 per cent of budgeted net tax revenue. However, due to higher expenditure on food and fertiliser subsidy during the period April-September 2009, expenditure on major subsidies went up to Rs.66,013 crore and appropriated 35.6 per cent of net tax revenue collected during the same period. Subsidy release at much faster pace and thereby placing a larger indent on net tax revenue along with higher outgo on salary and pension related expenditures resulted in higher deficit in revenue account for the half year ending September, 2009 (Table 2.8).

2.23 Also, Revenue receipts for the government are back loaded and more than 60 per cent of revenue receipts are expected during the second half of the financial year. With the view to ensure budgeted expenditure for the year are spread uniformly during the financial year to achieve better outcomes and also to avoid rush of expenditure in the latter half of the financial year, necessary measures were taken for better expenditure management system to improve efficient distribution of allocated resources.

Table 2.8

Trends in deficit in April-September

(Rs. crore)

	April-September					
DEFICITS	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Revenue Deficit (actuals)(Apr-Sep)	59951	65097	69277	61124	78313	164983
Revenue Deficit (BE) for the full year	76171	95312	84727	71478	55184	282735
Percentage of BE	**78.7**	**68.3**	**81.8**	**85.5**	**141.9**	**58.4**
Percentage of GDP	**1.9**	**1.8**	**1.7**	**1.3**	**1.5**	**2.8**
Fiscal Deficit (Actuals) Apr-Sep)	53235	83843	86461	81200	102654	197775
Fiscal Deficit (BE)) for the full year	137407	151144	148686	150948	133287	400996
Percentage of BE	**38.7**	**55.5**	**58.2**	**53.8**	**77.0**	**49.3**
Percentage of GDP	**1.7**	**2.3**	**2.1**	**1.7**	**1.9**	**3.4**
Primary Deficit (Actuals) Apr-Sep)	-2164	29903	22458	8380	16593	111106
Primary Deficit (BE)) for the full year	7907	17199	8863	-8047	-57520	175485
Percentage of BE	**-27.4**	**173.9**	**253.4**	**-104.1**	**-28.8**	**63.3**
Percentage of GDP	**-0.1**	**0.8**	**0.5**	**0.2**	**0.3**	**1.9**

Financing of deficit

2.24 Fiscal deficit of Rs.1,97,775 crore during April-September 2009 was financed by raising internal debt (net) of Rs.2,60,669 crore, cash draw down of Rs. 33,761 crore, surplus on public account of Rs.1,674 crore and external assistance of Rs.2,974 crore. Gross and net market borrowings (including 364-days Treasury Bills) during April-September 2009 amounted to Rs.3,39,335 crore and Rs.2,86,374 crore respectively, accounting for 69.1 per cent and 72.0 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 71.6 per cent and 64.5 per cent of the estimated market borrowing, respectively. The borrowing programme of the Government has been front loaded and managed in a manner without disrupting the market. The weighted average maturity of dated securities issued at the end of second quarter of the fiscal year 2009-10 at 10.94 years was lower than 15.55 years during the corresponding period of the previous year. The weighted average yield of dated securities issued during the same period decreased to 7.08 per cent from 8.81 per cent (Table 2.9).

Table 2.9
Financing of deficit

(Rs. crore)

	April- September-09	April- September-08
Fiscal Deficit	1,97,775	1,02,654
Sources of Financing		
1. Internal Debt (Net)	2,60,669	57,020
a. Market Loans & Short Term Borrowings	2,90,919	93,065
b. Treasury Bills (14 days)	-14,813	-27,550
c. Compensation and Other Bonds	-8,463	-7,581
d. Others	-6,974	-914
2. External Assistance including Revolving fund (Net)	2,974	2,315
3. Cash Draw Down Decrease(+)/Increase(-)	-33,761	39,499
4. Investment of Surplus Cash(-)/WMA/disinvestments(+)	-33,781	
5. Borrowings(-)/Surplus(+) on Public Account*	1,674	3,820

* Includes Suspense & Remittances.

F. Cash Management

2.25 The year commenced with surplus cash position of Rs.16,319 crore including investment surplus of Rs.16,219 crore. At the end of the first quarter, Government increased its investment with RBI to Rs.18,426 crore and during the second quarter of 2009-10, the government invested Rs.31,574 crore, thus increasing the investment to Rs.50,000 crore.

G. Market Stabilisation Scheme

2.26 The total accumulation under Market Stabilisation Scheme (MSS) at the end of March, 2009 was Rs.88,772.8 crore equivalent of 1.7 per cent of GDP. As part of liquidity management, the Government in consultation with RBI, has repaid Rs.42,000 crore and de-sequestered Rs.28,000 crore at the end of second quarter of the current financial year under the scheme. This was in accordance with the Government decision to de-sequester Rs.45,000 crore from MSS for using it to finance increased fiscal deficit during 2008-09 and 2009-10. As only Rs.12,000 crore was de-sequestered during 2008-09, of the balance of Rs.33,000 crore, the option of de-sequestering MSS to the tune of Rs.28,000 crore was opted. The closing balance at the end of September 2009 was Rs.18,772.8 crore constituting 0.3 per cent of GDP (Table 2.10). The accumulation under this scheme is not utilised for financing the deficit, unless of course it is de-sequestered.

Table 2.10

Accretion and instruments of investment under MSS

(Rs.crore)

Securities	Dated	364 Days Treasury Bills	182 Days Treasury Bills	91 Days Treasury Bills	Total
Balance as on 1st April 2009					
(Provisional)	**79,772.8**	**9,000.0**	**-**	**-**	**88,772.8**
During the year (Net)	**-61,000.0**	**-9000.0**	**0.0**	**0.0**	**-70,000.0**
Floated (upto September)	0.0	0.0	0.0	0.0	0.0
Discharged (upto September)	33,000.0	9,000.0	0.0	0.0	42,000.0
De-sequestered	28,000.0	-	-	-	28,000.0
Closing Balance	**18,772.8**	**0.0**	**0.0**	**0.0**	**18,772.78**

H. National Small Savings Fund

2.27 Net accretion under National Small Savings Fund (NSSF) exhibited higher growth in the first half of fiscal year 2009-10 when compared to 2008-09. At the end of second quarter, net accretion increased from a level of Rs.7,013 crore in 2008-09 to Rs.10,997 crore in 2009-10 (Table 2.11).

Table 2.11

Accretion under the National Small Savings Fund

(Rs.crore)

	Up to September 2009	Up to September 2008
Balance on 1st April (Provisional)	-16,304	-3,704
(a) Small Savings	12,909	-3,084
(b) Public Provident Fund	8,470	-1,766
(c) Investment in Securities		
(i) State Securities	9,984	-1,077
(ii) Central Securities	-806	-622
(d) Income & Expenditure of NSSF	-1,204	10,164
(e) Net accretion (a+b+d-c)	10,997	7,013
Closing Balance	-5,307	3,309

I. Assessment vis-à-vis mid year FRBM benchmarks

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

I. The total amount of non-debt receipts are less than 40 per cent of budget estimates for that year; or

II. The fiscal deficit is higher than 45 per cent of the budget estimates for that year; or

III. The revenue deficit is higher than 45 per cent of the budget estimates for that year.

2.29 The performance in the first half of the fiscal year 2009-10 meets the target in respect of the benchmark of non-debt receipts, which was placed at 40.5 per cent of the BE 2009-10. Fiscal deficit and revenue deficit at 49.3 per cent and 58.4 per cent respectively were higher than the prescribed benchmark of 45 per cent of BE (Table 2.12).

Table 2.12

Outcome versus mid-year benchmarks under FRBM Rules

Variable	**Performance benchmark under FRBM Rules**	**April-September**			
		2009	**2008**	**2007**	**2006**
Total Non-Debt receipts	Not less than 40 per cent	40.5	39.9	44.7	39.8
Fiscal Deficit	Not more than 45 per cent	49.3	77.0	53.8	58.2
Revenue Deficit	Not more than 45 per cent	58.4	141.9	85.5	81.8

2.30 In the second half of the current financial year, with improvement in the performance of manufacturing sector as per the latest data, it is likely that the receipts under Union Excise Duty may come closer to BE 2009-10. With the current set of data released for Q2 and likely higher growth in service sector in the second half of 2009-10, it is likely that there may not be any shortfall in revenue from service tax when compared to BE 2009-10. In the current fiscal, the likely shortfall in indirect tax components is expected to be compensated by higher collection in direct tax components in 2009-10. The underlying assumption of tax collection projection (as stated earlier) under corporate tax and income tax other than corporate tax is that the trend seen in the 1st half of 2009-10 will also continue in the 2nd half of the current fiscal, if however, due to unforeseen developments in the remaining part of the year, the trends in the 1st half of 2009-10 get reversed or tend to slow down, then the overall direct tax collection are expected to reach the BE 2009-10 level, if not exceed it. The growth in revenue expenditure is expected to moderate in the second half of 2009-10 compared to the latter half of 2008-09 which accounted for about 60 per cent of total revenue expenditure in 2008-09. In the latter half of the fiscal year, growth of salary and pension related expenditure would moderate due to base effect. With the prevailing trends in receipts and expenditure, coupled with better than expected performance of the economy during the second quarter of 2009-10, it is expected that there would not be any slippage on deficit side compared to the estimates presented in the Budget in July 2009.

2.31 Revenue receipts which accounts for more than 99 per cent of total non-debt receipts is at 39.8 per cent of BE 2009-10 in April-September 2009 and is better than the five years moving average of 38.1 per cent. Tax revenue collections in the first half of the financial year are in line with the budget estimates and any shortfall in the overall tax revenue collection is unlikely. The overall expenditure is also expected to be in line with Budget Estimates 2009-10 and therefore the fiscal deficit estimated in BE 2009-10 is achievable.

2.32 The higher levels of revenue deficit at 58.4 per cent of the Budget Estimates, though more than the prescribed ceiling of 45 per cent, is significantly lower than that prevailed in 2007 and 2006; ignoring the level in 2008 which was influenced by large supplementaries. Even though revenue deficit has gone up to 58.4 per cent of BE 2009-10, revenue expenditure is only 45.6 per cent of the Budget Estimates. Therefore, this breach in ceiling may be explained by the fact that revenue receipts of the Government are primarily back loaded and have yielded only 39.8 per cent of Budget Estimates in the first half of 2009-10. It is a conscious decision of the Government to evenly pace the plan expenditure during the year without linking it to distortion in tax receipts during the first half of fiscal year. Further, in the current year the outgo on account of Salary and Pension related expenditure is higher in the first half of the fiscal year. This is due to payment of arrears on account of the implementation of decision of the Government on Sixth Central Pay Commission recommendations.

2.33 Subsequent to the global economic slowdown and its impact on the domestic economy, there was a compelling need to adjust the fiscal policy to take care of exceptional circumstances. These were very much in line with the international practice in this regard. Interventions of the Government and the RBI through various fiscal, monetary and administrative measures have started showing results. The economy has recorded a real GDP growth of 7.9 per cent in the second quarter of the fiscal 2009-10, thereby taking up the growth to 7 per cent in the first half of 2009-10. In terms of point contribution to growth, there has been a significant support from the fiscal policy stance. While there is clear sign of recovery aided by fiscal stimuli, there is as yet the problem of sustaining this in the next few quarters. As aggregate demand is yet to fully pickup and the consideration of the counterfactual position (growth without fiscal stimuli), the Government will calibrate its exit policy with due caution without putting at risk the revival process and without fiscal profligacy.

2.34 The endeavour is to right pace plan expenditure to ensure availability of adequate resources for execution of Plan 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.

2.35 The financial performance in the first half is broadly in line with the Budget Estimates 2009-10. The fiscal deficit is at 49.3 per cent of BE 2009-10 which is lower than the five years moving average of 56.6 per cent of BE of these years. The extraordinary borrowing programme of the Government has been completed to the extent of 72 per cent of the estimated net market borrowing without causing disruption in the market. The cost of borrowing has also come down. The front loading of Government borrowing will ensure availability of adequate liquidity in the system during the remaining part of fiscal year when private demand is expected to pick up.

Chapter III

OUTLOOK AND ISSUES

3.1 The current period represents a crossroad for the Indian economy. That the country has managed to minimize the knock-on effects of the global crisis of 2008, due to timely and appropriately calibrated policies to register recovery in growth, underscores the strong fundamentals and resilience of the economy and, also, the effectiveness of the policy measures undertaken to stall the adverse impact of the crisis. The **Economic Survey 2008-09,** presented in July 2009, had indicated that growth in real GDP this financial year could be around 7.0 (± 0.75) per cent. With the latest GDP data on Q2 of 2009-10 being higher at 7.9 per cent, the growth outlook for the next two quarters and for the whole year is likely to be in the upper bound of the range predicted; and may even exceed it. There are indications from the latest sample study carried out by Labour Bureau that employment has also shown positive signs during the period, July to September, 2009 as against the decline in employment witnessed in earlier quarter. Given the pick-up in economic activity in the world and India, the positive trend on employment is likely to continue. A disaggregated analysis of the trends in the major components of real GDP in the last few quarters indicates that while some of the components had exhibited a recovery earlier sequentially, on a seasonally adjusted basis the recovery is appreciable in private final consumption demand in Q2 of 2009-10. Hard information on the counterfactual, i.e. growth in the absence of the fiscal stimulus, is of course not available—that is what makes it a counter-factual. However, there is enough evidence to suggest that the fiscal policy measures undertaken by the government have worked. There is need to observe the growth in major components for a couple of quarters to confirm the self-sustaining nature of this recovery process.

3.2 Other indicators, such as capital flows, movements in the Index of Industrial Production, growth in infrastructure and developments in the agriculture and service sectors, need to be monitored closely to ensure the calibration of withdrawal of expansionary policies. This is necessary to guard against slipping back to lower growth with all its attendant hardships, higher interest rates and the crowding out of resources. While there is likely to be a shortfall in agricultural output on account of deficient and erratic south west monsoon rainfall in the current fiscal, its overall negative impact may be tempered by the robust growth of all the other sectors. Besides, if there is a growth rebound in agriculture in the next year, this would provide additional impetus to growth. With the return of the services sector to its trend growth path, it is the growth in industry that will be critical in sustaining the growth momentum this year, as well as in the medium term. Should global recovery gather momentum, the prospects of a return to the high growth achieved prior to the global recession of 2008 are very bright, and the possibility of getting on to an even higher growth is also not negligible. The path ahead, however, presents important challenges and the need to set clear priorities, not only from a purely national angle, but also in the context of India's global and international policy is evident. Some of the important issues and challenges that need to be addressed in the short and medium terms are detailed below.

A. Inflation

3.3 The country has been facing a problem of rising prices of primary articles in the recent past. This affects the common man adversely and needs action since equitable development and growth is at the heart of India's objective as a nation. As Amartya Sen argues in his new book, **The Idea of Justice,** fairness, equity and justice are the bulwarks of a decent society and these are aims that we ought to strive towards. As he says in one place (page. 291) "Equality was not only among the foremost revolutionary demands in eighteenth century Europe and America, there has also been an extra-ordinary consensus on its importance in the post-Enlightened world". Inflation, at one level, is merely a technical description of a sustained change in price levels occurring in society. But it can adversely affect the lives of people, increasing poverty and economic inequality and so we do need to address this problem.

3.4 The fact that inflation measured by the Wholesale Price Index (WPI) has been negative or very low, whereas inflation in the retail sector has been positive, also evidenced by the movements in consumer price indices, has been widely viewed as a conundrum. In reality, there is no puzzle in this. The divergence between the two indices is caused by the difference in weights in the basket of commodities covered in the indices, and the fact that the WPI is an index at the wholesale stage, whereas the Consumer Price Indices (CPIs) take into account the retail stage prices of goods and services.

3.5 While the inflation worry must not be dismissed, it is worth clarifying that there are some technical reasons why the inflation appears somewhat larger than it is. The inflation figures that are flashed in newspapers every week are inflation figures calculated on a year-on-year basis—that is, by comparing the price index in the current week with the index in the comparable week one year ago. As it happened, in November and December last year, price indices were declining in response to several factors including appropriate monetary and fiscal measures which were in turn a response to the high generalized inflation in the preceding months. Hence, this "decline in the base" is giving some boost to the current inflation figures. This, coupled with the rise in price index, which is indeed taking place, makes the inflation appear somewhat larger than it is.

3.6 The rise in the prices of primary articles of consumption of the common man that has been occurring in recent times is indeed a cause of concern, and this needs to be attended on an urgent basis. To do this effectively there is a clear need to understand the nature of this inflation. As mentioned above, this is an unusual inflation in which the price rise across commodities is highly skewed, so much so that it is more like a correction in price ratios than a regular inflation, though it does raise the spectre of inflation. This 'skewed inflation'—for want of a better expression—is caused in part by the success of the policy of enhancing the buying power of the poor and the middle class through a variety of anti-poverty programmes. However, the very fact of its skewness seems to suggest that this inflation is not a product of aggregate demand expansion in the economy. Its dominant cause is the supply-side one of reduced food production or, more accurately, the expectations of a reduction in food production over the next months that the drought and poor monsoon in India have inevitably given rise to.

3.7 Though such supply shortages due to constrained domestic production could partially be met by imports, this option is not available for some commodities, such as pulses, which are either not offered in the international market or, at any rate, are supplied in very limited quantities. Moreover, there is always the risk that these imports will not materialize at the time of our greatest need. In view of this, it is essential that alongside short terms measures, we also try to shore up our systems for encouraging greater food production and the domestic availability of essential commodities.

3.8 The short-run pressures on food prices are likely to persist because of the weak monsoon which has affected the Kharif production of food grains. Measures such as the easing up of imports can play a limited short-run role. But even as we explore these avenues of intervention, we have to be clear, as just outlined, that, for a country as vast as ours, agriculture assumes critical importance, in terms of not just food security but also employment. However, this sector is faced with various challenges which require serious attention both in the short term and in the long term. The major issues and challenges facing Indian agriculture sector are listed below.

(i) Lower relative growth

India's agricultural sector employs about 52 per cent of the population, but accounts for only about 17 per cent of total GDP. Growth in agriculture has stagnated relative to other sectors. Agricultural incomes are lower and growing slower than incomes in other sectors. So there is a need to augment farm income so that the sector could have a more meaningful contribution in the economy. At the same time, work on removing obstacles and incentivizing the development of the labor-intensive manufacturing sector which can potentially absorb the surplus labor from the agricultural sector needs to continue. In addition, if the development of the manufacturing sector is geographically diverse, it can play a major role in absorbing labour and improving the standard of living of the poor.

(ii) Lack of extension services and infrastructure

Lack of good extension services to farmers acts as a major factor inhibiting the growth of Indian agriculture. There is also a distinct lack of infrastructure in many rural areas, and the inability of farmers to directly access markets has sustained the presence of a chain of middlemen through whom most agricultural commodities circulate before finally reaching consumers. So there is a need to devise a mechanism that would reduce the present dominant role of the intermediaries in the field of agricultural marketing and augment the role of the farmers in the supply chain. As experience from India and elsewhere shows, this is best achieved not by creating laws and regulations but improving infrastructure and communications, which can cut down transactions cost and facilitate more direct trade and exchange.

(iii) Agricultural productivity

The gains of the Green Revolution notwithstanding, Indian agriculture lags behind in terms of technology adoption and productivity. Investment in the sector has not kept pace and that has prevented farmers from investing in productivity enhancing technologies. Future policies should focus on providing incentives to farmers to adopt better production technology and bridging the information gap that currently exists in the agricultural sector. All this brings us back again to the critical need to improve rural infrastructural facilities, which include the furtherance of irrigation facilities.

B. Challenging trinity

3.9 Prior to the deepening of the global financial crisis in September 2008, monetary policy stance was tightened to combat the sharp rise in inflation as measured by the point-to-point WPI measure. Some part of the momentum in the level of prices owed to the rise in money supply triggered by capital flows. However, the crisis and its impact on the financial market and real sector down-turn led to a reversal in the policy stance. With interest rates at near historic lows in most of the advanced economies, capital inflows from these economies are finding their way into the faster growing Asian economies including India. With the return of capital inflows, the questions that have once again come to the fore are: whether the inflows at this stage are in excess of our domestic absorptive capacity, whether these could result in the overheating of the economy and with the attendant risk potential for creating asset price bubbles? Is the Indian economy headed towards the point where it would again have to contend with the challenge of the mutually contentious trinity - of maintaining a balance between the objectives of price stability, exchange rate stability and capital mobility?

3.10 It cannot be overlooked that a surge in capital inflows has implications in terms of stoking an inflationary spiral, appreciating rupee and reducing the competitiveness of our exports and may entail fiscal costs. In fact, the rupee appreciated by 9.6 per cent against the US dollar during the current financial year till October 2009. Economies like Brazil and Taiwan that are facing a similar influx of capital have imposed a tax on inflows into stocks and bonds to stem the appreciation of their currency. Even in the wake of the excessive capital inflows earlier, India had not taken precipitate measures. Excess flows were mopped up from the forex markets and sterilized using a variety of instruments including changed ceilings on external commercial borrowings and prudential regulations. However, at the current juncture, the problem is somewhat muted (Table 3.1) since the levels of inflows could be managed without significant costs or tradeoffs in policy setting. This is, however, a matter that will need some deep strategic thinking in the long run.

Table 3.1 Capital flows

(US $ billion)

Component	Period	2008-09	2009-10
FDI to India	April-August	16.5	16.2
FII (net)	April-October*	-9.5	18.4
ADRs/GDRs	April-September	1.1	2.6
ECB approvals	April-September	10.2	7.1
NRI deposits (net)	April-September	1.1	2.7

Source: RBI

** upto October 16, 2009*

FDI - Foreign Direct Investment

FII - Foreign Institutional Innvestors' Investment

ECB - External Commercial Borrowings

NRI - Non Resident Indians

ADR - American Depository Receipts

GDR - Global Depository Receipts

3.11 Given the Government's resolve to accelerate infrastructure development, the need for foreign funds for meeting these long term finance requirements in critical sectors cannot be underestimated. Further, the utilization of funds in the productive sectors of the economy can also avert the risk of creation of asset price bubbles. The Reserve Bank of India currently faces the dilemma of when to exit from its expansionary monetary policy stance. If it raises the interest rate at this juncture, ahead of other Central Banks, the move could attract more capital inflows thus complicating the policy making process further. The challenge is to support the recovery process without compromising on price stability and through a careful management of trade-offs. To allay the fears of creation of asset price bubbles, the RBI in its Second Quarter review of Monetary Policy of October 2009, increased the provisioning requirements to the commercial real estate sector classified as "standard assets" from 0.40 to 1 per cent.

3.12 On the important subject of bubbles, there has been a lot of popular demand for governments to take advance action by pricking these bubbles before they grow to unsustainable proportions and then collapse, bringing about suffering in their wake. While this would happen in an ideal world, at the present stage of of existing knowledge on the subject, the difficulty arises from the fact that it is not always evident what is a bubble and what is a natural rise and fall of prices that is a part of any normal economy. Hence, for governments and central banks to be over-active in this area is to risk excessive interventionism damaging the normal rise and fall of asset prices, which can be harmful for the economy. On the other hand, bubbles that are obviously so, do need to be gradually deflated. The difficulty arises from the fact that few bubbles are obviously so. It is better to admit to this deficiency in the current state of knowledge in economics and be cautious, than to be overactive and act under the illusion of certainty.

3.13 Going forward, with the return to a high growth path, credit off take and surge in demand, the problem is likely to persist. In this connection, the need for opening up the capital account and freeing the exchange rate so as to overcome the challenging trinity has been articulated by many analysts. A currency's value should fundamentally reflect the strength of its current account of Balance of Payments. The extant exchange rate policy of two-way flexibility and prevention of undue volatility is to be seen in this context. With the exception of the three-year period (2001-02 to 2003-04), the current account balance has been in deficit. As long as Current Account of the Balance of Payment is in deficit territory, a large appreciation on account of capital flows does not reflect the fundamentals (of international exchange of commodities and services). There is a need to continue with the policy of opening up of the capital account in a gradual, sequenced and calibrated manner to address the long-term financing need and other dividends that accrue with the resource flows, allowing greater flexibility of the rupee and at the same time guarding against the erosion of the competitiveness of exports and enhancing the absorptive capacity of the economy.

C. Low credit growth

3.14 Though signs of revival of the economy are clearly evident with GDP growth in manufacturing sector picking up from 3.2 per cent (year-on year) in Q1 to 9.2 per cent in Q2, growth in bank credit demand still remains lukewarm. During the current financial year, growth in bank credit has remained low with year-on-year growth in 2009-10 at the end of H1 at 12.6 per cent as against 25.2 per cent in a corresponding date of the previous year. Non food credit recorded an increase of 13 per cent at the end of H1, as against an increase of 25.3 per cent recorded in the corresponding date of the last year (Table 3.2).

Table 3.2: Flow of financial resources to commercial sector

(Rupees crore)

S.No.	Item	Apr-Sept.		Per cent of total flow of resources	
		2008-09	2009-10	2008-09	2009-10
A.	Adjusted non food credit	2,40,092	1,07,861 *	51.28	31.91
B.	Flow from non bank (B1+B2)	2,28,119	2,30,130 **	48.72	68.09
B1	Domestic sources	1,22,518	1,40,213	26.17	41.48
B2	Foreign sources	1,05,601	89,917	22.55	26.61
C	Total flow of resources (A+B)	4,68,211	3,37,991	100.00	100.00

Source: RBI

** : upto October, 2009*

*** : Comparable period for the respective items*

In the main, the factors that have contributed to the slowdown in non-food bank credit from the banking sector are the economic conditions as well as the cost of funds. Banks also reined in credit to the retail sector due to the perceptions of increased risk on account of the general slowdown and to guard against bad loans. Consequently, liquidity conditions have remained in surplus mode, with the average daily liquidity absorption under the reverse repo window at around Rs.1,00,000 crore. With a sluggish credit demand, the exit from the current expansionary monetary policy stance has to be so calibrated that the recovery process is sustained and inflationary expectations remain well anchored.

3.15 The notable issue is that while the overall credit demand of the manufacturing sector from the banking sector has slowed down, corporates have been able to access non-bank domestic sources of funds and external financing (which had almost dried up earlier during the crisis) at lower costs. Thus, while bank credit during 2009-10 has continued to decelerate, there has been a turnaround in financing from non-bank domestic sources. While non-food credit accounted for 51 per cent of the total flow of resources to the commercial sector in 2008-09 (April-September), in 2009-10, they accounted for only 32 per cent of the flow of resources to the commercial sector. The remaining 68 per cent was met by non bank sources. Within non-bank sources, the contribution from domestic sources increased substantially from 26 per cent in 2008-09 to nearly 42 per cent in 2009-10. It is likely that revival of credit growth will follow the economic recovery process—in fact, it is not uncommon to find the demand for credit to pick up with a lag after growth picks up, following a relatively sluggish period. Thus the pace and timing of exit from accommodative policy stances (fiscal and monetary) will be a major challenge going forward.

D. Return to the path of fiscal consolidation

3.16 Following the deepening of the global financial crisis, the real economy was impacted through a slowdown in external and domestic demand. As revival of external demand is contingent upon global economic recovery, policy stances have been calibrated for the revival of domestic demand. Fiscal policy, worldwide, has played the main role of boosting demand. Given the weak automatic stabilisers (components of revenue and expenditure that are by nature counter cyclical), this policy was considered apposite. Thus, there was a conscious fiscal expansion, composed of both expenditure hikes and tax cuts to overcome global events and attending to priority expenditure. Thus unusual developments during 2008-09 necessitated deviation from the FRBMA. The Budget for 2009-10 has carried forward this policy through a fiscal expansion of 4.1 per cent of GDP (over 2007-08 levels). The impact of this expansionary policy could be gauged from the levels of contribution of Government final consumption expenditure (with a share of about 9 per cent) to growth; which compensated partially the sharp slowdown in private final consumption expenditure (with a share of above 55 per cent). Even in the second quarter of 2009-10, when growth rebounded to 7.9 per cent on a year-on-year basis, growth in private final consumption expenditure was at 0.9 per cent; however, on a sequential, seasonally-adjusted basis there is some evidence of a pickup.

3.17 These levels of fiscal expansion are short-term responses (conforming to international best practices), but are not sustainable on a long-term basis. Hence, the need for fiscal consolidation in the medium term. The Medium Term Fiscal Policy Statement 2009-10 has provided the roadmap with fiscal deficit declining to 5.5 per cent of GDP in 2010-11 and further to 4.0 per cent of GDP in 2011-12. The timing of the exit and the pace at which it should be carried out will depend on the strength of the recovery and its sustainability without fiscal stimulus. There is again an issue of the nature of the fiscal consolidation process going forward– whether it should rely on revenue growth, which is in turn linked to the growth recovery or on greater expenditure restraint. Limiting the growth in discretionary items of expenditure to a certain threshold based on the levels of revenue growth and required fiscal correction could be useful; but, more importantly the reform of subsidy regime as envisaged in the Budget for 2009-10 could provide a more sustainable base for fiscal consolidation. Another area where attention would be required is on expenditure outcomes and in this regard convergence of plan schemes and alternative paradigms of delivery of development initiatives need to be considered. Going forward, the Report of the Thirteenth Finance Commission and the proposed goods and services tax coupled with the initiative on direct taxes code could provide the right impetus to fiscal consolidation process.

E. G 20 and global co-ordination:

3.18 The global financial crisis has provided important lessons to emerging market economies and advanced economies alike. The accommodative policy stances, regulatory gaps and the build-up of asset price bubbles and their subsequent collapse and fall-out on the real sector have not spared any nation, even though the eye of the storm in this case was in the industrialized nations. Though the severity of the impact of the global meltdown differed across countries, it is now recognized that for a full recovery and return to stability, there is a need to have policy coordination across nations, since no economy can pull itself out unilaterally in today's globalized and inter-linked world. In other words, globalization and the speed of the crisis have created the need for greater coordination in terms of the design of appropriate institutional architecture as well as coordination of policy responses to enable a sustained recovery, financial stability and return to high growth.

3.19 The Group of Twenty (G-20) has taken up the cause of global stability, policy co-ordination and cooperation at the global level. The Pittsburgh Summit, held in September 2009, agreed that the G-20 would be the premier forum for the coordination of policy stances and cooperation on international economic issues. The Summit agreed on at least 5 per cent shift in IMF quota to under-represented countries and on a new framework for strong, sustainable and balanced growth. The objective is that members agree on shared policy objectives, set out medium-term policy frameworks and work together to assess the collective implications of national policy for global growth, identifying potential risks to financial stability and based on mutual assessment, agree on actions to meet common goals. India was among the only four nations that had positive growth among the twenty nations of the G-20 group during the height of the global recession in 2008 and can afford to play a pro-active role in this group.

3.20 The G-20 Finance Ministers and Central Bank Governors in their meeting held in St. Andrews, Scotland, on November 7, 2009 observed that, though the economic and financial conditions have improved following coordinated response to the crisis, recovery is uneven and remains dependent on policy support with high unemployment being a major concern. To restore the global economy and financial system to health, it was agreed to maintain support for the recovery as long as this was needed.

3.21 To underscore the new approach to economic cooperation, the G20 has launched the Framework for Strong, Sustainable and Balanced Growth, adopted a detailed timetable and initiated a new consultative mutual assessment process to evaluate whether policies will collectively deliver the agreed objectives. The first challenge in using the Framework is the transition from crisis response to stronger, more sustainable and balanced growth, consistent with the goals of sustainable public finances, price stability, stable, efficient and resilient financial systems, employment creation and poverty reduction. International Financial Institutions (IFIs) will play an important role in supporting the work to secure sustainable growth, stability, job creation, development and poverty reduction. In addition to strengthening the global financial system, the G-20 group agreed to work with the Financial Stability Board to maintain the momentum of reforms, and ensure their full, timely and consistent implementation along a level playing field.

Annex.I

Status of Implementlation of Major Budget Announcements 2009-10

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
1	**12**	As part of the preparations for the Budget, meetings with Finance Ministers of States to be held annually.	Implemented.
2	**17**	To stimulate public investment in infrastructure, India Infrastructure Finance Company Limited (IIFCL) which was set up as a special purpose vehicle for providing long term financial assistance to infrastructure projects to be given greater flexibility to aggressively fulfill its mandate.	Ongoing process. The Scheme for financing viable infrastructure projects through special purpose vehicle called India Infrastructure Finance Company Ltd (IIFCL) has been modified from time to time to give greater flexibility. Whenever a need arises, the matter is placed before the Empowered Committee for amendment in SIFTI.
3	**18**	IIFCL to evolve a 'takeout financing' scheme, in consultation with banks, which could facilitate incremental lending to the infrastructure sector.	CRISIL Risk and Infrastructure Solutions (CRIS), appointed as Consultant for preparation of a draft report on "Take out Financing Scheme". Their report has been approved by the Board of IIFCL. The same is under examination of the Empowered Committee. Comments of Planning Commission and D/o Economic Affairs being obtained.
4	**19**	As indicated in Interim Budget Speech, IIFCL will refinance 60 per cent of commercial bank loans for PPP projects in critical sectors over the next fifteen to eighteen months. The IIFCL and Banks to support projects involving a total investment of Rs.100 thousand crore in infrastructure to provide a big boost to such investment.	Ongoing process. IIFCL raised tax free bonds of Rs. 10,000 crore by March 31, 2009. This will enable the funding of infrastructure projects of about Rs.25,000 crore. IIFCL may raise an additional Rs.30,000 crore by way of tax free bonds once funds raised in the current year are effectively utilized. These initiatives will support projects with investment of Rs.1, 00,000 crore in infrastructure at competitive rates over the next 18 months.
5	**20**	Policy, regulatory and institutional bottlenecks for speedy implementation of infrastructure projects to be removed. Sufficient funds to be made available for this sector.	Ongoing process. A Standing Committee on Infrastructure Finance has been set up under Chairmanship of the Finance Secretary with representation from concerned Ministries/ Departments and regulatory agencies etc. to oversee recommendations on infrastructure financing and to act as the coordinating mechanism.
6	**22**	Allocation for Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to be stepped up by 87 per cent to Rs.12,887 crore in the current budget. To improve the lot of the urban poor, the allocation for housing and provision of basic amenities to urban poor to be increased to Rs.3,973 crore in the current year's budget including Rajiv Awas Yojana (RAY), which will	Expenditure under Urban infrastructure and Governance (UIG) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) is an ongoing process. Upto 31.10.2009, 16 projects with approved cost of Rs 2188.46 crore and ACA of Rs 1026. 84 crore committed under UIG and Rs. 41.36 crore has been released to States under UIDSSMT, as on

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		make the country slum free in the five year period.	31.10.2009. Concept paper on RAY has been prepared in consultation with State Governments, Municipalities and other stakeholders, which has received in- principle clearance from Planning Commission. Draft Guidelines of the Scheme are under preparation.
7	**25**	To facilitate transportation of gas across the length and breadth of the country, a blueprint for long distance gas highways leading to a National Gas Grid to be developed.	Draft Cabinet Note for setting up of a National Gas Highway Development Authority, to provide the desired thrust on planning the development of natural gas pipeline infrastructure and for development of Gas Highways leading to a National Gas Grid circulated.
8	**27**	The target for agriculture credit flow for the year 2009-10 is being set at Rs.3,25,000 crore. The interest subvention scheme for short term crop loans to farmers for loans upto Rs.3 lakh per farmer at the interest rate of 7 per cent per annum to continue. The Government to pay an additional subvention of 1 per cent as an incentive to those farmers who repay their short term crop loans on schedule. Thus, the interest rate for these farmers will come down to 6 per cent per annum. Additional Budget provision of Rs.411 crore over Interim BE made.	The agriculture credit flow is being monitored with PSBs, RBI and NABARD at quarterly interval to ensure the target is met. Cabinet approval for the budgetary requirement for continued interest subvention obtained on 17th September, 2009. Additional fund have been sought under RE 2009-10. Order regarding additional interest subvention issued on 08.10.2009 to RBI and NABARD and all concerned.
9	**28**	Due to the late arrival of monsoon, the time upto 30th June, 2009 given to farmers having more than two hectares of land to pay 75% of their overdues to be extended by six months upto 31st December, 2009 under the Agricultural Debt Waiver and Debt Relief Scheme (2008).	Implemented.
10	**29**	A Taskforce to be set up to examine the case of farmers of some regions of Maharashtra, who had taken loans from private money lenders and who were not covered by the loan waiver scheme.	Implemented.
11	**31**	(a) An adjustment assistance scheme to provide enhanced Export Credit and Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors to mitigate the difficulties faced by the exporters. In view of the continuing contraction in exports, the Scheme to be extended up to March 2010.	The Scheme has been extended up to 31st March, 2010, vide notification dated 11.9.2009 and is presently under implementation.
		(b) To enhance the allocation for the Market Development Assistance Scheme by 148% over BE 2008-09 to Rs.124 crore.	The Scheme is under implementation and till date 96 projects and Studies have been approved during 2009-10.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		(c) To extend the interest subvention of 2 per cent on pre-shipment credit for seven export oriented sectors beyond the current deadline of September 30, 2009 to March 31, 2010 .	An amount of Rs.800 crores has already been released to the RBI in three instalments. Further, approval of CCEA has been obtained for release of another Rs.450 crores. This will take total amount to Rs. 1250 crores under the interest subvention scheme.
		(d) To provide a special fund of Rs.4,000 crore out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank (SIDBI to lend to Micro and Small Enterprises (MSEs) by refinancing 50 per cent of incremental lending to MSEs during the current financial year.	Ongoing process. RBI has allotted Rs.1000 crore out of special fund of Rs. 4000 crore to SIDBI. SIDBI has received Rs. 1829 crore from 45 Banks and has made an aggregate disbursement Rs. 1400 crore to 10 Banks upto 31.10.2009.
		(e) Stimulus package comprising waiver of 15% agency commission on DAVP advertisements and a 10% increase in the DAVP rates to be paid as a 'special relief' subject to documentary proof of loss of revenue in non-governmental advertisements to be extended for another six months from 30th June, 2009 to 31st December, 2009 .	Implemented.
12	**34**	To move towards a nutrient based subsidy regime instead of the current product pricing regime to ensure balanced application of fertilizers with view to moving to a system of direct transfer of subsidy to the farmers.	State Governments and Industry consulted to solicit their views on the proposed nutrient based subsidy policy. Matter under consideration of Group of Ministers (GoM).
13	**35**	To set up an expert group to advise on a viable and sustainable system of pricing petroleum products	Implemented. An Expert Group has been constituted under the Chairmanship of Dr. Kirit Parikh, former Member Planning Commission, to advise on a viable and sustainable system of pricing of petroleum products etc.
14	**36**	Early introduction of SARAL-II forms to make Income Tax Return Forms simple and user-friendly. Tax system, which generates revenues on a sustained basis without use of coercive tax collection methods at the end of each year to meet targets to be introduced and to ensure that the process is completed in the next four years.	Ongoing process. New Direct Taxes Code released on 12 .08.2009. Revision of SARAL II and certain other forms is under way. The Centralised Processing Centre (CPC) at Bengaluru has started functioning. More reforms have been proposed in the New Direct Tax Code.
15	**37**	While retaining at least 51 per cent Government equity in Public Sector Undertakings, to encourage people's participation in disinvestment programme.	Ongoing process. A Policy Note on Disinvestment has been approved by CCEA on 5.11.2009. The disinvestment of CPSEs to be pursued as per this policy.
16	**39**	Threshold for non-promoter public shareholding for all listed companies to be raised in a phased manner.	Views of major Public Sector Stakeholders, Ministries/Departments- Department of Public Enterprises, Ministry of Petroleum and Natural Gas

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			and Power have been sought on the discussion paper on this issue. Matter being pursued vigorously.
17	**41**	To set aside Rs.100 crore during the current year as one-time grant-in-aid to ensure provision of at least one centre/Point of Sales (POS) for banking services in each of the unbanked blocks in the country. A sub-committee of State Level Bankers Committee (SLB C) will identify such areas and formulate an action plan for providing banking facilities to all these areas in the next 3 years.	Ongoing process. According to the State Level Bankers Committees (SLBCs), the total number of unbanked blocks in the country which was originally reported as 129 has been reduced to 99 as per latest information made available. State Governments & SLBCs asked to take necessary steps for opening of a bank branch of public sector banks or RRB in the unbanked blocks by 31.12.2009/31.03.2010. The State Governments/ UTs requested to provide infrastructure facilities for ensuring opening of bank branch / extension of banking facilities in the unbanked blocks. The position being reviewed every month.
18	**46**	(i) To provide a real wage of Rs.100 a day as an entitlement under the NREGA and to increase the productivity of assets and resources under NREGA, convergence with other schemes relating to agriculture, forests, water resources, land resources and rural roads is being initiated. Minister of Rural Development to announce measures and convergence guidelines. Allocation of Rs.39,100 crore for the year 2009-10 for NREGA to be made.	The issue regarding commitment of Rs.100/- as wage rate for NREGA workers is under active consideration of Department of Rural Development. Inter-ministerial Guidelines of Convergence have been issued. 115 pilot districts have been identified and State Governments have been directed to take up convergence in these pilot districts. Regular reporting from States to Ministry has been envisaged for effective monitoring.
		(ii) With a view to ensuring that every family living below the poverty line in rural or urban areas is entitled by law to 25 kilos of rice or wheat per month at Rs.3 a kilo, draft Food Security Bill to be put on the website of the Department of Food and Public Distribution for public debate and consultations very soon.	An Empowered Group of Ministers (EGoM) has been constituted. EGoM is deliberating on the methodology for identification of BPL list in rural and urban areas.
		(iii) Allocations for Bharat Nirman to be stepped up by 45 per cent in 2009-10 over the BE of 2008-09. This is one of the most successful programmes under Bharat Nirman. Allocation for Pradhan Mantri Gram Sadak Yojana (PMGSY) to be stepped up by 59% over BE 2008-09 to Rs.12,000 crore. Allocation of Rs.7,000 crore to Rajiv Gandhi Grameen Viduytikaran Yojana (RGGVY), which represents a 27 per cent increase over 2008-09 (BE), to be made.	The budgetary allocation of Rs. 12,000 crore from Cess, Budgetary Support and EAP component has been made for Pradhan Mantri Gram Sadak Yojana (PMGSY) for the year 2009-10. In addition, Rs.6,500 crore to be drawn as loan from RIDF window of NABARD. Against the Budgetary allocation, the target has been fixed to provide all-weather road connectivity to connect 13,000 habitations with 30,000 Km. of the new connectivity road length. In addition, 25,000 km. of existing rural roads is targeted to be upgraded for improving farm to market connectivity. Upto 21st August, 2009, Rs. 7040.86 crore including loan from RIDF window of NABARD has been released to the States.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			Regarding RGGVY, out of BE of Rs. 7000 crore, up to September 2009 Rs. 1249.75 crore has been spent and claims Rs. 524.86 crore are under process. Up to 1.11.2009, 33.8% of un-electrified villages and 52.38 % BPL household have been electrified.
		(iv) Allocation for Indira Awaas Yojana (IAY) to be increased by 63 per cent to Rs.8,800 crore in Budget Estimates 2009-10. To boost the resource base of NHB for their refinance operations in rural housing sector, a sum of Rs.2,000 crore to be allocated for Rural Housing Fund in the National Housing Bank (NHB) from the shortfall in the priority sector lending of commercial banks.	Using the Central allocation of Rs. 8800 crore for Indira Awaas Yojana (IAY) for 2009-10, it is targeted to construct 40.52 lakh houses. Upto 31st October, 2009, an amount of Rs. 4023.46 crore has been released to all the States/UTs. As per the Monthly Progress Reports (MPRs) received from the States/UTs. 10.96 lakh houses have been constructed and 26.91 lakh houses are under construction. The Reserve Bank of India have established the Rural Housing Fund (RHF) for the year 2009-10 with a corpus of Rs. 2000 crores and have indicated bank-wise allocations for the fund. The NHB will sanction the money in accordance with prescribed guidelines based on demand received from implementing agencies i.e. HFCs, RRBs etc. The sanction & disbursal of funds is monitored on monthly basis.
19	**47**	The Swarna Jayanti Gram Swarozgar Yojna (SGSY) to be restructured as the National Rural Livelihood Mission to make it universal in application, focused in approach and time bound for poverty eradication by 2014-15. Stress will be laid on the formation of women Self Help Groups (SHGs). Apart from providing capital subsidy at an enhanced rate, interest subsidy to poor households for loans upto Rs. one lakh from banks to be provided.	Proposal for restructuring the SGSY to National Rural Livelihood Mission (NRLM) is being processed for approval of Cabinet. The draft is being circulated to concerned Ministries and appraisal Agency to solicit their views/ comments.
20	**48**	To enrol at least 50% of all rural women in India as members of *Women's Self Help Group* (SHGs) over the next five years and link these SHGs to banks.	Ongoing process. As on 31st March, 2008, 36.26 lakhs Self Help Groups are linked with Banks having a credit linkage of Rs. 16,999.91 crore. Out of this Women SHGs are 29.17 lakh (80.46%) having a credit linkage of Rs.13,335.61 crore. Based on the analysis of the potential for credit linkage, a target of credit linkage of 11.29 lakh SHGs has been envisaged for 2009-10 of which it is expected that about 9 lakh SHGs would be women SHGs.
21	**49**	The corpus of the *Rashtriya Mahila Kosh*, which at present is Rs.100 crore, to be raised to Rs.500 crore, over the next few years.	A Sub-Group, which was constituted, has submitted its report. The same is under process for obtaining necessary approvals.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
22	**50**	National Mission for Female Literacy to be launched, with focus on minorities, SC, ST and other marginalised groups. The aim will be to reduce by half, the current level of female illiteracy, in three years.	Saakshar Bharat Scheme having focus on female literacy has been launched on 8.9.2009 and has already been notified. Orientation meetings with State Government officials have been conducted. State plans from 16 States comprising 155 districts have been received.
23	**51**	Integrated Child Development Services (ICDS) Scheme in the country to be universalised. By March 2012, all services under ICDS to be extended, with quality, to every child under the age of six.	Sanctions have been issued in December, 2008 for universalisation of the Scheme of ICDS. The State Govts. are now required to operationalise the Anganwadi Centres which generally takes about one year time.
24	**52**	To introduce a scheme to enable students from economically weaker sections to access higher education by providing them full interest subsidy during the period of moratorium. It will cover loans taken by such students from scheduled banks to pursue any of the approved courses of study, in technical and professional streams, from recognised institutions in India	The scheme to provide interest subsidy to students belonging to economically weaker sections on the loans taken by them under the educational loan scheme of the Indian Bank Association for pursuing technical/ professional education in India, has been approved by the Cabinet. Chairman, Indian Banks Association, Mumbai has been requested to inform all Member Scheduled Banks about the new Scheme and to give wide publicity.
25	**54**	To establish campuses of Aligarh Muslim University at Murshidabad in West Bengal and Malappuram in Kerala. An allocation of Rs.25 crore each for these two campuses to be made.	Ongoing process. Vice Chancellor, Aligarh Muslim University requested to prepare site specific detailed project report along with feasibility report and also to apprise of the status regarding acquisition of land. AMU, in consultation with the State Government, is in the process of finalizing the actual site of the campus at Murshidabad, West Bengal.
26	**55**	With the passing of Unorganised Workers Social Security Bill, 2007 by both Houses of Parliament, action initiated to ensure that social security schemes for occupations like weavers, fishermen and women, toddy tappers, leather and handicraft workers, plantation labour, construction labour, mine workers, bidi workers, and rikshaw pullers are implemented at the earliest. Necessary financial allocations to be made.	The National Social Security Board has been constituted. On its recommendations, the Government would formulate schemes for unorganized workers/categories of unorganized workers from time to time. The Board has constituted a Sub-Committee to consider extension of RSBY to other unorganized workers and formulation of other social security schemes for these workers. After the Rashtriya Swasthya Bima Yojana became operational from 1.4.2008, 26 States/UT have initiated the process to implement scheme. 20 States/UT's have started issuing smart cards and more than 70.30 lakhs cards have been issued as on 13.11.2009.
27	**56**	A new project for modernisation of the Employment Exchanges in public private partnership to be launched.	Detailed Project Report (DPR) has been prepared and in principle approval of Planning Commission obtained. A decision has been taken to implement

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			across the country in one go and to empanel technology partner for implementation of the projects for both central and States level. The proposal is under process.
28	**57**	To set up One handloom mega cluster each in West Bengal and Tamil Nadu, one powerloom mega cluster in Rajasthan and new mega clusters for Carpets in Srinagar (J&K) and Mirzapur (UP). These are in addition to two mega handloom clusters at Varanasi and Sibsagar and two mega powerloom clusters at Erode and Bhiwandi, which are under successful implementation.	EFC notes for setting up two Handloom Mega Clusters, one each in the state of Tamil Nadu and West Bengal; two new Carpet Mega Clusters at Badhohi-Mirzapur in Uttar Pradesh and Sri Nagar in J&K and a Powerloom Mega Clusters at Bhilwara in Rajasthan has been prepared and circulated. Process for appointment of Cluster Management and Technical Agency for all the five Mega cluster has also been initiated. Bids for Expression of interest have been called for.
29	**60**	To provide necessary funds to eight national missions representing a multi-pronged, long term and integrated approach under the National Action Plan on Climate Change unveiled last year outlines the strategy to adapt to Climate Change and enhance the ecological sustainability of development path.	Draft/Final draft documents in respects of 8 National Missions on Climate Change are under process with Prime Minister's Council on Climate Change/PMO.
30	**62**	To make a special one-time grant of Rs.100 crore to the Indian Council of Forestry Research and Education, Dehradun in recognition of its excellence in the field of research, education and extension. To make an allocation of Rs.15 crore each for the Botanical Survey of India and Zoological Survey of India and an additional amount of Rs.15 crore to Geological Survey of India.	Ongoing process. In respect one time special grant to ICFRE, Dehradun, Memo for the Expenditure Finance Committee (EFC) is under preparation. Regarding allocation to BSI and ZSI, draft SFC memo is under consideration of Planning Commission/Department of Expenditure. The amount allocated to GSI is proposed to be spent on Geomorphological Mapping, Map Service on Internet and Creation of Geophysical Data Repository and Acquisition of Geophysical Sensors between 11/09 and 03/2010.
31	**64**	Unique Identification Authority of India (UIDAI) to be set up as a major step in improving governance with regard to delivery of public services. The UIDAI to set up an online data base with identity and biometric details of Indian residents and provide enrolment and verification services across the country. The first set of unique identity numbers to be rolled out in 12 to 18 months. Provision of Rs.120 crore for this project to be made.	Unique Identification Authority of India (UIDAI) is in the process of moving to new office premises and positioning the staff. It is holding deliberation with experts for standardizing the concepts and information required to carry forward the project. First set of Unique Identity numbers is expected to be rolled out in 12 to 18 months.
32	**65**	For modernization of Police force in the States, an additional amount of Rs.430 crore to be provided over and above the provisions in the Interim Budget. Provisions for payment of special risk/	Out of the total amount of Rs. 1250 crore made available towards the Scheme for Modernization of State Police Force (MPF) in BE 2009-10, Rs. 1187.50 crore has been allocated to various

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		hardship allowances to the personnel of Para Military Forces at par with Defence forces to be made in the Budget.	States. In October 2009, Rs. 201.06 crore has been released to States under the Scheme.
33	**66**	For strengthening Border Management, an additional amount of Rs.2,284 crore, over and above the provision in the Interim Budget, is being provided for construction of fences, roads, flood-lights on the international borders.	The Schemes/Projects relating to construction of fencing Road, Border out Posts (BOPs), flood lighting on Indo-Bangladesh border, construction of fencing, flood- lighting, roads on Indo-Pakistan border, construction of roads on Indo-China border, Coastal Security schemes and Construction of fencing on Indo-Myanmar border are under various stages of process and likely to be completed within 2 to 4 years.
34	**67**	To launch a massive programme of housing to create 1 lakh dwelling units for Central Para-Military Forces personnel with a view to contribute to the morale of the forces and to enable leveraging of government's annual budgetary resources and create an innovative financing model.	A CPMF Housing project has been launched for which feasibility report is under process. The consultants have identified 42 Housing clusters out of which 4 clusters have been selected for taking up as Pilot Projects with a tentative cost of nearly Rs. 1800 crore and covering about 12000 houses.
35	**68**	To substantially improve the pension of pre 1.1.2006 defence pensioners below officer rank (PBOR) and bring pre 10.10.1997 pensioners on par with post 10.10.1997 pensioners. Both these decisions to be implemented from 1st July 2009 resulting in enhanced pension for more than 12 lakh jawans and JCOs. Certain pension benefits being extended to war wounded and other disabled pensioners also to be liberalized.	Orders issued on 30.10.09 for reckoning enhanced rate of classification allowance w.e.f. 1.12006 on notional basis for the purpose of calculation of pension and to remove linkage of full pension with 33 years of qualifying service w.e.f. 1.1.2006 instead of 1.9.2008 in the case of commissioned Officers. Other issues are under consideration.
36	**69**	To substantially increase provision for the scheme, *' Mission in Education through ICT,'* to Rs.900 crore. Provision for setting up and up-gradation of Polytechnics under the Skill Development Mission to be increased to Rs.495 crore. To have one Central University in each uncovered State, Rs.827 crore to be allocated. Rs.2,113 crore to be allocated for IITs and NITs, which includes a provision of Rs.450 crore for new IITs and NITs. The overall Plan budget for higher education is proposed to be increased by Rs.2,000 crore over Interim BE.	Ongoing process. The Secretariat of National Mission on Education through ICT established at Indira Gandhi National Open University, New Delhi. 7 IITs and IISc, Bangalore sanctioned Rs.2 lakhs each and Rs.28 lakhs sanctioned to Indira Gandhi National Open University for manpower component under Sakshat Portal. Orders have been issued to BSNL to provide connectivity to at least 5000 colleges as per the 100 day action plan. Out of Rs.495 crore allocated to set up and upgrade polytechnics, Rs.430.50 crore has been released. 11 new Central Universities and 3 taken over Central Universities have become operational and out of an allocation of Rs.827 crore, Rs.100 crore has been released in this. Ordinance has been promulgated establishing two Central universities in J&K. Cabinet has approved the setting up of 10 New NITs. As regards new IITs, Rs.400.00 crores have been

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			provided in BE 2009-10 for eight new IITs, out of which six started their session in 2008-09 and the other two in 2009-10. Out of Rs.400.00 crores, Rs.94.78 crores has been released to new IITs. Besides, Rs.800.00 crores have been provided for the seven older IITs during the current financial year, of which Rs.427.00 crores have been released.
37	**70**	To make an allocation of Rs.50 crore for Punjab University Chandigarh to improve facilities. To suitably enhance the Plan allocation for Union Territory of Chandigarh during the current financial year to provide better infrastructure to the people.	Ongoing process. A note for allocating Rs. 50 crores for improving the facilities at Punjab University, Chandigarh has been considered by EFC and UGC has already sanctioned Rs. 20 crore to the University for the year 2009-10. Plan allocation for UT of Chandigarh are to be enhanced through discussion at the RE 2009-10 stage.
38	**72**	To allocate Rs.500 crore for the rehabilitation of the internally displaced persons and reconstruction of the northern and eastern areas of Sri Lanka.	India is rushing humanitarian assistance to Sri Lankan civilians affected by escalating military conflict in northern part. A 60 members emergency field hospital has been set up. It is extending much needed de-mining assistance to enable the IDPs to return to their villages and towns. 2600 tons of Shelter materials, assisting in revival of agriculture, setting up vocational training centre, strengthening of educational system and helping transport and connectivity are some of the projects that are in progress.
39	**73**	To draw up a program for rebuilding infrastructure damaged by Cyclone Aila that struck West Bengal in May, 2009 and to allocate Rs.1,000 crore.	A proposal from the State Govt. is awaited. Implementation would depend on the comments of the State Government.
40	**80**	To setup a Centralized Processing Centre (CPC) at Bengaluru where all electronically filed returns, and paper returns filed in entire Karnataka, to be processed.	Implemented. The CPC Bengaluru has already started functioning. All electronically filed returns and paper returns filed in Karnataka State are being processed there.
41	**82**	To pursue structural changes in direct taxes by releasing the new Direct Taxes Code before 20.8.2009 and in indirect taxes by accelerating the process for the smooth introduction of the Goods and Services Tax (GST) with effect from 1st April, 2010.	Implemented/Ongoing process. New Direct Taxes Code has been released on 12th August, 2009. Work relating to introduction to GST w.e.f. 1.4.2010 is under process.
42	**83**	The Direct Taxes Code, along with a Discussion Paper, to be released to the public for debate. Based on the inputs received, to finalize the Direct	Ongoing process. New Direct Taxes Code has been released on 12th August, 2009. Discussions with stake holders are continuing. After obtaining

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		Taxes Code Bill for introduction in this House sometime during the Winter Session.	the approval of the Cabinet, the Bill is expected to be introduced in Parliament in the Winter Session.
43	**84**	To merge the two Authorities for Advance Rulings on Direct and Indirect Taxes by amending the relevant Acts.	Implemented. Orders issued vide Notification No. 142/Customs (NT) dated 14.9.2009 and No. 143/ Customs (NT) dated 15.9.2009.
44	**85**	To reinforce the Central Govt's. catalytic role to facilitate introduction of GST by 1st April 2010 after due consultations with all stakeholders. The Centre and the States will each legislate, levy and administer the Central GST and State GST, respectively.	Ongoing process. Empowered Committee (EC) has taken up re-examination of the GST model with a view to suitably incorporate changes suggested by Government of India. EC has constituted three Sub Working Groups (SWGs) consisting of the officials from State Government as well as from Union Government to work out details like treatment of interstate transfers, threshold limit above which registration under GST would be must and the list of exempted Goods and services etc. These SWGs have submitted their reports which are under consideration of the EC.
45	**135**	To make certain legislative changes required to fulfill the demand by Goods Transport Agents (GTAs), when certain services such as, packing, cargo handling, and warehousing were exempted from service tax, that the proceedings already initiated against such service providers should be dropped.	Implemented. With the enactment of Finance Act (No.2) on 19.8.2009, the exemption notification issued in respect of services provided to GTAs has been given retrospective effect w.e.f. 1.1.2005.

Annex II

1. KEY INDICATORS

	Items	2007-08	2008-09	per cent change 2007-08	per cent change 2008-09	2008-09	2009-10	Period	per cent change 2008-09	per cent change 2009-10
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1a	GDP at factor cost at current prices- Rs.'000 crore	4321[Q]	4933[R]	14.3	14.2	2333	2518	Apr-Sept HI	17.9	8.0
1b	Implicit Price Deflator	138.1	147.7	4.3	7.0	149.9	151.2	Apr-Sept HI	9.5	0.9
1c	GDP at factor cost at 1999-2000 prices- Rs.'000 crore	3130[Q]	3339[R]	9.0	6.7	1556	1665	Apr-Sept HI	7.8	7.0
2.	Agriculture and allied sectors at 1999-2000 prices - Rs.'000 crore	557[Q]	566[R]	4.9	1.6	237	241	Apr-Sept HI	2.9	1.7
3.	Index of Industrial Production (IIP)	268	275.4	8.5	2.8	270.4	287.9	Apr-Sept HI	5.0	6.5
4.	Electricity generated (in billion kwh)	704.5	723.8	6.3	2.7	359.1	383.4	Apr-Sept HI	2.6	6.8
5.	Wholesale price index(point-to-point) 1993-94=100	225.5	228.2	7.5	1.2	239	242.2 [P]	Oct/09	11.1	1.34[P]
6.	Consumer price index(for industrial workers) 2001=100	137	148	7.9	8.0	148	165	Oct/09	10.5	11.5
7.	Money Supply (M_3) (Rs.'000 crore) [1,2]	4018	4764	21.4	18.6	4393	5173	Nov/06 /09	19.7	17.8
8.	Imports at current price [3] (in Rs. Crore)	1012312	1374436	20.4	35.8	790644	605075	Apr-Sep [P]	72.6	-23.5
	(in US $ million)	251439	298869	35.4	18.9	185104	124521	Apr-Sep [P]	65.2	-32.7
9.	Exports at current prices [3] (in Rs. Crore)	655864	847055	14.7	29.2	464450	378196	Apr-Sep [P]	54.5	-18.6
	(in US $ million)	162904	184191	28.9	13.1	108907	77855	Apr-Sep [P]	47.9	-28.4
10.	Foreign currency assets (in Rs. Crore)	1196023	1231340	43.0	3.0	1301645	1271250	Apr-Sep	36.5	(-)2.3
	(in US $ million)	299230	241676	55.9	(-)19.2	277300	264623	Apr-Sep	15.6	(-)4.6
11.	Exchange rate (Rs./US $) [4]	40.26	45.99	(+)12.4	(-)12.5	42.71	48.59	Apr-Sep	(-)4.3	(-)12.1

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

Annex continued

2. Balance of Payments : Summary

(in US $ million)

		2008-09				2009-10
		Apr-Jun 2008	Jul-Sep 2008	Oct-Dec 2008	Jan-Mar 2009	Apr-Jun 2009
	Items	(PR)	(PR)	(PR)	(P)	(P)
1	Exports	49,120	48,987	37,257	39,820	38,789
2	Imports	80,545	87,663	71,961	54,418	64,775
3	**Trade balance**	**-31,425**	**-38,676**	**-34,704**	**-14,598**	**-25,986**
4	**Invisibles (net)**	**22,406**	**26,164**	**21,671**	**19,345**	**20,179**
	Non-factor services	11,618	14,057	13,152	10,991	9,038
	Investment income	-690	-741	-1,481	-1,105	-1,627
	Private transfers	11,612	12,936	9,963	9,536	12,939
	Official transfers	41	-46	187	50	-61
5	**Goods and services balance**	**-19,807**	**-24,619**	**-21,552**	**-3,607**	**-16,948**
6	**Current account balance**	**-9,019**	**-12,512**	**-13,033**	**4,747**	**-5,807**
7	External assistance (net)	351	518	992	777	84
8	External commercial borrowings (net)	1,467	1,690	3,884	1,117	-356
9	IMF (net)	-	-	-	-	-
10	Non-resident deposits (net)	814	259	1,042	2,175	1,817
11	Rupee debt service	-30	-3	-	-68	-23
12	Foreign investment (net)	4,756	3,590	-5,376	492	15,101
	FDI	8,967	4,900	444	3,185	6,833
	Portfolio	-4,211	-1,310	-5,820	-2,693	8,268
13	Short-term credits	2397	1,292	-3,992	-5,492	-3085
14	**Capital account (net)**	**11,135**	**7,565**	**-4,266**	**-5,288**	**6,736**
15	**Reserve movement (- indicates increase)**	**-2,235**	**4,734**	**17,881**	**-300**	**-115**

PR: Partially Revised, P: Preliminary

Source: Reserve Bank of India.

Annex continued

3. MONETARY SURVEY

Items	Outstanding Balances				per cent variation			
	2007/08 [a]	2008/09 [a]	Nov/07/08	Nov/06/09	Full Year		year-on-year	
	Rs.Crore				2007/08	2008/09	Nov/7/08	Nov/6/09
I. Broad money (M_3)	**4017883**	**4764019**	**4392940**	**5173152**	**21.4**	**18.6**	**19.7**	**17.8**
Components of M_3								
1) Currency with public	568410	666364	622021	714973	17.7	17.2	17.4	14.9
2) Aggregate deposits with banks	3440418	4092083	3764409	4453365	22.0	18.9	20.0	18.3
3) Other deposits with Reserve Bank	9054	5573	6510	4814	20.8	-38.5	24.7	-26.1
Sources of M_3								
I. Net bank credit to government (1+2)	899518	1277199	1043066	1471187	8.7	42.0	21.9	41.0
1) RBI credit to government	-113209	61580	-71456	51209	-	-	-	-
2) Other banks credit to government	1012727	1215619	1114522	1419978	22.7	20.0	13.2	27.4
II. Bank credit to commercial sector (1+2)	2578990	3013337	2852775	3134831	21.1	16.8	25.7	9.9
1) RBI credit to commercial sector	1788	13820	1926	5041	-	-	-	-
2) Other bank credit to commercial sector	2577201	2999517	2850849	3129790	21.1	16.4	25.7	9.8
III. Net foreign exchange assets								
of the banking sector	1295131	1352184	1218433	1360714	41.8	4.4	11.6	11.7
IV. Other items (net)	755756	878700	721334	793580	35.1	16.3	32.1	10.0
Memorandum items								
1. Net Domestic Asset	2722751	3411835	3174507	3812438	13.6	25.3	23.1	20.1
2. Reserve money (M_0)	928302	988001	868828	982762	31.0	6.4	9.0	13.1

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	2005-06	2006-07	2007-08	2008-09	April-September 2008-09	April-September 2009-10
I. Core infrastructure industries							
i Electricity generation	10.2	5.1	7.3	6.3	2.7	2.6	6.8
ii Coal	3.2	6.6	5.9	6.3	7.8	8.0	11.6
iii Steel	5.1	10.8	13.1	6.2	0.4	3.3	3.0
iv Crude oil	4.2	-5.2	5.6	0.4	-1.8	-0.8	-1.2
v Refinery throughput	2	2.1	12.9	6.5	3.0	4.5	-3.6
vi Cement	2	12.4	9.1	8.1	7.2	5.5	12.3
Average growth	**-**	**6.1**	**9.2**	**5.9**	**2.6**	**3.4**	**5.0**
II. Transport and Communications							
1. Cargo handled at major ports		10.4	9.5	11.9	2.1	7.2	2.4
2. Railway revenue earning freight traffic		10.7	9.2	9.0	4.9	8.5	6.5
3. Civil Aviation							
a. Export cargo handled		7.3	3.6	7.5	3.4	8.1	1.2
b. Import cargo handled		15.8	19.4	19.7	-5.7	5.8	-8.8
c. Passenger handled at international terminals		12.8	12.1	11.9	3.8	7.2	1.8
d. Passengers handled at domestic terminals		27.1	34.0	20.6	-12.1	-7.4	5.6
4. Telecommunications							
a. cellular telephones		89.4	85.4	38.3	44.8	66.6	47.4

Source: 1. Ministry of Commerce & Industry.

2. Ministry of Statistics & Programme Implementation.

Annex continued

5. TAX REVENUE

(Rs. in crore)

	DESCRIPTION	2009-2010 BE	2009-2010 ACTUALS upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 ACTUALS upto 09/2008	2008-2009 %
1	Corporation Tax	256725.00	104504.44	41%	226361.00	96990.99	43%
2	Taxes on Income	112850.00	55229.29	49%	138314.00	53665.65	39%
	(a) Taxes on Income other than Corporation Tax	*106800.00*	*49703.45*	*47%*	*120604.00*	*46349.12*	*38%*
	(b) Fringe Benefit Tax		*1905.60*		*8160.00*	*3811.67*	*47%*
	(c) Securities Transaction Tax	*6000.00*	*3536.83*	*59%*	*9000.00*	*3181.79*	*35%*
	(d) Banking Cash Transaction Tax	*50.00*	*83.41*	*167%*	*550.00*	*323.07*	*59%*
3	Wealth Tax	425.00	285.73	67%	325.00	236.05	73%
4	Customs	98000.00	37743.96	39%	118930.00	56241.45	47%
5	Union Excise Duties	106477.00	36892.86	35%	137874.00	47869.63	35%
6	Service Tax	65000.00	23236.42	36%	64460.00	24138.88	37%
7	Other taxes	1602.34	987.57	62%	1451.00	998.34	69%
	(a) Direct Taxes		***-61.81***			***23.87***	
	(b) Indirect Taxes		***1049.38***			***974.47***	
	GROSS TAX REVENUE	**641079.34**	**258880.27**	**40%**	**687715.00**	**280140.99**	**41%**
	Of which netted against expenditure (Surcharge for financing National Calamity Contigency Fund)	2500.00	1076.50	43%	1800.00	1133.24	63%
Balance Gross Tax Revenue		**638579.34**	**257803.77**	**40%**	**685915.00**	**279007.75**	**41%**
Less *Assignment to States*		164361.00	72135.07	44%	178765.00	76761.38	43%
	NET TAX REVENUE	**474218.34**	**185668.70**	**39%**	**507150.00**	**202246.37**	**40%**

Annex continued

6. NON-TAX REVENUE

(Rs. in crore)

DESCRIPTION	2009-2010 BE	2009-2010 ACTUALS upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 ACTUALS upto 09/2008	2008-2009 %
A. Interest receipts	27098.63	14815.11	55%	35792.68	9805.83	27%
Less - *i) Receipts incidential to Market Borrowing taken in reduction of cost of borrowing*	5186.54	7276.59	140%	16657.55	2017.93	12%
ii) Waiver of Interest	2737.59					
Net Interest Receipts	**19174.50**	**7538.52**	**39%**	**19135.13**	**7787.90**	**41%**
B.Dividends and Profits	49750.28	34015.78	68%	43203.73	20669.19	48%
C.Non-Tax Revenue of U.T.s	754.13	546.10	72%	814.85	332.90	41%
D.Other Non-Tax Revenue						
Fiscal Services	148.37	79.78	54%	121.40	24.68	20%
Other General Services	21377.52	7079.03	33%	17937.65	5252.73	29%
Less: Other Receipts utilised to write-off loans etc.	5507.65	0.00		5593.29	0.00	
Net - Other General Services	15869.87	7079.03	45%	12344.36	5252.73	43%
Social Services	607.90	356.35	59%	592.99	261.00	44%
Economic Services	73041.82	13605.60	19%	34424.55	12339.16	36%
Less *- (I) Other Receipts utilised to write-off loans*	3402.62	0.00				
Net Economic Services	69639.20	13605.60	20%	34424.55	12339.16	36%
Grants-in-Aid and Contributions	2136.20	891.63	42%	1795.33	714.07	40%
Total Other Non-Tax Revenue	**88401.54**	**22012.39**	**25%**	**49278.63**	**18591.64**	**38%**
Less *:* Commercial Departments	17800.96	5310.29	30%	16647.23	4730.52	28%
Net Other Non-Tax Revenue	**70600.58**	**16702.10**	**24%**	**32631.40**	**13861.12**	**42%**
Net Non-Tax Revenue (A+B+C+D)	**140279.49**	**58802.50**	**42%**	**95785.11**	**42651.11**	**45%**

Annex continued

7. CAPITAL RECEIPTS

(Rs. in crore)

DESCRIPTION			2009-2010 BE	2009-2010 ACTUALS upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 ACTUALS upto 09/2008	2008-2009 %
1	(a)	Market Loans including Short term borrowings	*397957.46*	290918.50	73%	113000.00	93064.92	82%
	(b)	Receipt under MSS (Net)	*-38772.78*	-70000.00	181%	29806.00	5263.23	18%
	(c)	Treasury Bills(14 days)		-14813.06			-27550.12	
2		Securities against Small Savings	*13255.52*	-621.61	-5%	9872.52	-621.36	-6%
3	(i)	External Loans						
		Gross Borrowings	*27080.41*	8468.72	31%	19209.93	6652.55	35%
		Less Repayments	*11033.84*	5491.32	50%	8220.66	4328.26	53%
		Net Borrowings	*16046.57*	2977.40	19%	10989.27	2324.29	21%
	(ii)	Revolving Fund		-3.53			-9.00	
		Non-Debt Capital Receipts (4&5)						
4		Recoveries of Loans and Advances						
		Gross Recoveries	*5719.89*	2554.19	45%	5992.51	1748.85	29%
		Less Recoveries of Ways & Means Advances and Loans to Govt. Servants	1495.00	252.32	17%	1495.00	263.24	18%
		Net Recoveries of Loans & Advances	4224.89	2301.87	54%	4497.51	1485.61	33%
5		Miscellaneous Capital Receipts	1120.00	4299.90	384%	10165.00	43.42	0%
	(i)	Disinvestment of Govt.'s Equity Holdings	*1120.00*	4299.90	384%	1165.00	2.00	0%
	(ii)	Issue of Bonus Shares		0.00			0.00	
	(iii)	Other Misc. Receipts	0.00	0.00	0%	9000.00	41.42	0%
6		National Small Savings Fund	-102.82	10997.36		53.27	7013.24	13165%
	(a)	Small Savings,Public Provident Funds	25000.00	21379.40	86%	30000.00	-4849.72	-16%
	(b)	Investment in Securities	-24999.36	-9177.91	37%	-28498.45	1698.55	-6%
	(c)	Income & Expenditure of NSSF	-103.46	-1204.13	1164%	-1448.28	10164.41	-702%
7		Deposit Scheme for Retiring employees	*-65.00*	-0.98	2%	-190.00	-3.70	2%
8		State Provident Funds	5000.00	5490.91	110%	4800.00	119.62	2%
9		Special Deposits of Non-Govt. Provident Funds,LIC,GIC,etc.	0.00	-908.06		0.00	-480.86	
10		Other Capital Receipts	-31096.00	-21710.03	70%	-12463.49	-8823.11	71%
11		Suspense & Remittance		-7010.56			-1878.69	
12		Ways & Means Advances		0.00			0.00	
13		Investment (-)/disinvestment(+) of Surplus Cash		-33781.00			0.00	
14		Decrease in Cash Balance (Including difference between RBI & A/C)	0.00	-33760.51		7224.34	39499.27	
15		Cash held under MSS	38772.78	70000.00	181%	-29806.00	-5263.23	18%
		TOTAL	**406340.62**	**204376.60**	**50%**	**147948.42**	**104183.53**	**70%**

Annex continued

8. PLAN EXENDITURE

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	MINISTRY OF AGRICULTURE	**14167.07**	**6667.20**	**47%**	**12865.67**	**6215.27**	**48%**
1	Department of Agriculture and Cooperation	11307.07	5337.22	47%	10105.67	4515.55	45%
2	Department of Agricultural Research and Education						
	Gross:	1833.37	1052.85	57%	1760.00	1164.21	66%
	Less : Recoveries:	73.37	52.93	72%			
	Net	1760.00	999.92	57%	1760.00	1164.21	66%
3	Department of Animal Husbandry, Dairying and Fisheries	1100.00	330.06	30%	1000.00	535.51	54%
	DEPARTMENT OF ATOMIC ENERGY	**4150.00**	**1688.57**	**41%**	**3550.00**	**1233.17**	**35%**
4	Atomic Energy	2484.28	951.48	38%	1958.00	820.91	42%
5	Nuclear Power Schemes	1665.72	737.09	44%	1592.00	412.26	26%
	MINISTRY OF CHEMICALS AND FERTILISERS	**595.00**	**252.77**	**42%**	**495.00**	**186.07**	**38%**
6	Department of Chemicals and Petro-Chemicals	239.75	161.10	67%	295.00	139.06	47%
7	Department of Fertilisers	200.00	54.66	27%	200.00	47.01	24%
8	Department of Pharmaceuticals	155.25	37.01	24%			
	MINISTRY OF CIVIL AVIATION	**190.00**	**1.07**	**1%**	**190.00**	**27.61**	**15%**
9	Ministry of Civil Aviation	190.00	1.07	1%	190.00	27.61	15%
	MINISTRY OF COAL	**300.00**	**36.83**	**12%**	**300.00**	**25.09**	**8%**
10	Ministry of Coal	300.00	36.83	12%	300.00	25.09	8%
	MINISTRY OF COMMERCE AND INDUSTRY	**2560.00**	**1090.71**	**43%**	**2160.00**	**1005.52**	**47%**
11	Department of Commerce						
	Gross	1564.06	699.60	45%	1570.74	747.80	48%
	Less : Recoveries	4.06	19.20	473%	10.74	13.43	125%
	Net	1560.00	680.40	44%	1560.00	734.37	47%
12	Department of Industrial Policy & Promotion	1000.00	410.31	41%	600.00	271.15	45%
	MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY	**3581.00**	**763.28**	**21%**	**2655.00**	**448.72**	**17%**
13	Department of Posts	620.00	96.11	16%	600.00	30.46	5%
14	Department of Telecommunications	431.00	48.89	11%	375.00	25.28	7%
15	Department of Information Technology	2530.00	618.28	24%	1680.00	392.98	23%
	MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION	**304.00**	**40.46**	**13%**	**304.00**	**48.22**	**16%**
16	Department of Consumer Affairs	209.00	18.26	9%	209.00	28.47	14%
17	Department of Food and Public Distibution	95.00	22.20	23%	95.00	19.75	21%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	MINISTRY OF CORPORATE AFFAIRS	**33.00**	**1.83**	**6%**	**33.00**	**29.00**	**88%**
18	Ministry of Corporate Affairs	33.00	1.83	6%	33.00	29.00	88%
	MINISTRY OF CULTURE	**700.00**	**235.83**	**34%**	**600.00**	**252.01**	**42%**
19	Ministry of Culture	700.00	235.83	34%	600.00	252.01	42%
	MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION	**1455.00**	**239.31**	**16%**	**1455.00**	**400.15**	**28%**
28	Ministry of Development of North Eastern Region						
	Gross	1601.80	239.31	15%	1455.00	400.15	28%
	Less : Recoveries	146.80	0.00				
	Net	1455.00	239.31	16%	1455.00	400.15	28%
	MINISTRY OF EARTH SCIENCES	**900.00**	**412.25**	**46%**	**750.00**	**110.23**	**15%**
29	Ministry of Earth Sciences	900.00	412.25	46%	750.00	110.23	15%
	MINISTRY OF ENVIRONMENT AND FORESTS	**1880.00**	**809.84**	**43%**	**1500.00**	**751.94**	**50%**
30	Ministry of Environment and Forests	1880.00	809.84	43%	1500.00	751.94	50%
	MINISTRY OF EXTERNAL AFFAIRS	**629.00**	**80.68**	**13%**	**579.00**	**159.92**	**28%**
31	Ministry of External Affairs	629.00	80.68	13%	579.00	159.92	28%
	MINISTRY OF FINANCE	**66848.59**	**23718.18**	**35%**	**49189.34**	**21379.67**	**43%**
32	Department of Economic Affairs						
	Gross	2308.36	724.70	31%	1639.90	774.91	47%
	Less : Recoveries	958.36	239.59	25%	773.90	386.94	50%
	Net	1350.00	485.11	36%	866.00	387.97	45%
33	Department of Financial Services	1542.00	0.00	0%	1900.00	0.00	0%
35	Transfers to State and UT Governments	63946.59	23232.17	36%	46413.34	20989.70	45%
38	Department of Expenditure	10.00	0.90	9%	10.00	2.00	20%
	MINISTRY OF FOOD PROCESSING INDUSTRIES	**340.00**	**104.39**	**31%**	**290.00**	**107.58**	**37%**
45	Ministry of Food Processing Industries	340.00	104.39	31%	290.00	107.58	37%
	MINISTRY OF HEALTH AND FAMILY WELFARE	**19534.00**	**7896.02**	**40%**	**16534.00**	**6567.35**	**40%**
46	Department of Health and Family Welfare	18380.00	7296.60	40%	15580.00	6156.42	40%
47	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy (Ayush)	734.00	291.79	40%	534.00	206.32	39%
48	Department of Health Research	420.00	307.63	73%	420.00	204.61	49%
	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES	**360.00**	**64.04**	**18%**	**360.00**	**8.15**	**2%**
49	Department of Heavy Industry	350.00	61.30	18%	350.00	2.40	1%
50	Department of Public Enterprises	10.00	2.74	27%	10.00	5.75	58%
	MINISTRY OF HOME AFFAIRS	**3899.87**	**901.63**	**23%**	**2176.39**	**184.41**	**8%**
51	Ministry of Home Affairs	303.40	20.47	7%	59.50	6.55	11%
53	Police	849.60	127.11	15%	715.25	50.50	7%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
54	Other Expenditure of the Ministry of Home Affairs	47.00	0.26	1%	25.25	0.03	0%
55	Transfers to UT Govts.	2699.87	753.79	28%	1376.39	127.33	9%
	MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION	**850.00**	**127.47**	**15%**	**850.00**	**333.14**	**39%**
56	Ministry of Housing and Urban Poverty Alleviation	850.00	127.47	15%	850.00	333.14	39%
	MINISTRY OF HUMAN RESOURCE DEVELOPMENT	**36396.00**	**12167.62**	**33%**	**34393.50**	**10473.76**	**30%**
57	Department of School Education and Literacy						
	Gross	39770.37	8273.40	21%	39617.00	8255.90	21%
	Less : Rec. (prarambik shiksha kosh/National Inv. Fund	12970.37	0.00	0%	12817.00	0.00	0%
	Net	26800.00	8273.40	31%	26800.00	8255.90	31%
58	Department of Higher Education	9596.00	3894.22	41%	7593.50	2217.86	29%
	MINISTRY OF INFORMATION AND BROADCASTING	**800.00**	**160.20**	**20%**	**700.00**	**243.36**	**35%**
59	Ministry of Information and Broadcasting	800.00	160.20	20%	700.00	243.36	35%
	MINISTRY OF LABOUR AND EMPLOYMENT	**880.75**	**309.94**	**35%**	**771.50**	**170.06**	**22%**
60	Ministry of Labour and Employment						
	Gross	1630.76	309.94	19%	771.50	170.06	22%
	Less : Recoveries	750.01					
	Net	880.75	309.94	35%	771.50	170.06	22%
	MINISTRY OF LAW AND JUSTICE	**260.00**	**71.02**	**27%**	**260.00**	**40.27**	**15%**
62	Law and Justice	260.00	71.02	27%	260.00	40.27	15%
	MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISE	**1794.00**	**598.40**	**33%**	**1794.00**	**806.76**	**45%**
64	Ministry of Micro, Small and Medium Enterprises	1794.00	598.40	33%	1794.00	806.76	45%
	MINISTRY OF MINES	**192.00**	**52.93**	**28%**	**194.00**	**69.20**	**36%**
65	Ministry of Mines	192.00	52.93	28%	194.00	69.20	36%
	MINISTRY OF MINORITY AFFAIRS	**1740.00**	**670.89**	**39%**	**1000.00**	**61.46**	**6%**
66	Ministry of Minority Affairs	1740.00	670.89	39%	1000.00	61.46	6%
	MINISTRY OF NEW AND RENEWABLE ENERGY	**617.00**	**256.75**	**42%**	**617.00**	**184.41**	**30%**
67	Ministry of New and Renewable Energy	617.00	256.75	42%	617.00	184.41	30%
	MINISTRY OF PANCHAYATI RAJ	**4780.00**	**485.95**	**10%**	**4780.00**	**933.83**	**20%**
69	Ministry of Panchayati Raj	4780.00	485.95	10%	4780.00	933.83	20%
	MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS	**238.00**	**129.18**	**54%**	**138.00**	**30.05**	**22%**
71	Ministry of Personnel, Public Grievances and Pensions	238.00	129.18	54%	138.00	30.05	22%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	MINISTRY OF PETROLEUM AND NATURAL GAS	**25.00**	**0.00**	**0%**	**25.00**	**0.00**	**0%**
72	Ministry of Petroleum and Natural Gas	25.00	0.00	0%	25.00	0.00	0%
	MINISTRY OF PLANNING	**452.00**	**14.30**	**3%**	**602.00**	**7.03**	**1%**
73	Ministry of Planning	452.00	14.30	3%	602.00	7.03	1%
	MINISTRY OF POWER	**9230.00**	**2009.50**	**22%**	**6000.00**	**1675.47**	**28%**
74	Ministry of Power	9230.00	2009.50	22%	6000.00	1675.47	28%
	MINISTRY OF RURAL DEVELOPMENT	**74270.00**	**32548.71**	**44%**	**42400.00**	**29579.38**	**70%**
80	Department of Rural Development						
	Gross	106613.13	28023.51	26%	51546.25	24576.69	48%
	Less : (i) Recoveries (National Emp. Gur fund/CR fund	43943.13	0.00	0%	20046.25	0.00	0%
	(ii) Receipts						
	Net	62670.00	28023.51	45%	31500.00	24576.69	78%
81	Department of Land Resources	2400.00	1046.87	44%	2400.00	544.38	23%
82	Department of Drinking Water Supply						
	Gross	9300.00	3478.33	37%	8500.00	4458.31	52%
	Less : Recoveries	100.00	0.00	0%	0.00	0.00	
	Net	9200.00	3478.33	38%	8500.00	4458.31	52%
	MINISTRY OF SCIENCE AND TECHNOLOGY	**4125.00**	**2121.22**	**51%**	**3630.00**	**1811.51**	**50%**
83	Department of Science and Technology						
	Gross	1775.00	945.97	53%	1530.00	761.38	50%
	Less : Recoveries	0.00	0.00		0.00	0.00	
	Net	1775.00	945.97	53%	1530.00	761.38	50%
84	Department of Scientific and Industrial Research	1350.00	654.50	48%	1200.00	581.76	48%
85	Department of Bio-Technology	1000.00	520.75	52%	900.00	468.37	52%
	MINISTRY OF SHIPPING	**595.00**	**193.34**	**32%**	**590.25**	**125.32**	**21%**
86	Ministry of Shipping	595.00	193.34	32%	590.25	125.32	21%
	MINISTRY OF ROAD TRANSPORT AND HIGHWAYS	**17520.06**	**8304.59**	**47%**	**15121.64**	**7171.46**	**47%**
87	Ministry of Road Transport and Highways						
	Gross	28488.57	12968.83	46%	24041.49	11047.59	46%
	Less : Recoveries (Central Road fund & Bridge fee fund)	10968.51	4664.24	43%	8919.85	3876.13	43%
	Net	17520.06	8304.59	47%	15121.64	7171.46	47%
	MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT	**2500.00**	**995.19**	**40%**	**2400.00**	**1255.62**	**52%**
88	Ministry of Social Justice & Empowerment	2500.00	995.19	40%	2400.00	1255.62	52%
	DEPARTMENT OF SPACE	**4100.00**	**1273.96**	**31%**	**3600.00**	**887.32**	**25%**
89	Department of Space						
	Gross	4100.04	1273.96	31%	3600.05	887.32	25%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	Less : Recoveries	0.04	0.00	0%	0.05	0.00	0%
	Net	4100.00	1273.96	31%	3600.00	887.32	25%
	MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION	**1809.00**	**843.92**	**47%**	**1709.00**	**776.04**	**45%**
90	Ministry of Statistics and Programme Implementation	1809.00	843.92	47%	1709.00	776.04	45%
	MINISTRY OF STEEL	**34.00**	**0.00**	**0%**	**34.00**	**0.00**	**0%**
91	Ministry of Steel	34.00	0.00	0%	34.00	0.00	0%
	MINISTRY OF TEXTILES	**4500.00**	**2961.14**	**66%**	**2500.00**	**1535.46**	**61%**
92	Ministry of Textiles						
	Gross	4500.00	2961.14	66%	2500.00	1535.46	61%
	Less : Recoveries	0.00	0.00		0.00	0.00	
	Net	4500.00	2961.14	66%	2500.00	1535.46	61%
	MINISTRY OF TOURISM	**1000.00**	**408.40**	**41%**	**1000.00**	**441.70**	**44%**
93	Ministry of Tourism	1000.00	408.40	41%	1000.00	441.70	44%
	MINISTRY OF TRIBAL AFFAIRS	**3205.50**	**537.68**	**17%**	**2121.00**	**900.91**	42%
94	Ministry of Tribal Affairs	3205.50	537.68	17%	2121.00	900.91	42%
	U.T.s WITHOUT LEGISLATURE	**2460.91**	**742.41**	**30%**	**1824.46**	**773.34**	**42%**
95	Andaman & Nicobar Islands	1536.81	505.10	33%	1087.85	547.72	50%
96	Chandigarh	319.22	118.07	37%	304.65	132.22	43%
97	Dadra & Nagar Haveli	153.68	59.50	39%	86.03	45.36	53%
98	Daman & Diu	154.34	43.13	28%	82.25	35.77	43%
99	Lakshadweep	296.86	16.61	6%	263.68	12.27	5%
	MINISTRY OF URBAN DEVELOPMENT	**3099.25**	**1531.87**	**49%**	**2553.75**	**2006.07**	**79%**
100	Department of Urban Development	2975.75	1471.51	49%	2416.65	1973.57	82%
101	Public Works	123.50	60.36	49%	137.10	32.50	24%
	MINISTRY OF WATER RESOURCES	**600.00**	**236.12**	**39%**	**600.00**	**169.25**	**28%**
103	Ministry of Water Resources						
	Gross	612.00	240.84	39%	612.00	174.69	29%
	Less : Recoveries	12.00	4.72	39%	12.00	5.44	45%
	Net	600.00	236.12	39%	600.00	169.25	28%
	MINISTRY OF WOMEN AND CHILD DEVELOPMENT	**7350.00**	**3743.03**	**51%**	**7200.00**	**2927.08**	**41%**
104	Ministry of Women and Child Development	7350.00	3743.03	51%	7200.00	2927.08	41%
	MINISTRY OF YOUTH AFFAIRS & SPORTS	**2699.00**	**977.07**	**36%**	**890.00**	**372.93**	**42%**
105	Ministry of Youth Affairs and Sports	2699.00	977.07	36%	890.00	372.93	42%
	RAILWAYS	**14600.00**	**7300.00**	**50%**	**7100.00**	**3550.00**	**50%**
	Ministry of Railways						
	Gross		7321.66			4186.63	
	Less : Exp.met from Receipts		21.66			15.71	
	Exp. Met from Reserve Funds		0.00			620.92	
	Net	14600.00	7300.00	50%	7100.00	3550.00	50%
	GRAND TOTAL	***325149.00***	***126777.69***	***39%***	***243385.50***	***108452.27***	***45%***

Annex continued

9. NON-PLAN EXENDITURE

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	MINISTRY OF AGRICULTURE	**2195.83**	**1432.23**	**65%**	**1611.21**	**1149.69**	**71%**
1	Department of Agriculture and Cooperation	608.15	507.39	83%	628.78	367.57	58%
2	Department of Agricultural Research and Education	1481.40	861.74	58%	920.00	734.78	80%
3	Department of Animal Husbandry, Dairying and Fisheries						
	Gross	483.50	189.81	39%	373.97	170.31	46%
	Less : Receipts	377.22	126.71	34%	311.54	122.97	39%
	Net	106.28	63.10	59%	62.43	47.34	76%
	DEPARTMENT OF ATOMIC ENERGY	**3623.00**	**2671.58**	**74%**	**1247.00**	**979.45**	**79%**
4	Atomic Energy						
	Gross	4013.50	2428.81	61%	2966.50	1528.72	52%
	Less : Receipts	1041.00	391.77	38%	922.75	227.10	25%
	Recoveries	158.50	19.63	12%	93.75	51.03	54%
	Net	2814.00	2017.41	72%	1950.00	1250.59	64%
5	Nuclear Power Schemes						
	Gross	2110.30	979.17	46%	1421.28	252.44	18%
	Less : Receipts	1301.30	325.00	25%	2124.28	523.58	25%
	Net	809.00	654.17	81%	-703.00	-271.14	39%
	MINISTRY OF CHEMICALS AND FERTILISERS	**50060.48**	**32198.56**	**64%**	**31052.00**	**28617.44**	**92%**
6	Department of Chemicals and Petro-Chemicals						
	Gross	35.86	10.18	28%	52.00	21.10	41%
	Less : Receipts	10.46					
	Net	25.40	10.18	40%	52.00	21.10	41%
7	Department of Fertilisers						
	Gross	53600.50	33772.89	63%	34181.55	31011.50	91%
	Less : Receipts						
	Recoveries	3600.50	1601.79	44%	3181.55	2415.16	76%
	Net	50000.00	32171.10	64%	31000.00	28596.34	92%
8	Department of Pharmaceuticals	35.08	17.28	49%			
	MINISTRY OF CIVIL AVIATION	**697.00**	**357.85**	**51%**	**458.00**	**352.80**	**77%**
9	Ministry of Civil Aviation						
	Gross	697.04	357.85	51%	458.04	352.80	77%
	Less : Recoveries	0.04	0.00	0%	0.04	0.00	0%
	Net	697.00	357.85	51%	458.00	352.80	77%
	MINISTRY OF COAL	**49.00**	**-6.91**	**-14%**	**45.50**	**2.04**	**4%**
10	Ministry of Coal						
	Gross	79.00	22.93	29%	75.50	24.99	33%
	Less : Recoveries	30.00	29.84	99%	30.00	22.95	77%
	Net	49.00	-6.91	-14%	45.50	2.04	4%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	MINISTRY OF COMMERCE AND INDUSTRY	**2278.00**	**1416.87**	**62%**	**2083.43**	**1232.71**	**59%**
11	Department of Commerce						
	Gross	2096.50	1339.36	64%	1964.50	1187.49	60%
	Less : Recoveries	4.50	8.92	198%	4.50	13.27	295%
	Net	2092.00	1330.44	64%	1960.00	1174.22	60%
12	Department of Industrial Policy and Promotion						
	Gross	186.03	86.43	46%	123.45	59.51	48%
	Less : Recoveries	0.03	0.00	0%	0.02	1.02	5100%
	Net	186.00	86.43	46%	123.43	58.49	47%
	MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY	**12876.26**	**10809.48**	**84%**	**4763.35**	**3668.08**	**77%**
13	Department of Posts						
	Gross	11859.00	6333.72	53%	7389.01	3726.41	50%
	Less : Receipts	6135.74	1509.78	25%	6159.31	1530.17	25%
	Recoveries	322.00	0.00	0%	267.35	0.00	0%
	Net	5401.26	4823.94	89%	962.35	2196.24	228%
14	Department of Telecommunications						
	Gross	9823.00	5965.13	61%	5765.00	1454.71	25%
	Less : Recoveries	2400.00	0.00	0%	2000.00	0.00	0%
	Net	7423.00	5965.13	80%	3765.00	1454.71	39%
15	Department of Information Technology	52.00	20.41	39%	36.00	17.13	48%
	MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION	**53425.00**	**32398.30**	**61%**	**33038.95**	**24020.70**	**73%**
16	Department of Consumer Affairs						
	Gross	271.90	136.57	50%	55.03	19.12	35%
	Less :Recoveries	13.90	0.00	0%	16.08	0.00	0%
	Net	258.00	136.57	53%	38.95	19.12	49%
17	Department of Food & Public Distribution						
	Gross	54679.27	32261.73	59%	34016.00	24001.58	71%
	Less: Receipts	725.00					
	Recoveries	787.27	0.00	0%	1016.00	0.00	0%
	Net	53167.00	32261.73	61%	33000.00	24001.58	73%
	MINISTRY OF CORPORATE AFFAIRS	**196.62**	**103.68**	**53%**	**170.00**	**46.77**	**28%**
18	Ministry of Corporate Affairs	196.62	103.68	53%	170.00	46.77	28%
	MINISTRY OF CULTURE	**576.00**	**302.89**	**53%**	**425.00**	**226.41**	**53%**
19	Ministry of Culture	576.00	302.89	53%	425.00	226.41	53%
	MINISTRY OF DEFENCE	**166663.00**	**73902.28**	**44%**	**123534.82**	**45035.27**	**36%**
20	Ministry of Defence						
	Gross	11370.00	4573.96	40%	8763.89	3346.84	38%
	Less : Receipts	8200.00	2749.77	34%	6393.07	2128.54	33%
	Net	3170.00	1824.19	58%	2370.82	1218.30	51%
21	Defence Pensions	21790.00	13158.40	60%	15564.00	8033.49	52%
	DEFENCE SERVICES	***141703.00***	***58919.69***	***42%***	***105600.00***	***35783.48***	***34%***
22	Defence Services-Army						
	Gross	60270.83	28023.68	46%	37678.25	16541.66	44%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	Less : Receipts	1588.01	770.40	49%	1376.50	765.83	56%
	Recoveries	34.72	0.00	0%	31.00	0.00	0%
	Net	58648.10	27253.28	46%	36270.75	15775.83	43%
23	Defence Services-Navy						
	Gross	8404.11	3909.91	47%	7503.05	2695.14	36%
	Less : Receipts	82.00	70.09	85%	81.86	43.12	53%
	Net	8322.11	3839.82	46%	7421.19	2652.02	36%
24	Defence Services-Air Force						
	Gross	14911.10	6132.85	41%	11288.86	5672.28	50%
	Less : Receipts	592.92	261.38	44%	433.30	294.81	68%
	Net	14318.18	5871.47	41%	10855.56	5377.47	50%
25	Defence Ordnance Factories						
	Gross	2496.95	2646.17	106%	1109.99	2430.50	219%
	Less : Receipts	1364.01	390.65	29%	1158.08	382.25	33%
	Recoveries	300.00	0.00	0%	300.00	0.00	0%
	Net	832.94	2255.52	271%	-348.09	2048.25	-588%
26	Defence Services - Research and Development						
	Gross	4787.67	1946.14	41%	3413.59	1557.24	46%
	Less : Receipts	30.00	10.59	35%	20.00	14.23	71%
	Net	4757.67	1935.55	41%	3393.59	1543.01	45%
27	Capital Outlay on Defence Services	54824.00	17764.05	32%	48007.00	8386.90	17%
	MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION	**20.47**	**11.51**	**56%**	**16.00**	**9.57**	**60%**
28	Ministry of Development of North Eastern Region	20.47	11.51	56%	16.00	9.57	60%
	MINISTRY OF EARTH SCIENCES	**310.00**	**172.02**	**55%**	**221.00**	**100.70**	**46%**
29	Ministry of Earth Sciences						
	Gross	313.35	172.02	55%	223.00	100.70	45%
	Less :Recoveries	3.35	0.00	0%	2.00	0.00	
	Net	310.00	172.02	55%	221.00	100.70	46%
	MINISTRY OF ENVIRONMENT AND FORESTS	**249.00**	**173.26**	**70%**	**207.00**	**118.94**	**57%**
30	Ministry of Environment and Forests	249.00	173.26	70%	207.00	118.94	57%
	MINISTRY OF EXTERNAL AFFAIRS	**5664.00**	**2112.07**	**37%**	**4483.00**	**1933.47**	**43%**
31	Ministry of External Affairs	5664.00	2112.07	37%	4483.00	1933.47	43%
	MINISTRY OF FINANCE	**322768.54**	**130561.96**	**40%**	**256585.32**	**109713.01**	**43%**
32	Department of Economic Affairs						
	Gross	11091.71	1078.21	10%	3084.06	1145.54	37%
	Less :Recoveries	906.60	0.00	0%	500.00	0.00	
	Net	10185.11	1078.21	11%	2584.06	1145.54	44%
33	Department of Financial Services						
	Gross	36871.54	31209.95	85%	8232.87	2598.26	32%
	Less : Receipts	0.00	0.00				
	Recoveries	15000.00	15000.00	100%			
	Net	21871.54	16209.95	74%	8232.87	2598.26	32%
34	Interest Payments						
	Gross	230697.40	93945.23	41%	207465.02	88078.79	42%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	Less : Receipts	5186.54	7276.59	140%	16657.55	2017.93	12%
	Net	225510.86	86668.64	38%	190807.47	86060.86	45%
35	Transfers to State and UT Governments						
	Gross	46246.58	15452.86	33%	44929.92	15603.75	35%
	Less : Receipts	9000.00	1076.50	12%	8385.00	1133.24	14%
	Recoveries	2500.00	282.99	11%	1800.00	1321.31	73%
	Net	34746.58	14093.37	41%	34744.92	13149.20	38%
36	Loans to Govt. Servants etc.						
	Gross	360.00	72.37	20%	360.00	106.95	30%
	Less : Receipts	495.00	252.32	51%	495.00	263.24	53%
	Net	-135.00	-179.95	133%	-135.00	-156.29	116%
37	Repayment of Debt						
	Gross (Excluding MSS)	1827807.43	1453200.93	80%	1519574.44	847134.97	56%
	Less : Receipts	1827807.43	1453200.93	80%	1519574.44	847134.97	56%
	Net	0.00	0.00		0.00	0.00	
38	Department of Expenditure	68.00	36.90	54%	37.86	19.78	52%
39	Pensions	10966.67	6975.52	64%	7966.14	3459.91	43%
40	Indian Audit and Accounts Department						
	Gross	2352.83	1187.15	50%	1283.50	684.95	53%
	Less :Recoveries	127.83	68.17	53%	76.50	56.70	74%
	Net	2225.00	1118.98	50%	1207.00	628.25	52%
41	Department of Revenue						
	Gross	9647.87	2077.84	22%	6197.82	887.03	14%
	Less : Receipts	300.97	115.89	39%	300.52	123.67	41%
	Recoveries	39.90	0.00	0%	36.30	0.00	0%
	Net	9307.00	1961.95	21%	5861.00	763.36	13%
42	Direct Taxes						
	Gross	3502.00	1182.21	34%	1975.00	891.93	45%
	Less :Recoveries	2.00	0.34	17%	2.00	7.69	385%
	Net	3500.00	1181.87	34%	1973.00	884.24	45%
43	Indirect Taxes						
	Gross	3385.00	1414.27	42%	2121.00	990.86	47%
	Less : Recoveries	1.00	0.04	4%	1.00	0.05	5%
	Net	3384.00	1414.23	42%	2120.00	990.81	47%
44	Department of Disinvestment						
	Gross	2258.78	2.29	0%	2351.00	169.09	7%
	Less : Recoveries	1120.00	0.00	0%	1165.00	0.00	0%
	Net	1138.78	2.29	0%	1186.00	169.09	14%
	MINISTRY OF FOOD PROCESSING INDUSTRIES	**10.50**	**5.06**	**48%**	**9.00**	**4.86**	**54%**
45	Ministry of Food Processing Industries	10.50	5.06	48%	9.00	4.86	54%
	MINISTRY OF HEALTH AND FAMILY WELFARE	**3107.33**	**2064.84**	**66%**	**1589.00**	**958.36**	**60%**
46	Department of Health and Family Welfare						
	Gross	4344.95	2185.63	50%	3306.71	1095.47	33%
	Less :Recoveries	1611.62	346.73	22%	1918.46	273.22	14%
	Net	2733.33	1838.90	67%	1388.25	822.25	59%
47	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy (Ayush)	188.00	87.89	47%	89.00	53.61	60%
48	Department of Health Research	186.00	138.05	74%	111.75	82.50	74%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES	**469.20**	**10.12**	**2%**	**461.70**	**153.71**	**33%**
49	Department of Heavy Industry	462.00	7.36	**2%**	457.20	151.24	**33%**
50	Department of Public Enterprises	7.20	2.76	38%	4.50	2.47	55%
	MINISTRY OF HOME AFFAIRS	**36879.78**	**16040.29**	**43%**	**23746.79**	**11305.63**	**48%**
51	Ministry of Home Affairs	1311.00	662.48	51%	900.00	417.67	46%
52	Cabinet	458.17	148.69	32%	382.79	88.60	23%
53	Police						
	Gross	33185.26	14534.20	44%	21160.00	10337.15	49%
	Less :Recoveries	225.00	118.65	53%	160.00	83.38	52%
	Net	32960.26	14415.55	44%	21000.00	10253.77	49%
54	Other Expenditure of the Ministry of Home Affairs	1370.35	413.95	30%	1000.00	301.11	30%
55	Transfers to UT Govts.	780.00	399.62	51%	464.00	244.48	53%
	MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION	**7.97**	**3.98**	**50%**	**6.50**	**2.46**	**38%**
56	Ministry of Housing and Urban Poverty Alleviation	7.97	3.98	50%	6.50	2.46	38%
	MINSTRY OF HUMAN RESOURCE DEVELOPMENT	**8132.21**	**4122.19**	**51%**	**4309.37**	**2141.44**	**50%**
57	Department of School Education and Literacy	2299.21	1548.28	67%	1050.00	597.82	57%
58	Department of Higher Education	5833.00	2573.91	44%	3259.37	1543.62	47%
	MINISTRY OF INFORMATION AND BROADCASTING	**1768.00**	**867.70**	**49%**	**1210.00**	**587.31**	**49%**
59	Ministry of Information and Broadcasting						
	Gross	1768.07	867.70	49%	1210.07	587.35	49%
	Less : Recoveries	0.07	0.00		0.07	0.04	57%
	Net	1768.00	867.70	49%	1210.00	587.31	49%
	MINISTRY OF LABOUR AND EMPLOYMENT	**1562.22**	**1243.59**	**80%**	**1458.00**	**1285.33**	**88%**
60	Ministry of Labour and employment						
	Gross	1832.13	1243.59	68%	1726.53	1285.35	74%
	Less : Recoveries	269.91	0.00	0%	268.53	0.02	0%
	Net	1562.22	1243.59	80%	1458.00	1285.33	88%
	MINISTRY OF LAW AND JUSTICE	**1527.02**	**540.98**	**35%**	**499.94**	**310.75**	**62%**
61	Election Commission	21.00	14.24	68%	15.50	7.77	50%
62	Law and Justice	1418.00	470.09	33%	425.87	271.53	64%
63	Supreme Court of India	88.02	56.65	64%	58.57	31.45	54%
	MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES	**239.45**	**121.25**	**51%**	**145.42**	**63.83**	**44%**
64	Ministry of Micro, Small and Medium Enterprises	239.45	121.25	51%	145.42	63.83	44%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	MINISTRY OF MINES	**398.00**	**218.70**	**55%**	**245.00**	**156.82**	**64%**
65	Ministry of Mines	398.00	218.70	55%	245.00	156.82	64%
	MINISTRY OF MINORITY AFFAIRS	**16.50**	**7.40**	**45%**	**13.83**	**3.98**	**29%**
66	Ministry of Minority Affairs	16.50	7.40	45%	13.83	3.98	29%
	MINISTRY OF NEW AND RENEWABLE ENERGY	**11.00**	**7.91**	**72%**	**7.09**	**3.97**	**56%**
67	Ministry of New and Renewable Energy	11.00	7.91	72%	7.09	3.97	56%
	MINISTRY OF OVERSEAS INDIANS AFFAIRS	**80.00**	**13.33**	**17%**	**65.00**	**10.81**	**17%**
68	Ministry of Overseas Indians Affairs	80.00	13.33	17%	65.00	10.81	17%
	MINISTRY OF PANCHAYATI RAJ	**0.71**	**0.23**	**32%**	**0.50**	**0.24**	**48%**
69	Ministry of Panchayati Raj	0.71	0.23	32%	0.50	0.24	48%
	MINISTRY OF PARLIAMENTARY AFFAIRS	**8.33**	**4.09**	**49%**	**6.00**	**2.39**	**40%**
70	Ministry of Parliamentary Affairs	8.33	4.09	49%	6.00	2.39	40%
	MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS	**437.50**	**233.03**	**53%**	**305.00**	**143.13**	**47%**
71	Ministry of Personnel, Public Grievances and Pensions	437.50	233.03	53%	305.00	143.13	47%
	MINISTRY OF PETROLEUM AND NATURAL GAS	**3144.00**	**1149.33**	**37%**	**2913.00**	**1097.10**	**38%**
72	Ministry of Petroleum and Natural Gas						
	Gross	13450.33	11455.66	85%	2913.00	1097.10	38%
	Less : Receipts	10306.33	10306.33	100%		0.00	
	Net	3144.00	1149.33	37%	2913.00	1097.10	38%
	MINISTRY OF PLANNING	**67.00**	**42.24**	**63%**	**42.00**	**23.39**	**56%**
73	Ministry of Planning	67.00	42.24	63%	42.00	23.39	56%
	MINISTRY OF POWER	**-28.00**	**50.82**	**-182%**	**75.00**	**38.88**	**52%**
74	Ministry of Power						
	Gross	276.73	50.82	18%	395.76	39.56	10%
	Less : Receipts	304.73	0.00	0%	320.76	0.68	0%
	Net	-28.00	50.82	-182%	75.00	38.88	52%
	THE PRESIDENT, PARLIAMENT, UNION PUBLIC SERVICE COMMISSION AND THE SECRETARIAT OF THE VICE-PRESIDENT	**686.06**	**306.69**	**45%**	**538.00**	**229.03**	**43%**
75	Staff, Household and Allowances of the President	27.52	12.62	46%	20.00	8.42	42%
76	Lok Sabha	384.65	146.08	38%	323.93	125.04	39%
77	Rajya Sabha	160.64	74.15	46%	114.57	53.08	46%
78	Union Public Service Commission	110.91	72.34	65%	77.81	41.67	54%
79	Secretariat of the Vice-President	2.34	1.50	64%	1.69	0.82	49%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	MINISTRY OF RURAL DEVELOPMENT	**45.43**	**30.32**	**67%**	**29.86**	**16.65**	**56%**
80	Department of Rural Development	36.95	23.19	63%	24.06	13.01	54%
81	Department of Land Resources	5.64	4.29	76%	3.90	2.38	61%
82	Department of Drinking Water Supply	2.84	2.84	100%	1.90	1.26	66%
	MINISTRY OF SCIENCE AND TECHNOLOGY	**1723.00**	**881.74**	**51%**	**1147.00**	**600.84**	**52%**
83	Department of Science and Technology						
	Gross	365.65	197.95	54%	260.40	148.16	57%
	Less : Recoveries	7.65	5.08	66%	10.40	1.13	11%
	Net	358.00	192.87	54%	250.00	147.03	59%
84	Department of Scientific and Industrial Research	1341.00	671.14	50%	878.00	438.86	50%
85	Department of Biotechnology	24.00	17.73	74%	19.00	14.95	79%
	MINISTRY OF SHIPPING	**1160.53**	**21.29**	**2%**	**710.00**	**14.68**	**2%**
86	Ministry of Shipping						
	Gross	1355.53	115.98	9%	877.50	95.44	11%
	Less : Receipts	140.00	91.36	65%	115.00	74.46	65%
	Recoveries	55.00	3.33	6%	52.50	6.30	12%
	Net	1160.53	21.29	2%	710.00	14.68	2%
	MINISTRY OF ROAD TRANSPORT AND HIGHWAYS	**4115.00**	**935.64**	**23%**	**2128.00**	**798.97**	**38%**
87	Ministry of Road Transport and Highways						
	Gross	4259.61	967.64	23%	2269.00	847.33	37%
	Less : Recoveries	144.61	32.00	22%	141.00	48.36	34%
	Net	4115.00	935.64	23%	2128.00	798.97	38%
	MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT	**85.00**	**38.55**	**45%**	**59.00**	**25.66**	**43%**
88	Ministry of Social Justice & Empowerment	85.00	38.55	45%	59.00	25.66	43%
	DEPARTMENT OF SPACE	**859.00**	**639.42**	**74%**	**474.00**	**412.29**	**87%**
89	Department of Space						
	Gross	859.00	639.42	74%	474.02	412.29	87%
	Less : Recoveries	0.00	0.00		0.02	0.00	0%
	Net	859.00	639.42	74%	474.00	412.29	87%
	MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION	**306.27**	**163.73**	**53%**	**190.00**	**103.28**	**54%**
90	Ministry of Statistics and Programme Implementation	306.27	163.73	53%	190.00	103.28	54%
	MINISTRY OF STEEL	**81.36**	**15.79**	**19%**	**77.23**	**34.18**	44%
91	Ministry of Steel						
	Gross	89.01	15.79	18%	85.52	34.18	40%
	Less: Receipts	7.65			8.29		
	Recoveries	0.00	0.00		0.00	0.00	
	Net	81.36	15.79	19%	77.23	34.18	44%
	MINISTRY OF TEXTILES	**898.00**	**411.66**	**46%**	**823.51**	**187.57**	**23%**
92	Ministry of Textiles						
	Gross	7027.75	411.66	6%	823.51	187.57	23%
	Less : Receipts	6129.75	0.00	0%			
	Net	898.00	411.66	46%	823.51	187.57	23%
	MINISTRY OF TOURISM	**70.00**	**26.88**	**38%**	**47.00**	**19.03**	**40%**
93	Ministry of Tourism	70.00	26.88	38%	47.00	19.03	40%
	MINISTRY OF TRIBAL AFFAIRS	**14.61**	**9.01**	**62%**	**12.55**	**5.45**	**43%**
94	Ministry of Tribal Affairs	14.61	9.01	62%	12.55	5.45	43%

Annex continued

(Rs. in crore)

Grant No	Ministry/Department	2009-2010 BE	2009-2010 Actuals Upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 Actuals Upto 09/2008	2008-2009 %
	U.Ts WITHOUT LEGISLATURE	**3151.97**	**1683.85**	**53%**	**2073.35**	**1605.38**	**77%**
95	Andaman & Nicobar Islands						
	Gross	1264.57	600.04	47%	897.00	496.49	55%
	Less : Recoveries	116.20	41.43	36%	97.00	33.55	35%
	Net	1148.37	558.61	49%	800.00	462.94	58%
96	Chandigarh						
	Gross	1849.00	932.44	50%	1243.00	729.40	59%
	Less : Recoveries	400.00	74.74	19%	353.00	124.54	35%
	Net	1449.00	857.70	59%	890.00	604.86	68%
97	Dadra & Nagar Haveli						
	Gross	1888.67	488.16	26%	1024.95	717.09	70%
	Less : Recoveries	1797.25	451.25	25%	959.95	440.52	46%
	Net	91.42	36.91	40%	65.00	276.57	425%
98	Daman & Diu						
	Gross	715.81	236.10	33%	458.60	349.41	76%
	Less : Recoveries	632.60	189.86	30%	392.60	188.04	48%
	Net	83.21	46.24	56%	66.00	161.37	245%
99	Lakshadweep						
	Gross	448.00	187.99	42%	302.08	100.07	33%
	Less : Recoveries	68.03	3.60	5%	49.73	0.43	1%
	Net	379.97	184.39	49%	252.35	99.64	39%
	MINISTRY OF URBAN DEVELOPMENT	**2146.53**	**1058.71**	**49%**	**1575.00**	**709.59**	**45%**
100	Department of Urban Development						
	Gross	690.04	316.44	46%	590.04	245.34	42%
	Less : Recoveries	0.04	0.00	0%	0.04	0.00	0%
	Net	690.00	316.44	46%	590.00	245.34	42%
101	Public Works						
	Gross	1399.05	681.36	49%	1014.20	454.29	45%
	Less : Recoveries	75.05	11.63	15%	79.20	7.52	9%
	Net	1324.00	669.73	51%	935.00	446.77	48%
102	Stationery and Printing						
	Gross	292.53	130.05	44%	221.25	83.57	38%
	Less : Recoveries	160.00	57.51	36%	171.25	66.09	39%
	Net	132.53	72.54	55%	50.00	17.48	35%
	MINISTRY OF WATER RESOURCES	**403.00**	**241.55**	**60%**	**280.00**	**155.91**	**56%**
103	Ministry of Water Resources						
	Gross	417.54	245.11	59%	294.33	158.26	54%
	Less : Recoveries	14.54	3.56	24%	14.33	2.35	16%
	Net	403.00	241.55	60%	280.00	155.91	56%
	MINISTRY OF WOMEN AND CHILD DEVELOPMENT	**78.00**	**39.48**	**51%**	**62.00**	**26.07**	**42%**
104	Ministry of Women and Child Development	78.00	39.48	51%	62.00	26.07	42%
	MINISTRY OF YOUTH AFFAIRS & SPORTS	**374.00**	**170.20**	**46%**	**221.81**	**85.45**	**39%**
105	Ministry of Youth Affairs and Sports	374.00	170.20	46%	221.81	85.45	39%
	MINISTRY OF RAILWAYS						
	Ministry of Railways						
	Gross	90626.22	47622.48	53%	83696.89	34107.36	41%
	Less : Receipts	90626.22	39824.78	44%	83696.89	34107.36	41%
	: Reserve fund	0.00	7797.70		0.00	0.00	
	Net	0.00	0.00		0.00	0.00	
	Exp. From Contingency Fund		30.89			97.27	
	GRAND TOTAL	***695688.68***	***322070.11***	***46%***	***507498.03***	***240628.74***	***47%***

Annex continued

10. RESOURCES TRANSFERRED TO STATES & UT GOVERNMENTS

(Rs. in crore)

	DESCRIPTION	2009-2010 BE	2009-2010 ACTUALS upto 09/2009	2009-2010 %	2008-2009 BE	2008-2009 ACTUALS upto 09/2008	2008-2009 %
1	**States' share of Taxes & Duties**	**164361**	**72135**	**44%**	**178765**	**76761**	**43%**
2	**Non-plan Grants & Loans**	**48659**	**17600**	**36%**	**43383**	**15525**	**36%**
	Grants	48570	17563	36%	43294	15489	36%
	Loans	89	37	42%	89	36	40%
	Ways and Means Advances (Net)		0			0	
3	**Central Assistance for State & UT Plans**	**81256**	**27002**	**33%**	**59858**	**23858**	**40%**
	Grants	75631	24572	32%	55990	20680	37%
	Loans	5625	2430	43%	3868	3178	82%
4	**Assistance for Central & Centrally sponsored Schemes**	**22136**	**13185**	**60%**	**25620**	**12830**	**50%**
	Grants	22136	13185	60%	25462	12830	50%
	Loans				158	0	0%
5	**Total Grants & Loans (2+3+4)**	**152051**	**57787**	**38%**	**128861**	**52213**	**41%**
	Grants	146337	55320	38%	124746	48999	39%
	Loans	5714	2467	43%	4115	3214	78%
6	***Less* : Recovery of Loans & Advances**	**2661**	**1730**	**65%**	**2666**	**1007**	**38%**
7	**Net Resources transferred to State & UT Governments (1+5-6)**	**313751**	**128192**	**41%**	**304960**	**127967**	**42%**
	(i) Of Which State Govts.	309612	126898	41%	302422	127425	42%
	(ii) Of Which UT. Govts.	4139	1294	31%	2538	542	21%