

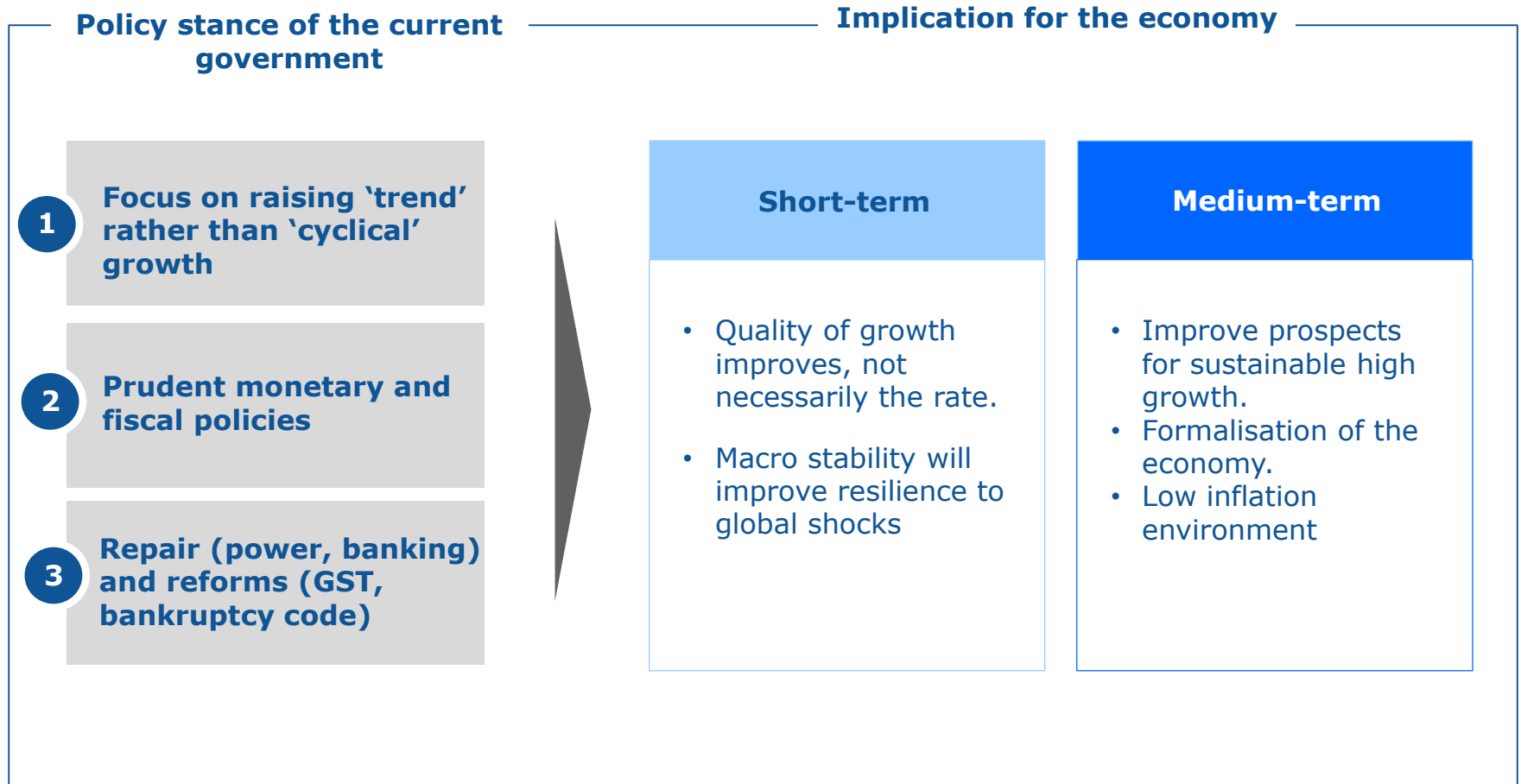


# India economy

Process of repair and Reform in last 4 years

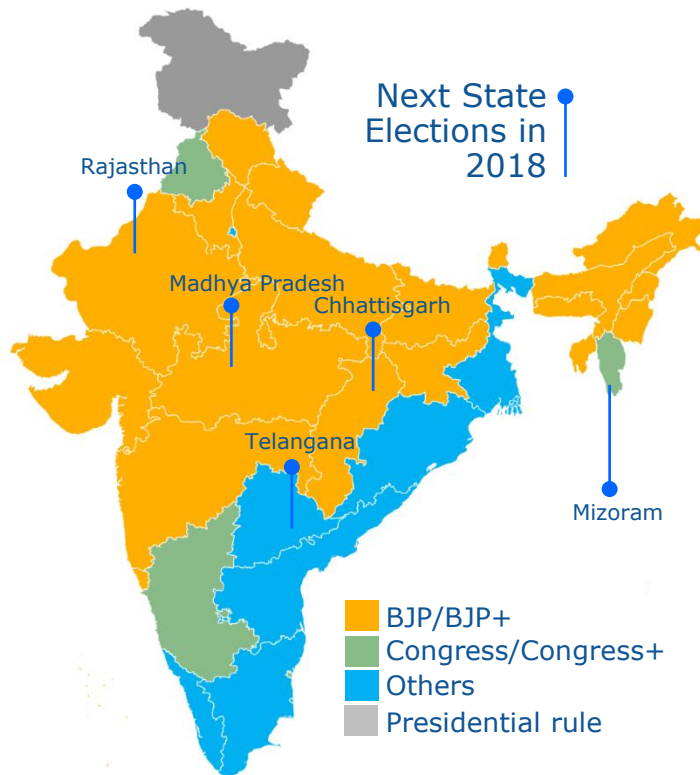
November, 2018

# Repair and reform process in progress with focus on raising medium to long-term trend growth










## BJP, led by Prime Minister Narendra Modi has strengthened its political standing significantly

### BJP and its alliances are currently ruling 19 states



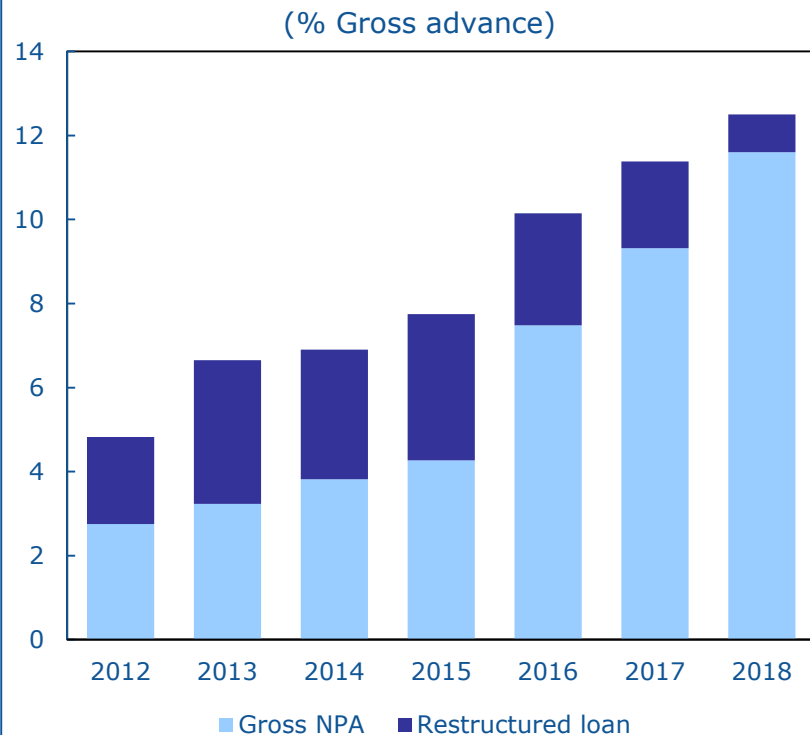
- **BJP enjoyed strong political momentum**, as underscored by landslide victories in a number of state and local level elections since 2014.
- **Emerged as largest or majority party** in 12 of the 24 States/UTs elections held after 2014 General elections
- **BJP ruled just seven states in 2014**, when the Narendra Modi government came to power in Delhi, the number has reached 19 in 2018.
- **64% of India's population live in these 19 BJP ruled states**, the last time a political party or group had this big a footprint across India was a quarter century ago.

## This political momentum has helped to initialize some major economic reform areas, but process is gradual and evolving

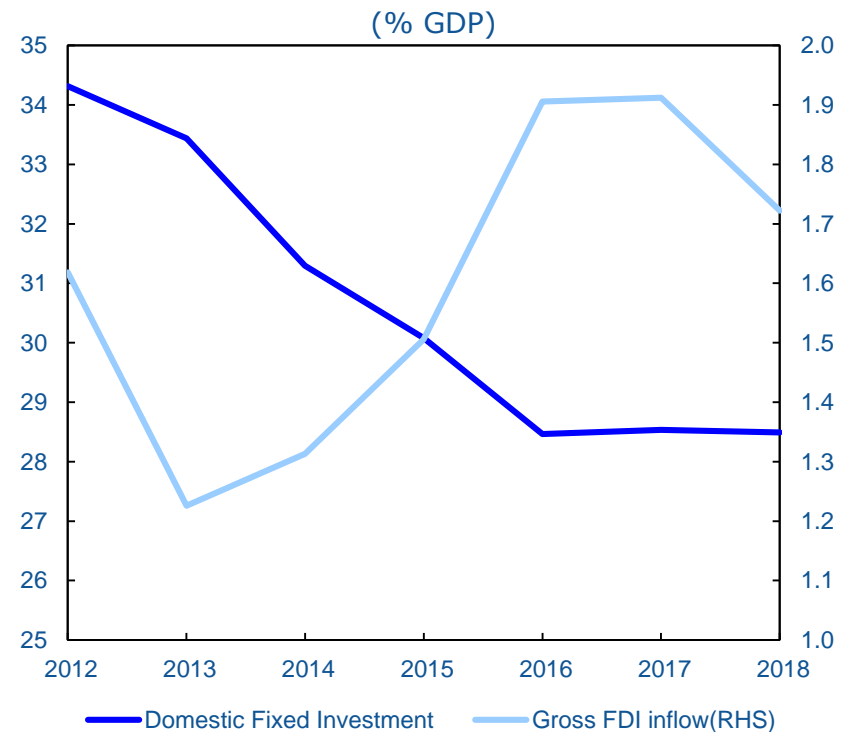
Key reform areas	Progress made	Key areas/challenges
	Low      Medium      High	
<b>Business environment</b>		Series of administrative reforms have been undertaken but policy uncertainty remains
<b>Physical infrastructure</b>		Public investment push in roads and railways but private investment is muted
<b>Tax reform</b>		GST has been implemented but informal economy is in transition
<b>FDI liberalisation</b>		Large number of sectors now qualify for automatic approval
<b>Job Creation</b>		Skill development has been emphasised but no visible progress
<b>Manufacturing/Exports</b>		The “Make in India” campaign has not stimulated adequate investment
<b>Urbanisation</b>		Housing for all by 2022, 11.3mn new rural houses have been constructed since 2014

# Domestic investment recovery is muted in the back of increasing stressed assets in banking system

**Stressed assets have almost doubled and projected to worsen further**

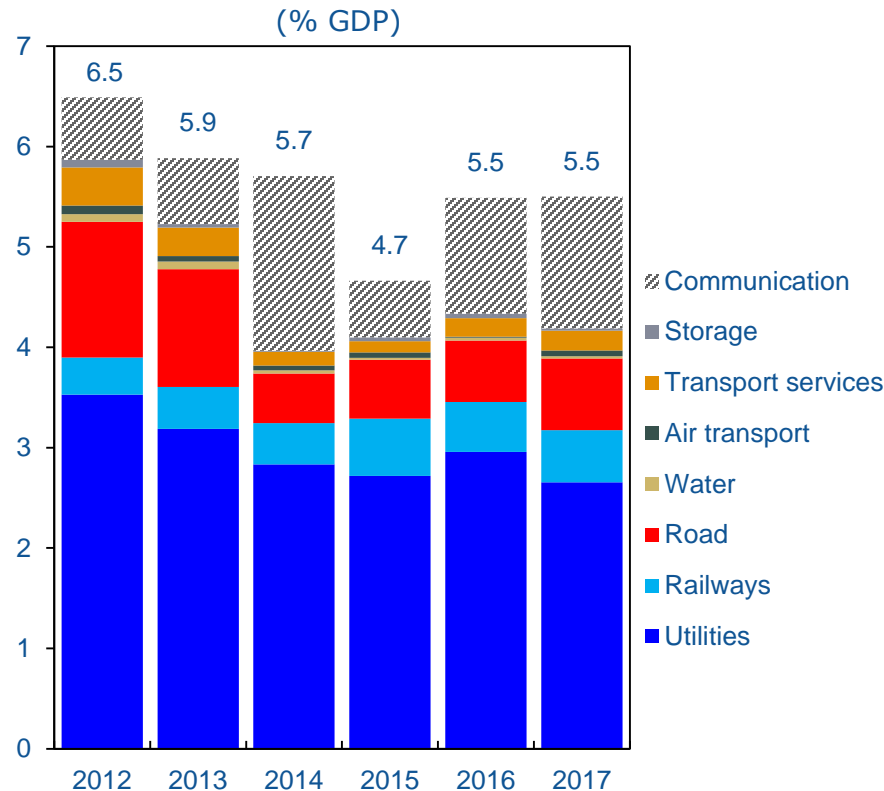


**Domestic investment has not yet recovered and FDI has lost its pace**

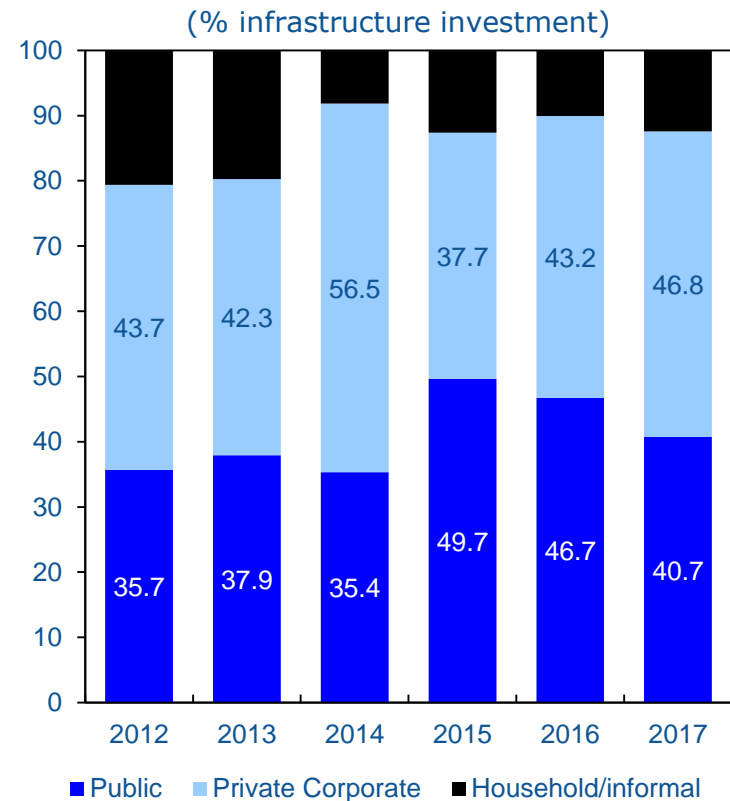


# Roads and railway received initial push from government funding ,some sign of crowding in private investment in infrastructure

**Infrastructure investment has been slow to recover**



**Initial push from government funding has been able to crowd in private investment**

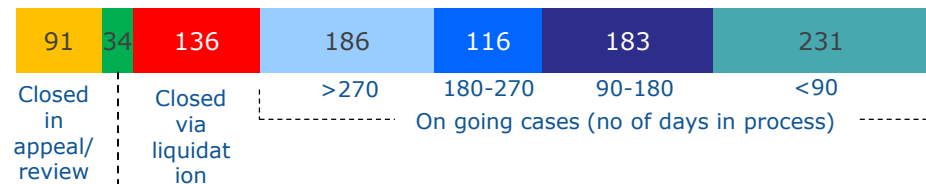


# Insolvency & Bankruptcy Code (IBC) reform is expected to bring much needed resolution mechanism for locked investments

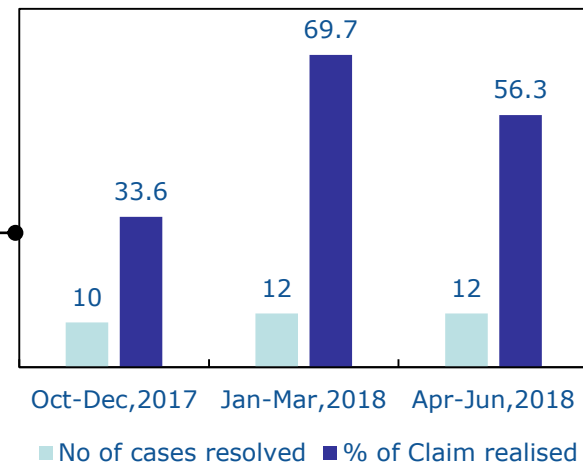
- Before IBC(2016), resolution and winding-up of debt-ridden firms was confusing, lengthy and often unsuccessful.
- Thrust of IBC (2016) is to lay down process-oriented and time-bound debt resolution plan
- IBC's regulatory and legal structure focuses on clear jurisdiction along with institutional capacity
- Established time frame for creation of a Resolution Plan (180 days)
- Involvement of multiple stakeholders in the resolution process has ensured transparency
- Provides for corporate liquidation process in absence of Resolution Plan

## The time-bound resolution process has provided some promising initial results

977 cases have been admitted by NCLT



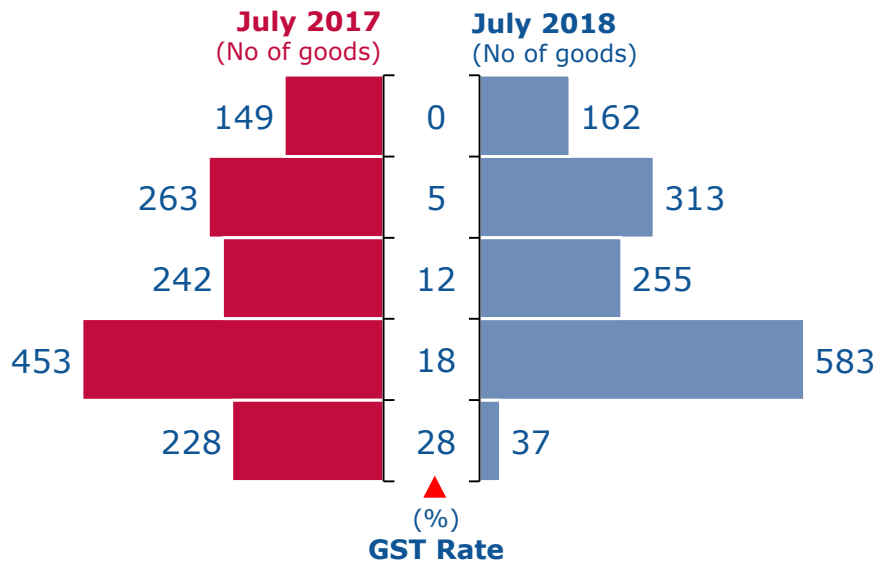
### 34 resolved cases



# Tax reform process is underway through simplification of GST regime along with improving tax compliance

## The changing GST Pyramid

In a year since its launch, the number of products taxed at the highest rate of 28% has come down by 84%. Nearly half the goods are now in 18% slab.



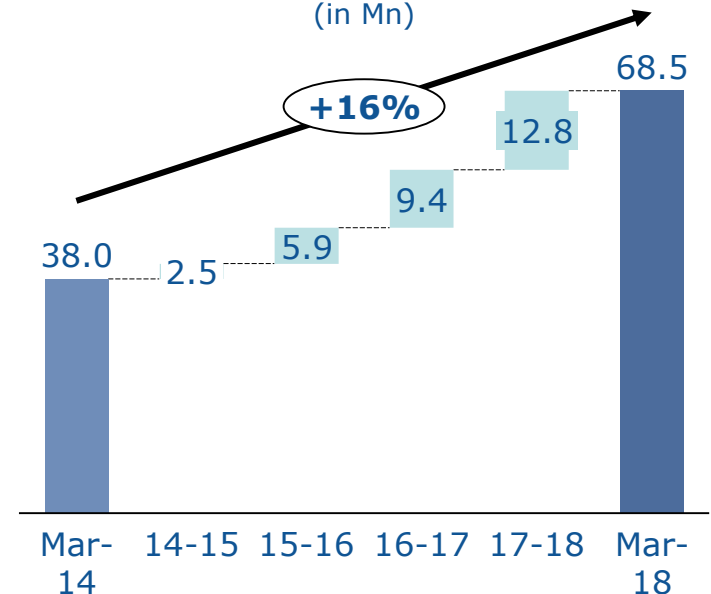
“The intention is to reduce number of GST rate slabs from 5 to 3, but it will take some time

-SUSHIL KUMAR MODI | DEPUTY CHIEF MINISTER BIHAR

## Improving Direct tax compliance

Since March, 2014, 31mn more tax payer have filled return. Last financial year alone 12.8mn more have been added.

### Number of Income Tax Returns Filed (in Mn)



Source: CBDT Direct Tax data, Oct 2018

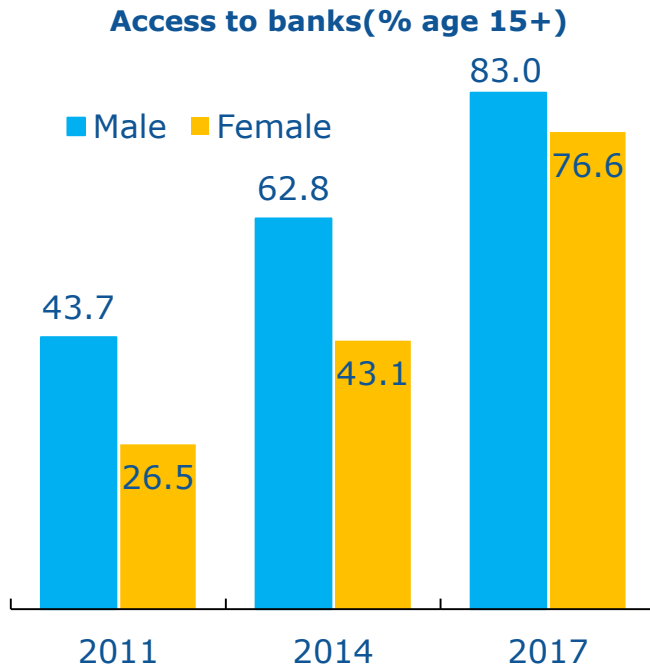
Source: Times of India , July 24,2018



# Digitalization and financial inclusion is driving formalization of the economy but this is a work in progress

## Gender gap in financial access has reduced owing to financial inclusion

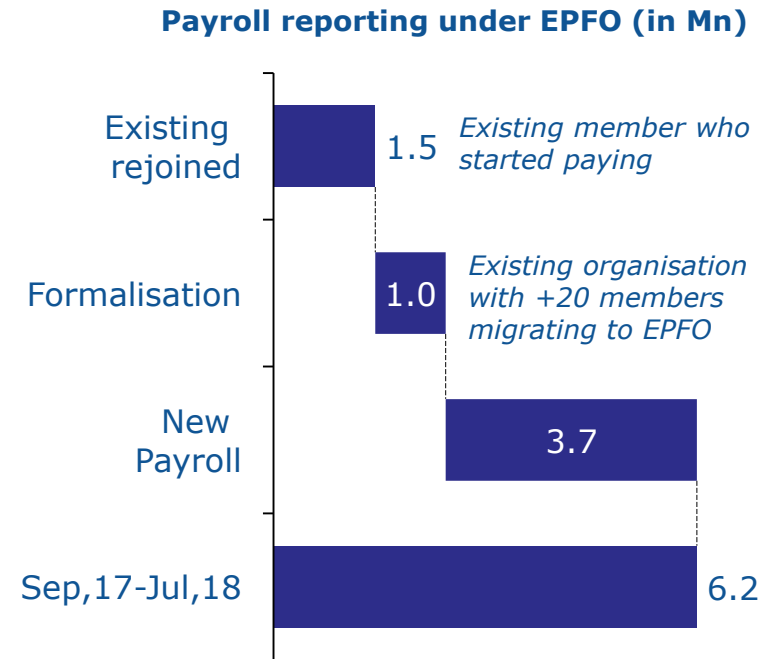
Based on World Bank Global Findex survey data, India has been able to reduce unbanked population



Source: The Global Findex Database, 2017

## In last 11 months 6.2mn additional workforce got into formal employment

Given that almost 90% of 480mn workforce are in informal jobs, payroll data provide limited insights of employment generation, but it shows extent of formalisation

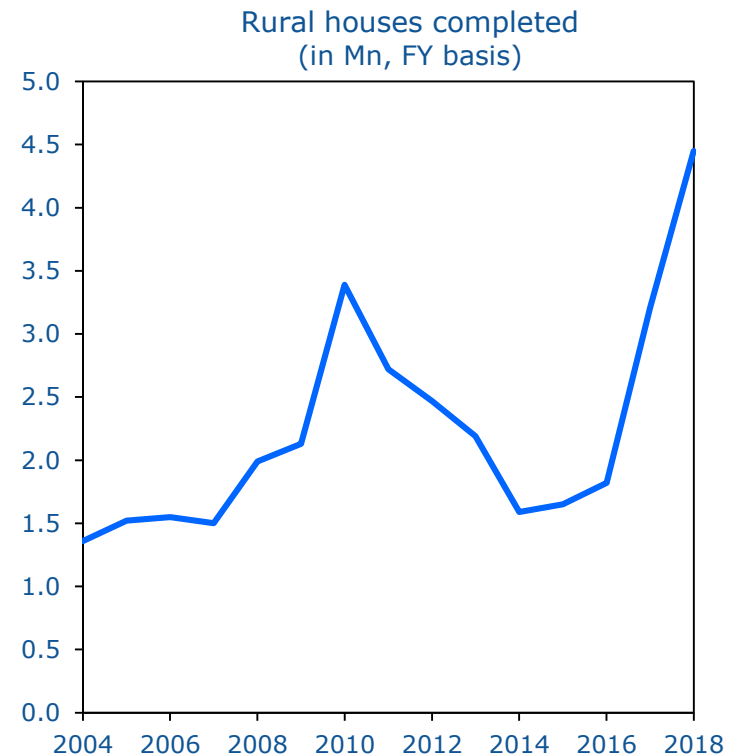


Source: Payroll Reporting in India: An Employment Perspective – Sep 2018

## If realized the mission “Housing for All” by 2022 can play a major role in India’s urbanization story

- Based on government’s own estimate, India has housing shortage of around 43mn in rural and 10mn urban.
- Schemes for building affordable houses for both rural and urban area existed even before the current government.
- NIPFP concludes average time for house construction under PMAY-G (rural) down to 114 days as against 314 days under erstwhile *Indira Awaas Yojana* (PIB, 01-August-2018)
- Under PMAY (Urban) so far more than 5.1mn dwelling units have been sanctioned against the validated demand of 10mn in last 3 years of implementation.
- Under the rural housing scheme, since 2014-15 till date 11.3mn rural houses have been completed.

### Rural housing construction picked up in last 2 years

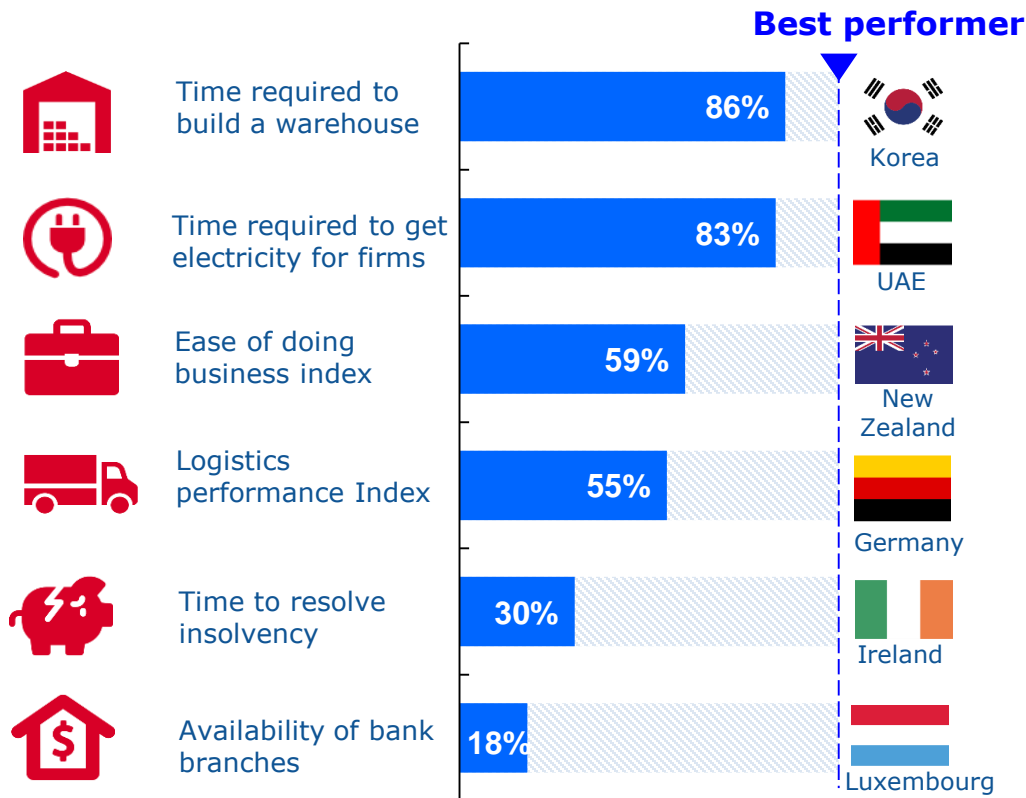


Source: Various Press Releases from Ministry of Rural Development

# Targeted efforts have been made to facilitate ease of doing business but there are historical backlog

## India's position relative to best performer

(Position in percentile,%)



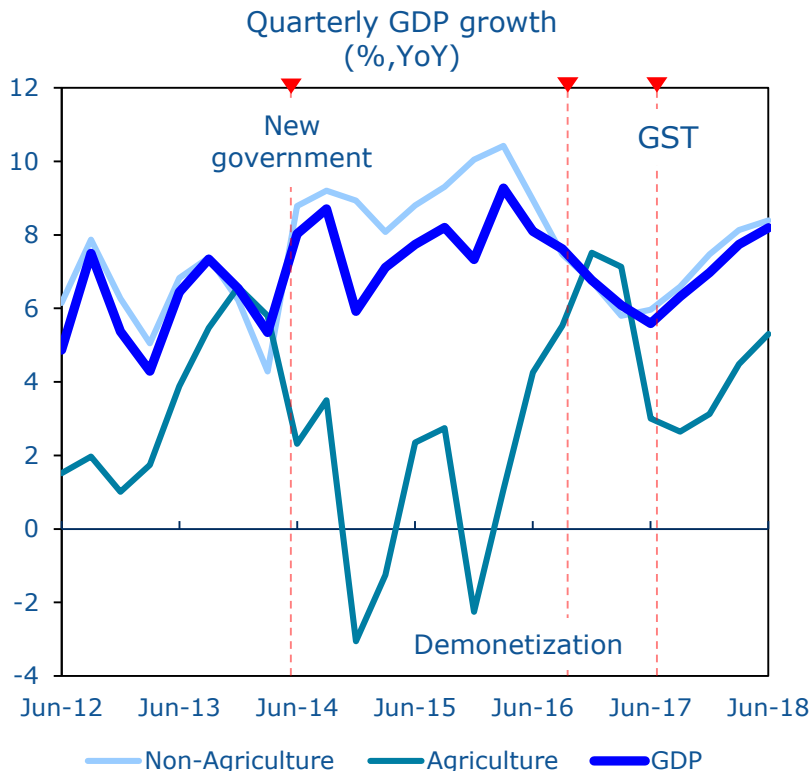
- **Business environment still need improvement:** India's has jumped 53 positions in last two years and ranks 77 among 190 countries in 2018.
- **Diverse operating environment:** Business reform action plan (2017) at State level has been implemented, to make processes uniform and simple.
- **Insolvency and bankruptcy code,** should help unlock investment stuck in failed business.
- **Digitalization may help leapfrogging infrastructure barrier** mainly in financial access and government service delivery.

Source: World Bank

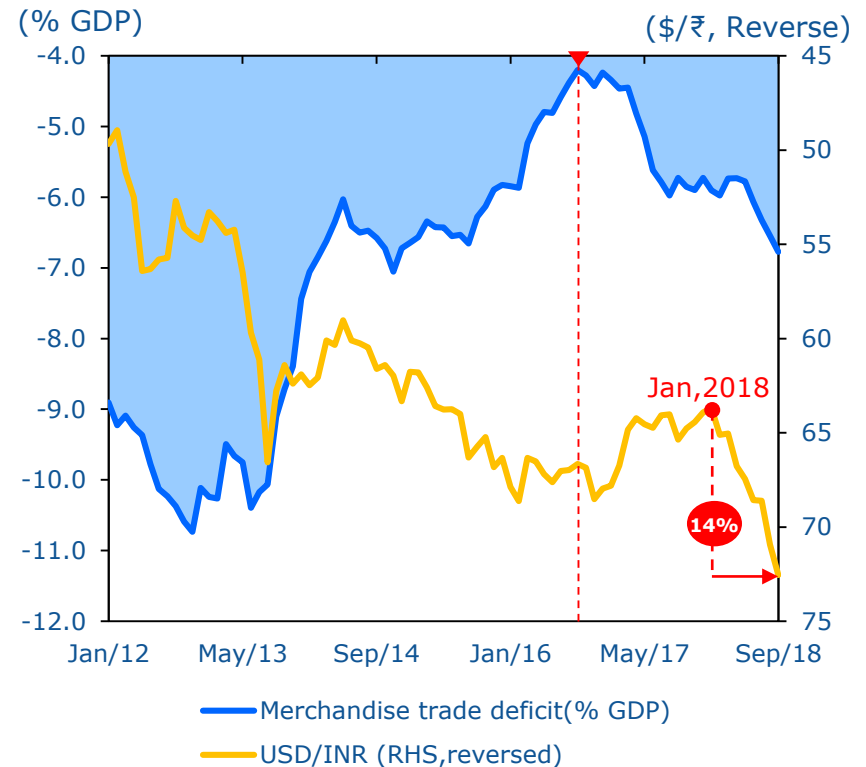
Note: The data bank branches us for 2016,rest are for 2018

# Economy transiting through major shocks, however a V-shaped recovery is evident amid emerging external sector risks

**Economy is in path of recovery, after major shocks**



**Pressure was getting build on external front since**



## Fiscal prudence expected to remain in priority, however, policy focus may shift in the run up to the 2019 election

### Government's near-term priority in the run up to the 2019 election

**1** Maintain credibility on the macro front including fiscal

**2** Focus on implementation of measures already initiated over the past 12-18 months

### Prioritize spending in areas

- a) Agriculture
- b) Rural development
- c) Infrastructure (housing, roads, railways etc.)
- d) Rural health care services;
- e) Micro, Small & Medium industries.

# Thank you

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