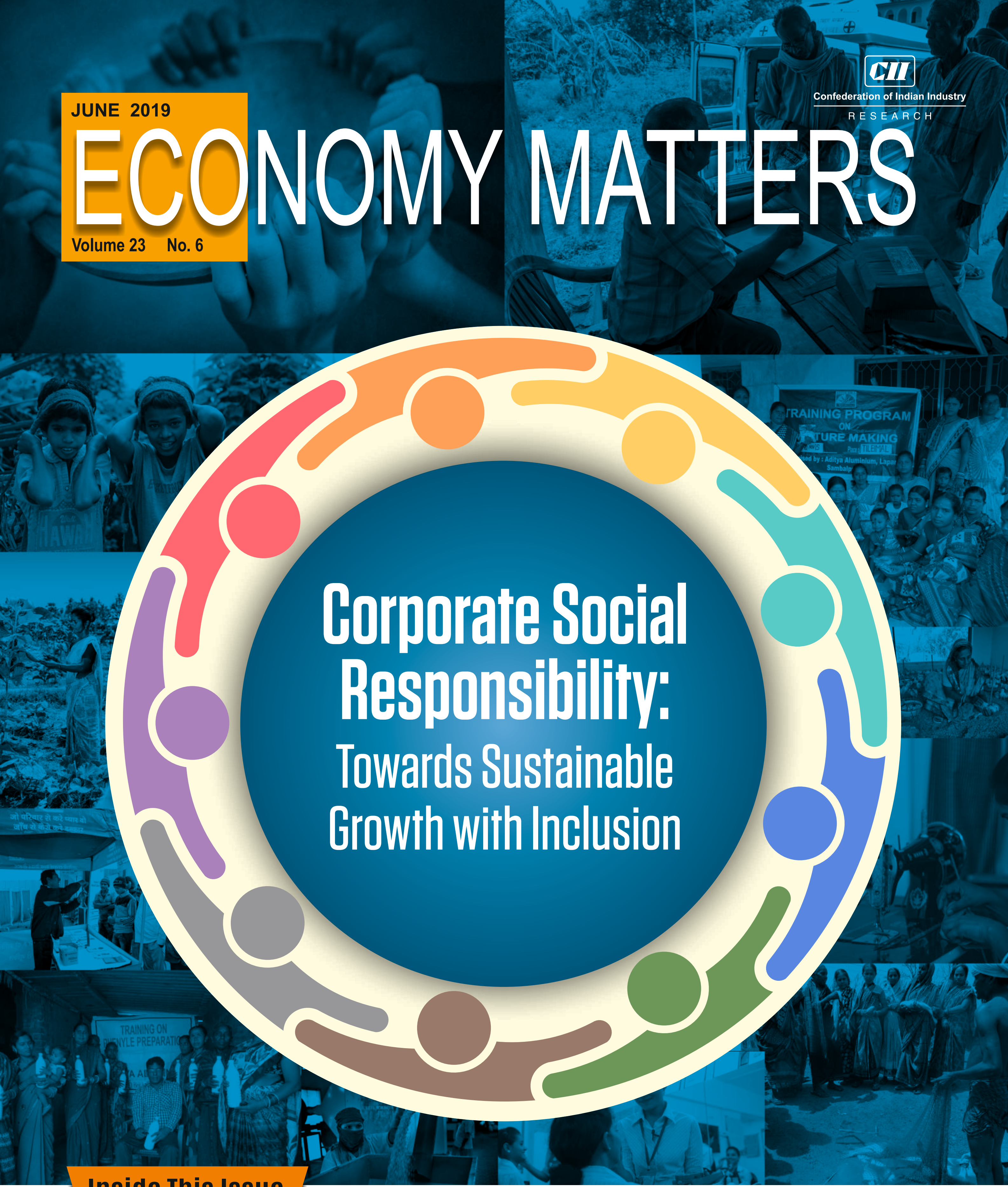
JUNE 2019

ECONOMY MATTERS

Volume 23 No. 6

CII
Confederation of Indian Industry
RESEARCH



Corporate Social Responsibility: Towards Sustainable Growth with Inclusion

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Articles by:

- **Dr. Raghupati Singhania**, Chairman, CII National Committee on CSR and Chairman & MD, JK Tyres & Industries Ltd.
- **Ms. Rumjhum Chatterjee**, Co-Chair, CII National Committee on CSR and Group Managing Director & Head – Human Capital, Feedback Infra Pvt. Ltd.

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FOREWORD

Chandrajit Banerjee
Director General, CII

As India makes rapid strides towards realizing its overarching vision of achieving rapid growth with sustainability, corporate social responsibility is seen as industry contribution to the inclusive growth campaign. In a welcome move, the adoption of CSR legislation in the Companies Act 2013 has given a much-needed fillip to CSR activities in India. The results are already evident. As per the CII-CSR Tracker 2017, which is based on disclosures of 1,522 companies, firms have collectively spent Rs 8,897 crore or 92 per cent of the two per cent requirement in FY17. This is an increase of about nine per cent in CSR spends in FY17 over the previous year. However, while the CSR legislation has indeed been a game changer to garner industry engagement, it is time to go beyond the tried and tested approach in the development space. Companies need to leverage CSR to re-imagine interventions and explore innovative CSR models. CII has been actively engaging with both the government and corporates to advocate on policy issues and make CSR an actionable business agenda for fostering inclusive and sustainable growth.

The Indian economy expanded at 8 per cent in the first quarter of fiscal year 2019 but closed the year at 5.8 per cent in the fourth quarter. For the full year, GDP growth slowed down to 6.8 per cent in 2018-19 from 7.2 per cent in the previous year. While sluggish investment has been a drag on the economy for some time, domestic consumption and exports are also adding to the slowdown. Going forward, we expect the government to take measures in the Budget to rejuvenate and revive the economy. However, downside risks will emanate from slowing global economic prospects and the late onset of the South-west monsoon which has remained tardy so far. Positive drivers of the future growth trajectory could be lower interest rates (both domestic and global) and lower commodity prices.

The prophecy about an impending global slowdown has got firmly entrenched with the World Bank predicting the growth to ease to a weaker-than-expected 2.6 per cent in 2019 before inching up to 2.7 per cent in 2020 reflecting weaker-than-expected international trade and investment at the start of the year. The multilateral bank, however, retained India's growth forecast at 7.5 per cent for both the fiscal years. Slowing investments have been highlighted by the UNCTAD's World Investment Report as well, with the global FDI flows falling by 13 per cent in 2018.

Chandrajit Banerjee
Director General, CII


Corporate Social Responsibility:
Towards Sustainable Growth with Inclusion
TRAINING PROGRAM

Contents

KEY MONTHLY DEVELOPMENTS

DOMESTIC TRENDS

- **GDP:** Economic growth slowed to a five-year low of 6.8 per cent in 2018-19 as compared to 7.2 per cent in the previous fiscal, underpinned by slower growth in government consumption. From the supply-side, real GVA growth slipped to 6.6 per cent in 2018-19 as compared to 6.9 per cent in the previous fiscal, mainly due to lower farm output and sluggish service sector growth.
- **Industrial Production:** Industrial output registered an uptick in April 2019 after witnessing subdued growth for the last three consecutive months. On the sectoral front, all broad sectors displayed a smart recovery.
- **Inflation:** Inflation, as measured by consumer price index, rose marginally to 3.1 per cent in May 2019, led primarily by higher food prices. Wholesale price-based inflation, on the other hand, softened to 2.5 per cent in May 2019 from 3.1 per cent in April 2019.
- **Monetary Policy:** The Reserve Bank of India reduced the repo rate by 25 bps in June 2019 taking it to 5.75 per cent. The Central Bank also changed its stance from neutral to accommodative.
- **Trade:** Merchandise exports grew by 3.9 per cent in May 2019 as compared to an anemic 0.6 per cent posted in the previous month. Merchandise imports remained steady during the month. On balance, trade deficit widened to a 6-month high of US$15.4 billion in May, up from US$15.3 billion in the previous month.
- **Balance of Payments:** Current account deficit (CAD) narrowed sequentially by US$13.2 billion in 4QFY19 thus curtailing the full-year figure at 2.1 per cent of GDP in FY19. On a quarterly basis, narrowing of trade deficit and higher invisibles supported the CAD.
- **CII Business Confidence Index:** The CII Business Confidence Index (CII- BCI) stood at 59.6 during the April-June 2019 quarter. The current reading, though lower than the previous quarter of 65.2, continues to indicate positive business confidence in the ongoing quarter.
- **Monsoon Progress:** IMD's latest monsoon data (till 19th June, 2019) shows that the rainfall gap, based on the cumulative SW-monsoons, stood at 42.5 per cent. Uttar Pradesh and Maharashtra have been the worst impacted so far.
- **Periodic Labour Force Survey:** As per the first edition of the Periodic Labour Force Survey (PLFS), which covers the period July 2017 to June 2018, the unemployment rate stood at 6.1 per cent in 2017-18.
- **Fiscal Performance:** As per recent the figures released by the CGA, fiscal deficit for the month of May 2019 stood at 52 per cent of the budgeted estimates for the year 2019-20, which is slightly lower than what it was in the same period a year ago.

GLOBAL TRENDS

- **US Non-farm Payroll:** Raising concerns about an imminent slowdown in the US economy, non-farm payrolls increased by a meagre 75,000 in May 2019, down from the revised 224,000 in April 2019 and well below the market expectations of 180,000 for May.
- **China Trade Balance:** China's trade surplus in May 2019 soared to its highest level since December 2018, to stand at US$41.7 billion as against US$13.8 billion in the previous month on account of a surprise uptick in exports.
- **Global Economic Prospects Report 2019:** As per the recently released Global Economic Prospects Report 2019 of the World Bank, global growth forecast for 2019 has been revised 0.3 percentage point lower to 2.6 per cent on rising trade barriers and subdued investments.
- **UNCTAD's World Investment Report:** As per the latest World Investment Report by UNCTAD, global FDI inflows continued to shrink in 2018, falling to US$1.3 trillion as against US$1.5 trillion in 2017, weighed down by geopolitical and trade tensions.

FOCUS OF THE MONTH

Corporate Social Responsibility: Towards Sustainable Growth with Inclusion

As India moves to realise its overarching vision of achieving rapid growth with sustainability, corporate social responsibility (CSR) is seen as industry contribution to the inclusive growth crusade. Indeed, corporates are increasingly ingraining the precepts of corporate social responsibility in their company policy as it is perceived to be in enlightened self-interest of not only helping in creating enduring wealth for the nation but also for enhancing the brand value of the company in the process.

CSR has become further ingrained in corporate policy with the new CSR legislation coming in place through the Companies Act 2013. The Act ensures the involvement of top management in CSR activities through a more systematic and structured approach. Specifically, the implementation of CSR legislation has helped companies in using their resources beyond profit-linked activities to integrate economic, environmental and social objectives within the company's vision.

In order to quantitatively and objectively analyse the intent of the Companies Act, 2013, as per the CII-CSR tracker 2017 which is based on disclosures of 1,522 companies, the CSR spends of the corporates went up by about 9 per cent in FY17 as compared to the previous year despite an industrial slowdown reflected through profit before tax numbers. The companies have collectively spent Rs 8,897 crore or 92 per cent of the two per cent requirement on CSR in FY17.

While the CSR legislation has indeed been a game changer to garner industry engagement, it is time to go beyond the tried and tested approach in the development space. Companies need to leverage CSR to re-imagine interventions and explore innovative CSR models, develop disruptive approaches and build new modes of engagement. Government's initiatives to proactively partner with industry in their efforts for speedy and effective action through CSR is also credit worthy.

With the aforesaid background, it is imperative to make an assessment of the importance which the corporates attach to CSR activities apart from streamlining the problems faced by them in meeting their CSR spend targets promulgated under the Companies Act. In this month's Focus of the Month, experts present their views on these pressing topics at hand.

CSR: Catalysing Change through India Inc.

Dr. Raghupati Singhania
Chairman, CII National Committee on CSR and
Chairman & MD, JK Tyres & Industries Ltd.

Social engagement of Indian business is as old as the history of business itself. Ever since businessmen first started investing, they have sought to give back to society in different ways. In India, the concept of business philanthropy is deeply embedded in our classical texts.

Corporate Social Responsibility (CSR) has undergone significant changes in recent times. Today, it is seen as an intrinsic part of general business practice, as the brand value of an excellent company derives greatly from its commitment to the community. Equally, its standing in the global marketplace is enhanced substantially by following ethical and responsible management practices, which include social development engagement.

The passing of the Companies Act (2013) has given a much-needed fillip to CSR in India. With specific expenditure on clearly defined CSR fields, India Inc. has been scaling up its activities substantially. According to the CII CSR Tracker 2017, 1522 BSE listed companies spent Rs 8,897 crore or 92 per cent of the two per cent requirement in FY17. This is an increase of about nine per cent in CSR spends in FY17 as compared to FY16. The CSR Tracker 2017 consolidated CSR disclosures of 1,522 companies listed on BSE and analysed the legislative obligation of these companies to comply with Section 135 of the Companies Act, 2013.

In the last few years of the legislation, corporates have streamlined organizational structure; while CSR processes have been designed tested and put in place; CSR strategies and plans have been rolled out and implementation partners identified. Companies are now moving beyond compliance to focus on creating a long-term and sustainable impact for the beneficiaries. While the CSR legislation has been a game changer to garner industry engagement, it is time to go beyond the tried and tested approaches in development space. Companies need to leverage CSR to re-imagine interventions and explore innovative CSR models, develop disruptive approaches and build new modes of engagements.

Likewise, in JK Organisation the CSR programs extend well beyond compliance and incorporate some benchmark practices. Sustainability and stakeholder engagement are the Group's key components of responsible business practices. A number of its manufacturing plants are located in remote and economically backward areas and therefore the selected CSR programs are very endemic in nature which have emerged out of stark ground realities & with deep stakeholder engagement. The organisation strongly believes that understanding and responding to stakeholders needs & expectations drive the organization towards business sustainability.

Focus also needs to shift from outputs to impact measurement and analysis of the socio-economic value on investment. Companies are increasingly sharing impact data in their annual disclosures. According to the CII CSR Tracker, in FY17 there has been an increase of about 14 per cent in companies, against FY16, that have disclosed impact data. The CSR Tracker also highlighted the fact that over FY 15-17, the states of Maharashtra, Gujarat and Tamil Nadu remained favoured destinations for CSR investment. It appears that, over a span of three years, about 40 per cent of the companies preferred investing in one state/UT and about four per cent in more than 10 States/UTs. These findings underline that corporates' need to expand their social development outreach beyond the industrialised states and shift focus to Aspirational districts, which have shown relatively lesser progress in key social areas and have emerged as pockets of under-development.

We are witnessing that the government is proactively inviting the industry to partner with them in their efforts for speedy and effective action through CSR. The Government has launched a host of programmes, plans and schemes to address social development challenges like the Swachh Bharat Mission, Beti Bachao Beti Padhao Scheme, Namami Gange program and many more. Many such programmes have been added to Schedule VII of the CSR legislation. This has opened a host of opportunities for companies, not only to meet the CSR mandate but also to partner with the government in nation building.

There is also immense scope for the scaling up of successful CSR ventures through collaborating with like-minded corporates though, so far, there is comparatively lesser acceptance of such partnerships by corporates. The feasibility of such collaborations needs to be deliberated further and corporates should come forward so that the impact of their innovative and sustainable projects may reach out to larger masses and eventually transform their lives.

Further, increasing the role that the employees play in CSR efforts will ingrain the value of social accountability in the company rather than it being treated as an isolated unit. It will also allow for an exchange of skills between corporates and implementing agencies, predominantly NGOs. Working with each other's strengths and nurturing a sense of shared responsibility can shift the focus to outcome rather than output.

Mirroring the social orientation of industry, the Confederation of Indian Industry (CII), since its earliest days, has enabled and facilitated industry engagement with society. In its centenary year in 1995, CII set up the Social Development and Community Affairs Council, and CSR emerged as the strong fourth pillar of its agenda,

CII RECOMMENDATIONS ON CSR LEGISLATION

Part I - Recommendation on CSR Regulation Framework

- Relaxation on formation of CSR Committee for companies with small Boards. Removal of Clause on Local Area Preference to alleviate regional and social disparities
- Increase the cap on capacity building and administrative overheads
- Widen the scope of activities under Schedule VII (Example – include social incubators and social business)
- Monetizing in-kind services

Part II - Suggestions to Improve Implementation of CSR

- Articulation of CSR Legislation to bring uniformity in understanding of CSR clause among all stakeholders
- CSR Guidance Mechanism to facilitate clarity on CSR activity from the inception, resolve ambiguity, and ensure smooth deliver of CSR programs
- Unspent CSR funds maybe carried forward to the subsequent years. A time-frame maybe suggested within which the funds need to be spent.
- Facilitating connect with good partners and programs. Existing online platforms, channels and agencies can be promoted by the Ministry.
- Facilitation to partner with Government at local / district and State level. The MCA needs to empower and enable the district and state-level machinery to help connect CSR with the government schemes and programs.
- The MCA may design and provide uniform guidelines at district and state level on building partnerships with companies.
- Need for large scale awareness exercise among companies (especially medium and small-scale companies) to help understand the CSR legislations, how to identify credible implementing partners and projects
- Capacities of NGOs need to be built

Part III: Suggestions on Monitoring, Evaluation & Analyzing Outcomes of CSR

- Avoid further regulatory stipulations - Sufficient assurances and controls, based on self-regulation and audit, have been built in the Act 2013 and the Rules, to establish compliance. Additional stipulations will lead to regulation overload.
- Companies can be encouraged to voluntarily adopt strong systems for CSR – For example: need assessment to identify projects or engaging with advisers/domain experts, who can help in the developing and driving the CSR agenda.
- The MCA may undertake mapping of schedule VII against the SDGs. This would help in consolidating information on corporate contribution towards SDGs.
- Strengthen Reporting Template to promote impactful CSR – convert the template from input to outcome based - Additional fields on Output and Outcome / Impact maybe added to the framework. Defining the KPIs against the fields maybe left to the companies.
- Government Mechanisms – CSR Portal and National Awards -In January 2018, MCA launched the National CSR Data Portal for driving accountability and transparency in corporate India. As rightly done by MCA by way of the National CSR Data Portal and National CSR Award - will be more effective alternate mechanism to promote CSR which keeps it voluntary in spirit and backed by a system of governmental recognition and honour.

along with policy advocacy, business & competitiveness development and international engagement. CII has been actively engaging, both with the Government and corporates, on policy issues to make CSR an actionable business agenda for inclusive and sustainable growth. A key objective has been to encourage effective CSR initiatives by channelizing the capacities of change makers; individuals and organisations to catalyse social change and synergize their work in the social sector with the resources of the corporate world. Besides the mission of placing CSR and social objectives on every boardroom, the CII Foundation and CII-ITC Centre of Excellence for Sustainable Development are the two institutions of its kind established as extended arms of CII engaged with issues concerning business and society.

CII has played an important role in developing the CSR rules under the Companies Act 2013 and subsequently shared its recommendations with the High-Level Committee to improve the monitoring of implementation of CSR policies. CII has also worked closely with the Government in developing the National Voluntary Guidelines. Views were shared with the Parliamentary Standing Committee on corporate governance, including review of the CSR compliance. More recently, the recommendations were given on the CSR Regulatory framework, implementation of CSR monitoring and evaluating & analysing of CSR outcomes. The mandatory requirement to disclose CSR governance as well as activities and spends, is intended to improve transparency about CSR. It cannot, however, mandate effectiveness and efficiency of CSR activities. That is largely left to the nature of engagement of the company and the vision it has for social change. Neither should regulators and legislators attempt to modify Section 135 to mandate effectiveness, efficiency and spends. Importantly, it will stifle innovation and creativity in development activities. The CSR legal framework is expected to provide an enabling framework, rather than a narrow and prescriptive one.

Actioning one of the recommendations made by the industry, the Government recently made amendment in CSR Legislation to include disaster management, including relief, rehabilitation & reconstruction activities under CSR activities. Given the increase in frequency of natural disasters that the country is facing and will face, this step will encourage prompt response and action by companies. This will especially strengthen and expand the relief efforts provided by companies during disasters.

In view of some path-breaking initiatives undertaken by corporates across the spectrum - in rural development, in agriculture, in rehabilitation of post-natural calamities, for poverty alleviation, skilling, education, etc – we urge the Government to allow legroom to corporates to comply with the provision in a manner best suited to each one of them.

This will help industry develop pioneering strategies and undertake meaningful CSR initiatives in a responsible manner.

CSR 2.0 – The Innovative, Collaborative and Un-Conventional Route

Ms. Rumjhum Chatterjee
Co-Chair, CII National Committee on CSR and
Group Managing Director & Head – Human Capital, Feedback Infra Pvt. Ltd.

The economy is rapidly evolving and changing. Innovation has taken center stage; has become omnipresent; new models of partnerships are emerging; Governments are actively reaching out to engage with businesses to deliver solutions to development challenges.

Yet, India houses over 15 million people living in extreme poverty, which is less than US$1.9 a day. According to the latest report by United Nations Development Programme, India ranks at 130 among 189 countries in the latest human development index (HDI). Within South Asia, India's HDI value is above the average of 0.638 for the region, with Bangladesh and Pakistan, countries with similar population size, being ranked 136 and 150 respectively.

Such facts further thrust us towards recalibrating the development efforts and finding collaborative, innovative and impactful initiatives to contribute towards an inclusive development of the nation.

Enactment of Companies Act, 2013 by the Ministry of Corporate Affairs, the Government of India, was one of the world's largest experiments of introducing the CSR as a legal provision by imposing statutory obligation on companies to take up CSR projects towards social welfare activities. This being the 6^{th} year of CSR legislation and teething issues settled, the timing is opportune for CSR to catalyze impact in India's development sector.

While the Government has been providing an enabling ecosystem for the corporates to contribute in nation building, the corporates can adopt the enhanced and new approaches to contribute significantly.

First, companies need to focus on innovative CSR projects, which can be replicated by other stakeholders and scaled up by the Government. The industry sector has been the torch bearer of innovation - in terms of technology and business models. Indian businesses have always found novel and pragmatic ways to reach out to the last mile. In my view, Industry must play the same role in the social sector as well. The last few years witnessed a wave of fresh ideas and insights giving a thrust to the social movement, whether in the form of social enterprises providing inventive solutions to societal problems, innovative models to manage and monitor projects by leveraging technology, rise in the role of media especially social media and IT, emergence of platforms for collaborations, new funding ideas and others.

The companies have all the subject expertise and resources to conceptualize and implement an innovative project model or approach, rather than the tried and tested CSR projects. There are many avenues through which companies can use their core competencies to address social issues such that CSR no longer remains a peripheral activity. Also, companies need to look beyond conventional CSR and leverage their expertise to facilitate and accelerate innovative solutions. For example, Mphasis leveraged its technical know-how and partnered with Uber to launch Uber Assist and Uber Access as part of its CSR initiative. The services provide retro-fitted vehicles to help Persons with Disabilities (PwDs) travel in Bangalore. Now Mphasis is receiving requests to launch the initiative in other cities. The organization also supported policy advocacy which led to passing of Rights of PwDs Act which promotes inclusion and equal opportunities for PwDs.

Also, impact assessment and monitoring have become an intrinsic part of CSR life cycle. There is an increasing demand for real-time updates leading to diverse alterations in the way sustainability is implemented, monitored, and reported. Big data-enabled dynamic, accessible and real-time CSR reporting is becoming the norm. Sustainability performance data can now be collected and analyzed by technologies such as Blockchain, Big data and Artificial Intelligence, allowing organisations and consumers alike to understand and find the correlations between what would otherwise be complex and unintelligible statistics.

Second, companies can collaborate for large scale impact. Collaboration between companies bring different expertise to the table and when resources are clubbed together, the scale and impact of the CSR projects increase. The Companies Act permits companies to come together and pool their CSR funds to drive high impact transformational projects. By collaboration, we also mean companies agreeing to work towards addressing a specific cause or having a common goal. Significant scale can be achieved through collective implementation and monitoring. One of the most common instances where we see companies pooling funds is in providing immediate relief in case of natural disasters. We have witnessed similar show of collaborative strength when Industry partnered on specific National Development agenda like Swachh Bharat, Skill India, etc. Collaborating efforts towards Swachh Vidyalaya, CII brought together more than 30 companies and facilitated construction of over 4000 toilets in Government schools in 2015.

Partnerships can be multi-faceted, with collaborations among PSUs, companies, Government and civil society. While PSUs, for example, hold enormous CSR budget at their disposal, they constantly struggle with lack of social development expertise, timely implementation, etc. Recently, eight oil sector PSUs, have jointly set up a model skill development center with all amenities to provide skill training for oil sector jobs and imparting entrepreneurship skills.

CII, through CII Foundation (CIIF), has been playing a proactive role in facilitating collaborative CSR projects. One of CIIF's recent interventions on Crop Residue Management has particularly seen successful collaborations between Government departments, five companies, Society of Indian Automobile Manufacturers (SIAM), expert institutions and farmer groups. The project engaged over 3000 farmers across 19 villages in Patiala and Ludhiana districts, resulting in over 12000 acres of land (75 per cent) becoming stubble burning free, compared to 3.5 per cent in the previous season. The fact that more than 80 per cent farmers adopted the alternate technology to burning signifies the impact of the initiative.

Third, focus on the unconventional CSR sectors. Since years, Education and healthcare have been receiving the maximum share of corporate funds. According to the CII CSR Tracker 2017, CSR funds in Education and Health sector amounted to about 60 per cent of the total CSR spends in the year 2017. While most companies continue to spend their CSR funds in the tried and tested areas and approaches, few of them have successfully endeavored to explore the unconventional areas including sports, national heritage, art & culture etc. Reliance Foundation has been leveraging Sports for development. Reliance engages potential children in government schools, identifies talent, provides training and organizes camps at district, state and national level. The Foundation handholds children up to the age of 16 years.

According to the CSR Tracker, FY17 had a substantial increase in CSR spends as against FY16 in the areas of environment (increased by 66 per cent), gender equality (increased by 115 per cent), national heritage (increased by 153 per cent) and sports development (increased by 192 per cent). Also, geography-wise, while the more industrialized states of Maharashtra, Tamil Nadu and Gujarat, continue to be among the top three states to receive CSR participation from companies, there has been a jump of companies (from 67 to 111 companies between FY 15 and 16) investing in North-eastern states.

The coming years are promising, as corporate philanthropy and CSR initiatives experiment with new and more strategic ways to maximize impact on the issues they care about. With more companies following the CSR 2.0, we can positively reimagine how India Inc can significantly contribute to resolve the social development challenges.

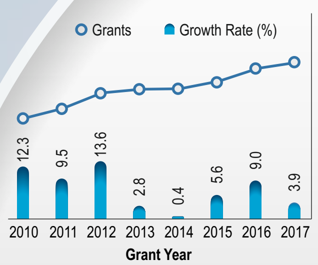
INFOGRAPHICS

PATENTS AND R&D OUTREACH IN INDIA

THE GLOBAL SCENARIO

Trend in Patent Granted Worldwide, 2010–2017

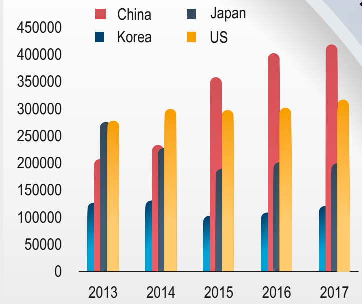
Globally, 1.4 million patents were granted in 2017



Patent Granted by Region, 2007 and 2017

Region	Number of Grants		Share of World Total (%)		Average Growth (%)
	2007	2017	2007	2017	2007-2017
Africa	4,600	9,400	0.6	0.7	7.4
Asia	415,200	803,100	53.5	57.2	6.8
Europe	149,300	203,600	19.2	14.5	3.2
Latin America and the Caribbean	16,600	20,300	2.1	1.4	2.0
North America	175,800	342,900	22.6	24.4	6.9
Oceania	14,800	25,300	1.9	1.8	5.5
World	776,300	1,404,600	100.0	100.0	6.1

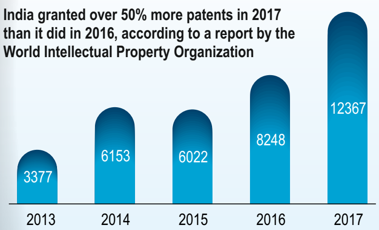
China & US are Leading the World in Grant of Patents



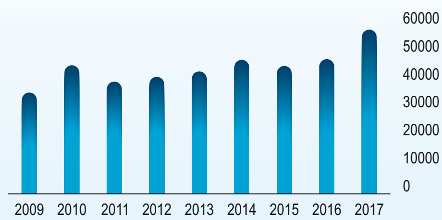
INDIA HAS SEEN A SURGE IN GRANT OF PATENTS IN THE RECENT YEARS

India is Granting More Patents Every Year

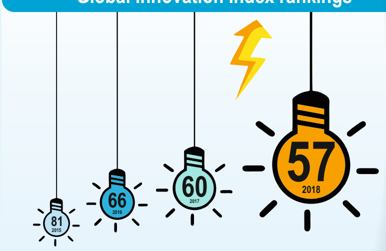
India granted over 50% more patents in 2017 than it did in 2016, according to a report by the World Intellectual Property Organization



Patents in Force are also Increasing

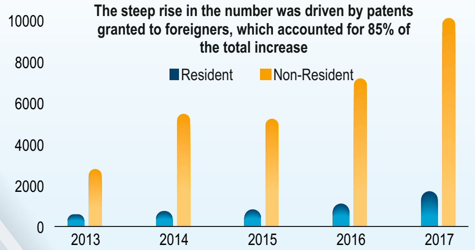


Resulting in an improvement in India's Global Innovation Index rankings



However, More Patents are Being Granted to Non-Residents

The steep rise in the number was driven by patents granted to foreigners, which accounted for 85% of the total increase



India's R&D Expenditure has also Remained Stagnant Since the Last Decade

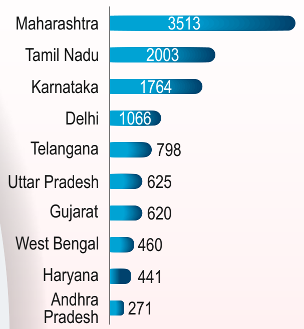
Private investments in R&D have severely lagged public investments in India

According to one analysis (Forbes, 2017) there are 26 Indian companies in the list of the top 2,500 global R&D spenders compared to 301 Chinese companies. 19 (of these 26) firms are in just three sectors - pharmaceuticals, automobiles and software

Source: *Economic Survey 2017-18*

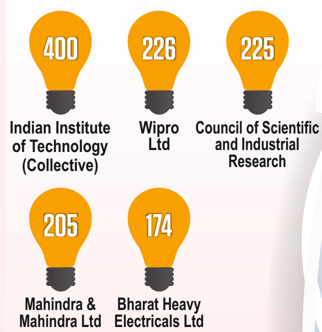
INDIA SPECIFIC PATENT INFORMATION

Applicants Filed by Indian Applicants (State-wise)



Source: *Intellectual Property India Annual Report 2016-17*

Top 5 Indian Applicants for Patents in 2016-17



Source: *Intellectual Property India Annual Report 2016-17*

WHAT IS A PATENT?

A patent is an exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. To get a patent, technical information about the invention must be disclosed to the public in a patent application.

Source: *WIPO Statistics Database, September 2018*

Recent Government's Policies to Improve IPR System in India

- Launch of National IPR Policy
- Strengthening of Institutional Mechanism by bringing all IPRs under one umbrella and one appelate board
- The office of CGPDTM has introduced automatic issuance of electronically generated patent certificate and trademark certificate
- The Patent Rules, 2003 have been amended to streamline processes and make them more user friendly

DOMESTIC TRENDS

Economic growth slowed to a five-year low of 6.8 per cent in 2018-19 as compared to 7.2 per cent in the previous fiscal, underpinned by slower growth in government consumption. The domestic demand drivers of growth, consumption and investment spending, remained relatively healthy in 2018-19 as compared to the previous year. From the supply-side, real GVA growth slipped to 6.6 per cent in 2018-19 as compared to 6.9 per cent in the previous fiscal, mainly on account of lower farm output and sluggish service sector growth. Agriculture output slowed to 2.9 per cent in 2018-19 as compared to 5.0 per cent in the previous year due to patchy and uneven spatial distribution of rainfall during the year. In contrast, industrial growth remained stable at 6.2 per cent in 2018-19 as compared to 6.1 per cent in the previous fiscal. Service sector growth remained benign during the year as slower government spending translated into languid growth in the public administration & defence sub-sectors of services.

Going forward, the leading indicators including CII's Business Confidence Index (which moderated to 59.6 in 1QFY20 from 65.2 in 4QFY19) suggest that the first quarter could continue to exhibit some weakness. However, for the rest of the year, we could see some recovery in growth, even though there could be some downside risks owing to slowing global economic prospects. The progress of the South-west monsoon which has remained tardy so far, will also be a key factor in deciding the future growth trajectory.

Industrial output registered an uptick in April 2019 after witnessing subdued growth for the last three consecutive months. On the sectoral front, all broad sectors displayed a smart recovery. Encouragingly, capital goods output re-entered the positive territory in April 2019 after three consecutive months of contraction, while the consumer goods sector's output also posted an impressive spurt in growth. The Nikkei India Manufacturing Purchasing Managers Index (PMI) also showed an improvement as it rose to 52.7 in May 2019 from 51.8 in April 2019. However, concerns about the durability of this recovery persist.

Inflation as measured by consumer price index rose marginally to 3.1 per cent in May 2019, led primarily by higher food prices. Wholesale price-based inflation, on the other hand, softened to 2.5 per cent in May 2019 from 3.1 per cent in April 2019. The moderation was due to manufacturing and fuel inflation, while food inflation remained on an upward trajectory. A sequential rise in fruits & vegetables prices has lent an upward momentum to food inflation. This trend is likely to continue with the onset of summer. In view of the upside risks to growth along with a relatively benign inflation trajectory, the Reserve Bank of India reduced the repo rate by 25 bps in June 2019. It also changed its stance from neutral to accommodative. Consequently, the G-sec yields, across both shorter and longer end of maturities, moderated sharply in June (till 17th June).

Real GDP growth moderates to 5-year low in 2018-19

- On a quarterly basis, real GDP growth continued to moderate for the fourth consecutive quarter in 4QFY19 as it fell to 5.8 per cent as compared to 6.6 per cent in the previous quarter. The domestic demand drivers of consumption and investment dragged down growth during the quarter.
- On an annual basis, growth fell to a 5-year low of 6.8 per cent in 2018-19 as compared to 7.2 per cent in the previous fiscal mainly underpinned by slower growth in government consumption.

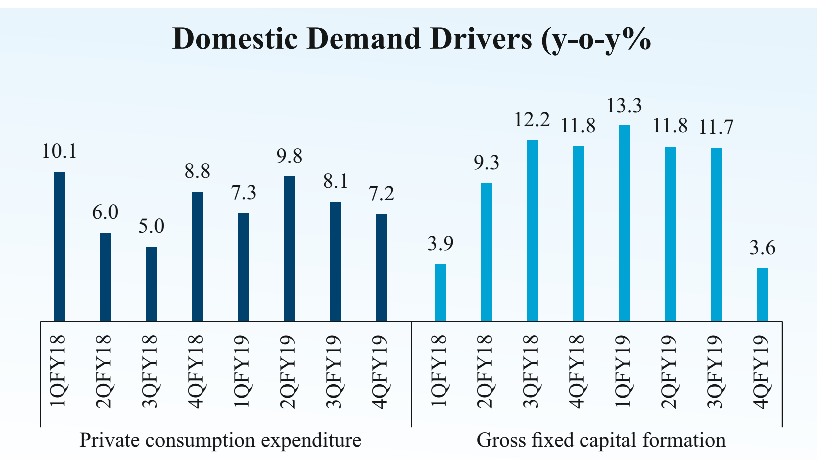
Exports grew at an impressive rate in 2018-19, while government spending moderated

- Notwithstanding the moderation seen on an annual basis, government expenditure on a quarterly basis remained healthy at 13.1 per cent in 4QFY19 as compared to 6.5 per cent in the previous quarter.
- Export growth remained in double-digits in Q4, although it slowed down sequentially. However, high import growth took some sheen off the net export performance in Q4. On an annual basis, exports have outperformed in 2018-19, by posting 12.5 per cent growth, but this momentum may not be sustained in the current fiscal, given increased concerns about trade-wars.

Sectoral break-up from the demand-side (y-o-y%)

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	2017-18	2018-19
Real GDP	8.0	7.0	6.6	5.8	**7.2**	**6.8**
Private consumption	7.3	9.8	8.1	7.2	**7.4**	**8.1**
Government consumption	6.6	10.9	6.5	13.1	**15.0**	**9.2**
Gross fixed capital formation	13.3	11.8	11.7	3.6	**9.3**	**10.0**
Exports	10.2	12.7	16.7	10.6	**4.7**	**12.5**
Imports	11.0	22.9	14.5	13.3	**17.6**	**15.4**

On a quarterly basis, both consumption and investment demand moderated



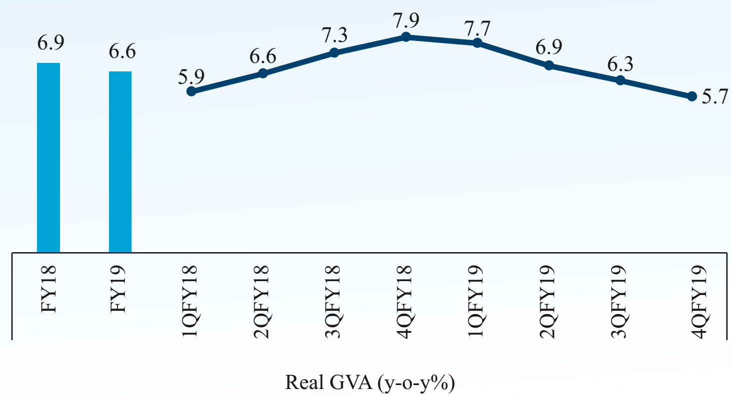
Source: *Central Statistics Office*

- Private consumption growth slowed sequentially in 4QFY19, but nonetheless remained relatively upbeat. On an annual basis, consumption growth accelerated to 8.1 per cent in 2018-19, as low inflation and GST rate cuts supported purchases in certain segments.
- Gross fixed capital formation moderated sharply in Q4, but this could largely be attributable to the postponement of investment plans in the run up to the General Elections. Notwithstanding this slowdown, investment has accelerated on an annual basis in 2018-19, and going ahead, the Government's continued investment push, speedier resolution under NCLT, improvement in liquidity, etc. is likely to give a boost to investment demand this year.

Lower agriculture growth pulls down GVA growth to 6.6 per cent in 2018-19

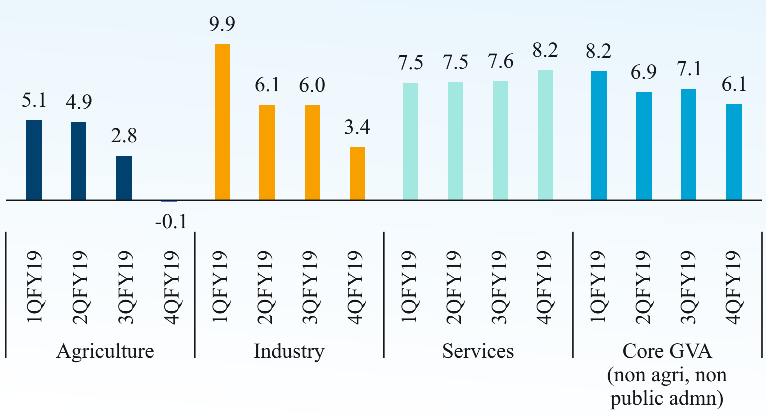
- From the supply-side, growth of gross value added (GVA) at basic prices plunged to 5.7 per cent in 4QFY19 as compared to 6.3 per cent posted in the previous quarter. The slowdown was underpinned by a moderation in the growth of agri and industrial sectors.
- On an annual basis, real GVA growth slipped to 6.6 per cent in 2018-19 as compared to 6.9 per cent in the previous fiscal, mainly on account of lower farm output and sluggish service sector growth.

Growth in GVA at basic prices, (y-o-y%)



On quarterly basis, agriculture and industrial sector underperform in 4QFY19

Economic performance by all major sectors (y-o-y%)



- A disaggregated analysis shows that agriculture growth contracted in 4QFY19 due to a shortfall in rabi sowing and deficient pre-monsoon rainfall leading to lower rabi foodgrain output. On an annual basis too, agriculture growth moderated to 2.9 per cent in 2018-19 from 5.0 per cent in 2017-18.
- Industrial growth dipped significantly to a low of 3.4 per cent in 4QFY19, plagued by lackluster performance of manufacturing and electricity & gas supply sectors. On an annual basis, industrial growth remained stable at 6.2 per cent in 2018-19 as compared to 6.1 per cent in the previous fiscal.

Service sector is the star performer supported by construction and financing & real estate sector

- Services growth was the only outperformer, with two of its four sub-sectors showing stellar growth in Q4. While government spending rose to double-digits again in Q4, the financial, real estate & professional services segment showed considerable traction. The construction sector lost momentum in Q4. On an annual basis, service sector growth remained benign.
- Going forward, the leading indicators suggest that some of the weakness of the previous quarter could spill over to 1QFY20. However, for the rest of the year, we could see some recovery in growth, even though there could be some downside risks owing to slower growth of the global economy.

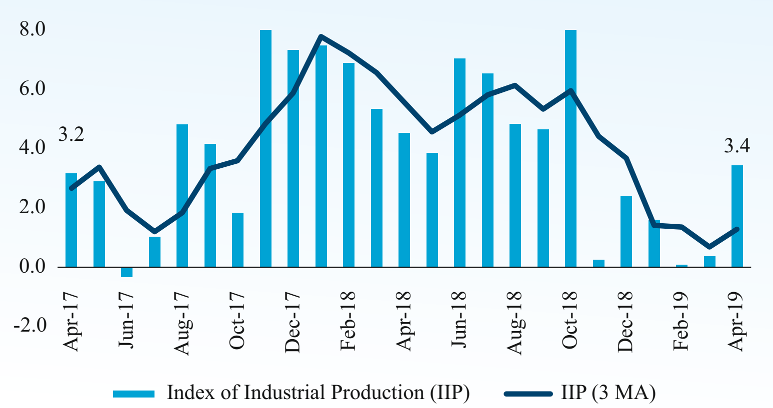
Sectoral break-up from the supply-side (y-o-y%)

(y-o-y%)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	2017-18	2018-19
GVA at basic prices	**7.7**	**6.9**	**6.3**	**5.7**	**6.9**	**6.6**
Agriculture	**5.1**	**4.9**	**2.8**	**-0.1**	**5.0**	**2.9**
Industry	**9.9**	**6.1**	**6.0**	**3.4**	**6.1**	**6.2**
Services	**7.5**	**7.5**	**7.6**	**8.2**	**7.8**	**7.7**
Mining & quarrying	0.4	-2.2	1.8	4.2	**5.1**	**1.3**
Manufacturing	12.1	6.9	6.4	3.1	**5.9**	**6.9**
Electricity, gas & water supply	6.7	8.7	8.3	4.3	**8.6**	**7.0**
Construction	9.6	8.5	9.7	7.1	**5.6**	**8.7**
Trade, hotels, transport & communication	7.8	6.9	6.9	6.0	**7.8**	**6.9**
Financing, real estate & professional services	6.5	7.0	7.2	9.5	**6.2**	**7.4**
Public administration, defence and other services	7.5	8.6	7.5	10.7	**11.9**	**8.6**

Note: *Construction is included under Service sector*
Source: *Central Statistics Office*

Industrial output rebounds in April 2019 after three consecutive months of underperformance

Growth in Index of Industrial Production (y-o-y%)



- After registering subdued growth for three consecutive months, industrial output accelerated to 3.4 per cent in April 2019 with mining and electricity sectors leading the spurt.
- Going forward, industrial output in the first quarter of the current fiscal is expected to display some weakness as consumer demand has remained muted given dismal auto sales and sluggish retail credit off-take.

Mining and electricity sectors post impressive growth in April 2019

- On the sectoral front, manufacturing sector output showed signs of recovery as it grew by 2.8 per cent in April 2019 as compared to an anemic 0.9 per cent in 1QFY19.
- Mining and electricity output recovered in April 2019 as it grew by 5.1 per cent (vs a mere 0.8 per cent in Mar-19) and 6.0 per cent (vs 2.2 per cent in Mar-19) respectively.

Broad Components of Industrial Production

	Growth, y-o-y%				
	Overall	**Manufacturing**	**Mining**	**Electricity**	**IIP-3 MA**
Apr-18	4.5	4.9	3.8	2.1	5.6
Aug-18	4.8	5.2	-0.6	7.6	6.1
Sep-18	4.6	4.6	0.1	8.2	5.3
Oct-18	8.4	8.2	7.3	10.8	5.9
Nov-18	0.2	-0.7	2.7	5.1	4.4
Dec-18	2.4	2.9	-1.0	4.5	3.7
Jan-19	1.6	1.3	3.8	0.9	1.4
Feb-19	0.1	-0.4	2.2	1.3	1.4
Mar-19	0.4	0.1	0.8	2.2	0.7
Apr-19	**3.4**	**2.8**	**5.1**	**6.0**	**1.3**
Apr-Mar FY18	4.4	4.6	2.3	5.4	
Apr-Mar FY19	**3.6**	**3.6**	**2.9**	**5.2**	

Consumption indicators record an improvement mirrored by uptick seen in consumer goods output

Use-based Classification of Industrial Production

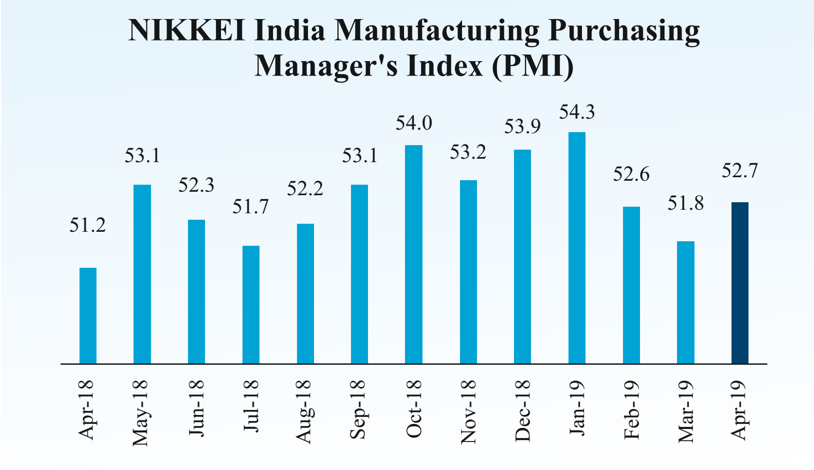
	Growth, y-o-y%					
	Primary	**Capital**	**Intermediate**	**Infrastructure**	**Consumer Durables**	**Consumer Non-Durables**
Apr-18	2.7	9.8	0.4	8.5	3.9	7.5
Aug-18	2.5	10.3	2.9	8.0	5.5	6.5
Sep-18	2.6	6.9	1.5	9.5	5.4	6.4
Oct-18	6.1	16.9	2.4	9.0	17.4	8.6
Nov-18	3.2	-4.1	-4.1	4.8	-3.0	-0.3
Dec-18	-1.1	4.2	-0.8	9.0	4.1	6.5
Jan-19	1.4	-3.6	-2.8	6.4	2.5	3.8
Feb-19	1.3	-8.9	-5.0	2.1	1.2	4.2
Mar-19	2.6	-8.4	-2.5	6.4	-3.1	1.0
Apr-19	**5.2**	**2.5**	**1.0**	**1.7**	**2.4**	**5.2**
Apr-Mar FY18	3.7	4.0	2.3	5.6	0.8	10.6
Apr-Mar FY19	**3.5**	**2.8**	**-0.5**	**7.5**	**5.5**	**3.9**

Source: *Central Statistics Office (CSO) and CII estimates*

- According to use-based classification, capital goods output re-entered the positive territory in April 2019 after three consecutive months of contraction. This is welcome insofar that it could portend a recovery in industrial demand, but its sustainability needs to be gauged.
- Encouragingly, the output of consumer durables improved to 2.4 per cent in April 2019 as compared to a contraction seen in the previous month. Non-durables output also improved during the month, pointing towards some recovery in rural based consumption indicators.

Manufacturing PMI records an improvement in May 2019, but concerns remain

- The Nikkei India Manufacturing Purchasing Managers Index (PMI) rose to 52.7 in May 2019 from 51.8 in April 2019. A figure above 50 indicates expansion, while a reading below that signals contraction
- Though the rise in manufacturing PMI does allay some concerns about manufacturing activity, the apprehension is whether the improvement would be sustained.



Core sector output moderates in April 2019

- Core sector output almost halved to 2.6 per cent in April 2019 as compared to the previous month. The deceleration in growth was broad-based, led by coal, crude oil and natural gas, fertilisers, steel and cement.
- Going forward, core sector output is likely to remain subdued in the first quarter of the current year on slowdown in consumption and investment- related indicators.

Lower output in coal, crude oil and natural gas, fertilisers, steel & cement lead the slowdown

- The sectoral break-up of core sector output showed that crude oil and natural gas continued to decelerate during the month. Output of cement, which grew in double-digits in the previous month, moderated sharply in the reporting month.
- Electricity sector was the star performer which also gets reflected in the industrial performance during the month.

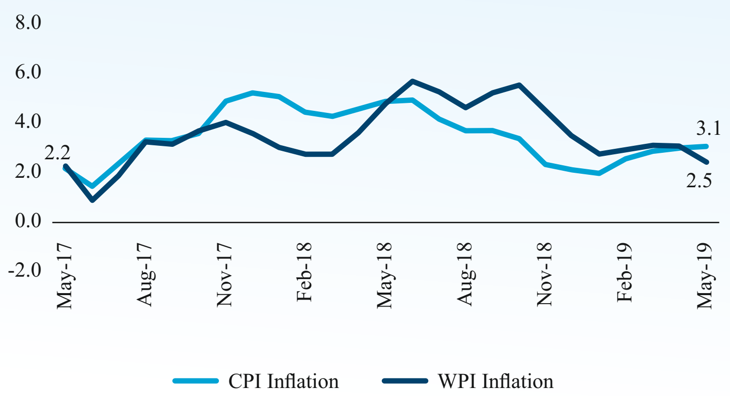
Broad Components of Core Sector Output (y-o-y%)

	Coal	Crude Oil	Natural Gas	Petroleum Refinery Products	Fertilizers	Steel	Cement	Electricity
Apr-18	15.2	-0.8	5.7	2.7	4.6	3.0	21.9	2.1
Aug-18	2.4	-3.7	1.0	5.1	-5.3	4.0	14.6	7.6
Sep-18	6.4	-4.2	-1.7	2.5	2.5	3.2	11.8	8.2
Oct-18	11.3	-5.0	-0.9	1.3	-11.5	2.4	18.4	10.9
Nov-18	3.7	-3.5	0.5	2.3	-8.1	5.3	8.8	5.1
Dec-18	1.1	-4.3	4.2	-4.8	-2.4	10.1	11.6	4.4
Jan-19	2.0	-4.3	6.2	-2.6	10.5	5.5	11.0	0.8
Feb-19	7.4	-6.1	3.8	-0.8	2.5	4.9	8.0	1.2
Mar-19	9.1	-6.2	1.4	4.3	4.3	6.7	15.7	2.1
Apr-19	**2.8**	**-6.9**	**-0.8**	**4.3**	**-4.4**	**1.5**	**0.8**	**5.8**
Apr-Mar FY18	2.6	-0.9	2.9	4.6	0.0	5.6	6.3	5.3
Apr-Mar FY19	**7.4**	**-4.2**	**0.8**	**3.1**	**0.3**	**4.7**	**13.3**	**5.2**

Source: *Markit Economics and Office of Economic Advisor*

CPI inflation rose marginally in May 2019, but remain below RBI's target

Consumer Price (CPI) and Wholesale Price (WPI) Inflation (y-o-y%)



- Inflation based on consumer price index (CPI) rose marginally in May 2019 to 3.1 per cent as compared to 3.0 per cent posted in the previous month. However, it is still comfortably below the Reserve Bank of India's (RBI) medium term target of 4.0 per cent.
- Going forward, CPI inflation is likely to face some upside in the current fiscal as compared to last year due to the probability of higher food prices and improved consumption demand.

Food inflation contributes to pushing up CPI inflation during the month

- Food inflation continued its upward momentum for the third consecutive month, increasing by 1.8 per cent in April 2019 as compared to 1.1 per cent in the previous month. All food groups barring eggs saw a sequential uptick with the largest increase seen in the meat & fish group (8.1 per cent), vegetables (5.5 per cent) and pulses (2.1 per cent).
- Core inflation (which strips off the volatile components of food and fuel) further decelerated to a 22-month low of 4.0 per cent in May 2019 as compared to 4.4 per cent in the previous month, reflecting soft demand conditions in the economy.

Components of CPI Inflation (y-o-y%)

Average Inflation, y-o-y%								
CPI Inflation Components								
	Overall CPI	Food	Food and Beverages (FB)	Pan,Tobacco and Intoxicants	Clothing and Footwear (CF)	Fuel and Light	Miscella neous	Core CPI
May-18	4.9	3.1	3.3	8.0	5.5	5.8	5.4	6.1
Oct-18	3.4	-0.9	-0.1	6.1	3.6	8.5	6.7	5.9
Nov-18	2.3	-2.6	-1.7	6.1	3.5	7.2	6.2	5.4
Dec-18	2.1	-2.6	-1.6	5.8	3.4	4.5	6.4	5.4
Jan-19	2.0	-2.2	-1.3	5.5	2.9	2.1	6.0	5.0
Feb-19	2.6	-0.7	-0.1	5.5	2.7	1.2	6.0	5.1
Mar-19	2.9	0.3	0.7	4.6	2.5	2.3	5.7	4.7
Apr-19	3.0	1.1	1.4	4.3	2.0	2.6	5.1	4.4
May-19	**3.1**	**1.8**	**2.0**	**3.9**	**1.8**	**2.5**	**4.6**	**4.0**
Apr-May FY19	4.7	2.9	3.1	8.0	5.3	5.5	5.2	5.9
Apr-May FY20	**3.0**	**1.5**	**1.7**	**4.1**	**1.9**	**2.5**	**4.9**	**4.2**

In contrast, WPI inflation softens on slower manufacturing & fuel inflation

Components of WPI Inflation (y-o-y%)

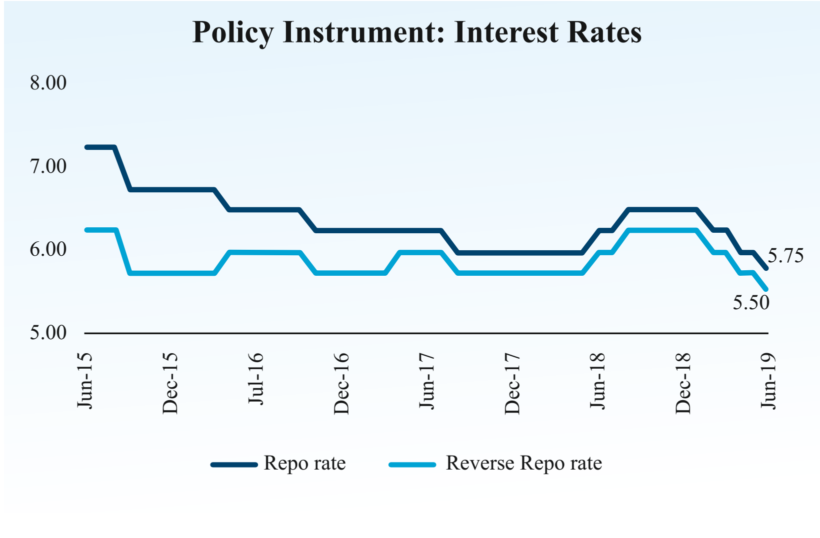
	Overall WPI	Food	Primary	Primary Food	Primary Non-food	Fuel	Manu-facturing	Mfing Food
May-18	4.8	1.2	3.8	1.7	0.4	12.7	3.8	0.2
Oct-18	5.5	-0.5	2.5	-1.4	4.1	18.7	4.6	1.2
Nov-18	4.5	-2.0	0.6	-3.2	6.4	15.5	4.2	0.5
Dec-18	3.5	-0.1	1.4	-0.4	4.4	7.6	3.6	0.3
Jan-19	2.8	2.0	3.0	2.4	2.3	1.8	2.8	1.3
Feb-19	2.9	3.3	4.8	4.2	2.1	1.7	2.3	1.7
Mar-19	3.1	3.6	4.9	5.2	3.0	4.6	2.2	0.4
Apr-19	3.1	4.9	6.5	7.4	5.2	3.8	1.7	0.6
May-19	**2.5**	**5.1**	**6.2**	**7.0**	**6.2**	**1.0**	**1.3**	**1.6**
Apr-May FY19	4.2	1.0	3.2	1.3	-0.2	10.3	3.6	0.4
Apr-May FY20	**2.8**	**5.0**	**6.3**	**7.2**	**5.7**	**2.4**	**1.5**	**1.1**

- Wholesale price inflation (WPI) softened to 2.5 per cent in May 2019 from 3.1 per cent in April 2019. The moderation was due to manufacturing and fuel inflation, while food inflation remained on an upward trajectory.
- A sequential rise in fruits & vegetables prices has lent an upward momentum to food inflation. This trend is likely to continue with the onset of summer.

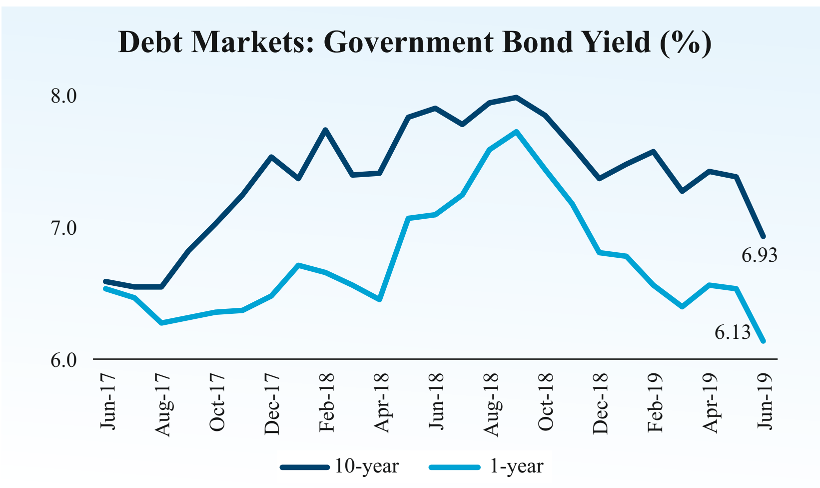
Source: *Central Statistics Office and Ministry of Commerce and Industry*

RBI goes in for a sequential reduction in repo rate; changes stance to neutral

- The Reserve Bank of India reduced the repo rate further by 25 bps in June 2019 in order to provide a boost to economic activity. The rate cut indicates that the central bank is working lock-step with the government to arrest the slowing growth momentum at a time when the inflation footprint remains benign.
- When taken together with the switch in stance from neutral to accommodative, the RBI has demonstrated sufficient space and flexibility to facilitate the growth recovery. It is hoped that the RBI would continue with the soft policy stance in the next monetary policy considering that growth has softened beyond what the RBI had expected.



Yields on 1 & 10-year G-sec moderates as RBI continues to cut rates

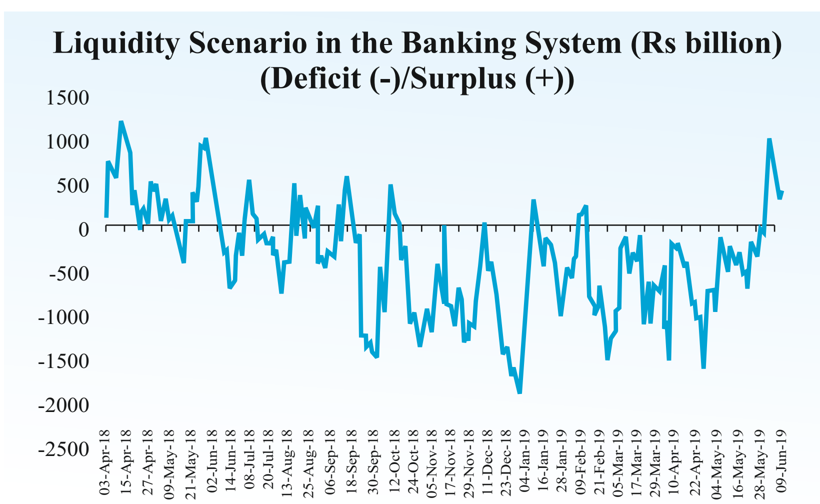


- The yield on both 1-year and 10 year G-Sec declined in May 2019 from its end-April levels. Further, the yield across both end of maturities moderated sharply in June (till 17th June) as RBI continued to cut interest rates.
- The decline in crude oil prices, easing liquidity conditions and infusion of liquidity by the RBI via OMO purchases (Rs. 25,000 crore) aided the fall in yields in May 2019.

Note: *G-sec yields are end of the month, * as of 17th June, 2019*

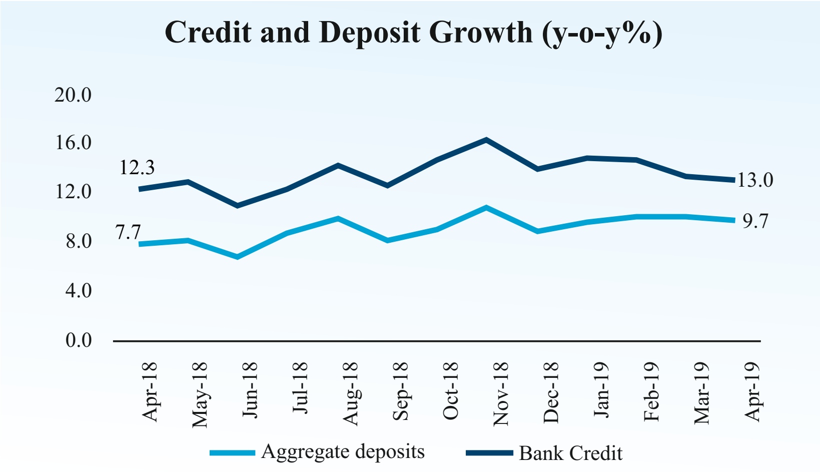
Liquidity in the financial system improves in June 2019 (till 11th June)

- Average liquidity deficit in the banking system worsened from Rs 605 billion in March 2019 to Rs 753.8 billion in April 2019. In May 2019, the average deficit stood at Rs 393 billion. The cash squeeze has been exacerbated due to the halt in government spending during elections.
- However, since the start of June (till 11th June), the banking system has witnessed liquidity surplus to the tune of Rs 631 billion. This could be attributed to the higher government spending, the redemption of G-Secs (over Rs 40,000 crs of 7.28%, 2019 G-Sec), higher foreign inflows among others.



Note: *Net liquidity deficit =Total Reverse Repo-Total Repo-MSF-SLF*
Source: *RBI and CII calculations*

Banking credit continues its impressive growth in April 2019



- Banking credit continued to remain in double-digits, growing by 13.0 per cent in April 2019. The double-digit growth has continued unabated since December 2017.
- Aggregate deposit growth moderated marginally to 9.7 per cent in April 2019 from 10.0 per cent in the previous month.

Construction and infrastructure sectors witness healthy credit off-take in April 2019

- Credit off-take in mining & quarrying jumped to double-digits in April 2019 as compared to an anemic growth posted in the previous month. Engineering goods also witnessed a healthy credit off - take during the month.
- Encouragingly, credit off-take to the crucial construction and infrastructure sectors continued to post impressive growth in the reporting month, auguring well for the future prospects of economic recovery.

Industry-wise Sectoral Deployment (y-o-y%)

(y-o-y% growth)	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Mining & Quarrying (incl. Coal)	24.9	18.1	7.0	1.1	**11.6**
Food Processing	2.7	5.4	4.5	1.1	**2.0**
Basic Metal & Metal Product	-8.1	-10.3	-9.7	-10.7	**-13.5**
All Engineering	6.7	7.0	8.0	8.6	**10.1**
Gems & Jewellery	-1.4	-1.0	2.7	-0.9	**-3.9**
Construction	7.7	9.2	11.9	10.4	**9.7**
Infrastructure	9.2	12.6	11.9	18.5	**19.9**

Credit disbursement to MSME sector continues to remain anemic

Sectoral deployment of Gross Bank Credit (y-o-y%)

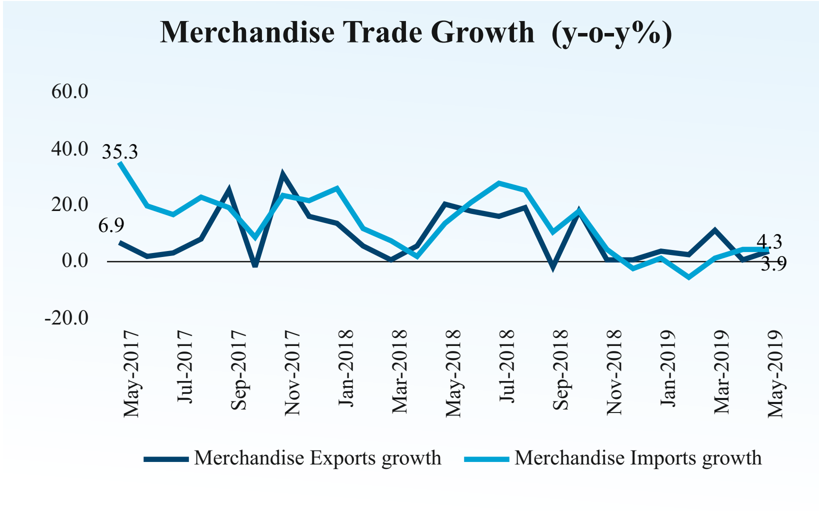
S. No.	Sector	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
1	**Agriculture & allied**	8.4	7.6	7.5	7.9	**7.9**
2	**Industry**	4.4	5.2	5.6	6.9	**6.9**
	2.1 Micro & Small	-0.9	-0.7	0.6	0.7	**1.0**
	2.2 Large	5.1	6.1	6.7	8.2	**8.1**
	2.3 Medium	9.2	7.0	0.7	2.6	**3.5**
3	**Services**	23.2	23.9	23.7	17.8	**16.8**
	3.1 Computer software	6.7	2.0	3.1	-0.4	**3.9**
	3.2 Tourism, hotel and restaurants	5.6	4.4	4.2	6.9	**7.5**
	3.3 Trade	10.3	10.6	12.5	13.1	**10.2**
	3.4 Commercial real estate	4.1	7.6	10.3	8.9	**8.3**
	3.5 NBFC	55.1	48.3	47.5	29.2	**37.8**
4	**Personal Loans**	17.0	16.9	16.7	16.4	**15.7**
5	**Non-food credit (1-4)**	12.8	13.1	13.2	12.3	**11.9**

- Sectoral deployment of credit shows that micro & small (MSME) sector has continued to witness anemic credit off-take, indicative of rising risk aversion of the banking sector towards lending to this sector.
- Among the service sub-sectors, NBFC sector has continued to witness stellar double-digit credit disbursal, while personal loans too have seen healthy credit growth.

Source: *RBI*

Merchandise export growth improves in May 2019, however challenges remain

- Merchandise exports grew by 3.9 per cent in May 2019 as compared to an anemic 0.6 per cent posted in the previous month. Going forward, the export trajectory for the rest of the year will be determined by how India navigates through the global trade challenges. The withdrawal of duty benefits by US under the Generalised System of Preferences (GSP) programme could also add to the headwinds for exports.
- Merchandise import growth stayed steady in May 2019 as compared to the pace seen in April mainly on slower growth in oil (8.2 per cent in May versus 9.3 per cent in April) and gold (37.4 per cent versus 54 per cent) imports.



Oil imports moderate during the month as crude prices remain sluggish

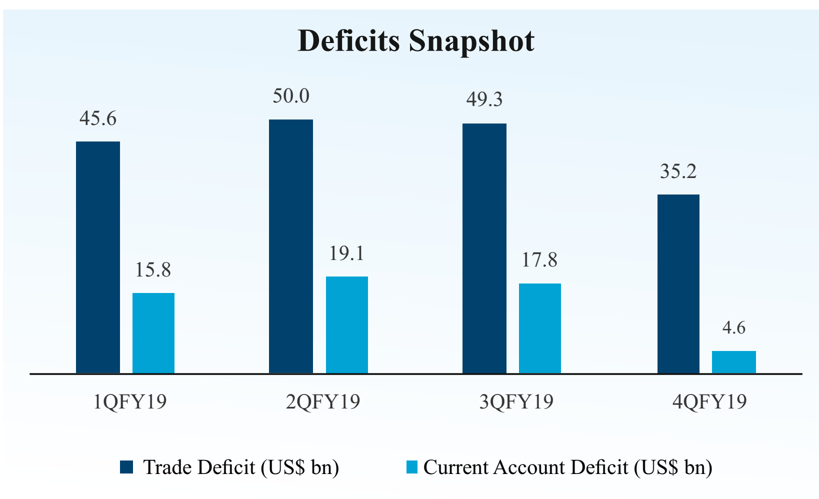
Trade Performance

				April-May	
	May-18	Apr-19	May-19	FY19	FY20
(US$ billion)					
Exports	28.9	26.1	**30.0**	54.8	56.1
Imports	43.5	41.4	**45.4**	83.1	86.8
Oil Imports	11.5	11.4	**12.4**	21.9	23.8
Non-oil Imports	32.0	30.0	**32.9**	61.2	62.9
Trade Balance	-14.6	-15.3	**-15.4**	28.3	30.7
(y-o-y%)					
Exports	20.5	0.6	**3.9**	54.8	2.4
Imports	13.6	4.5	**4.3**	83.1	4.4
Oil Imports	49.1	9.3	**8.2**	21.9	8.7
Non-oil Imports	4.7	2.8	**2.9**	61.2	2.8
Trade Balance	2.0	11.7	**5.1**	-28.3	8.3

- In May 2019, the positive boost to export growth came from engineering goods (4 per cent), chemicals (21 per cent), drugs & pharmaceuticals (11 per cent) and electronics (51 per cent). Notably, export growth of electronic goods has been in double-digits since May last year.
- Oil imports moderated during the month, as the price of Brent crude oil was 7.3 per cent lower in May 2019 on year-on-year basis at US$71.3 per barrel.

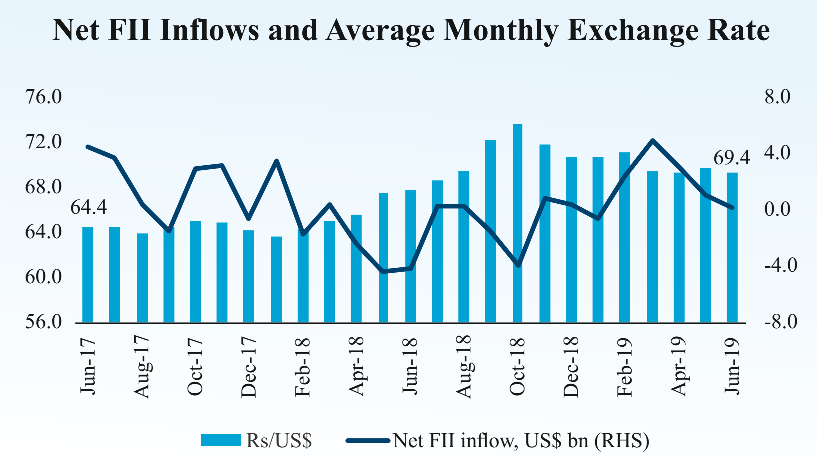
Current account deficit sharply narrows in 4QFY19, thus curtailing FY19 print to 2.1% of GDP

- Current account deficit (CAD) narrowed sharply on a sequential basis to US$4.6 billion (0.7 per cent of GDP) in 4QFY19 from US$17.7 billion (2.7 per cent of GDP) in 3QFY19 largely boosted by higher invisibles and lower trade deficit. This took the full year (2018-19) CAD figure to 2.1 per cent of GDP.
- Exports rose to a high in 4QFY19, while anemic non-oil non-gold imports kept the import bill contained. As a result, the trade deficit narrowed by a considerable US$14 billion sequentially. Balance of payments outperformed in 4QFY19 aided by lower current account deficit and a robust capital account.



Source: *Ministry of Commerce, RBI*

Rupee-US dollar exchange rate continues to remain stable in June 2019

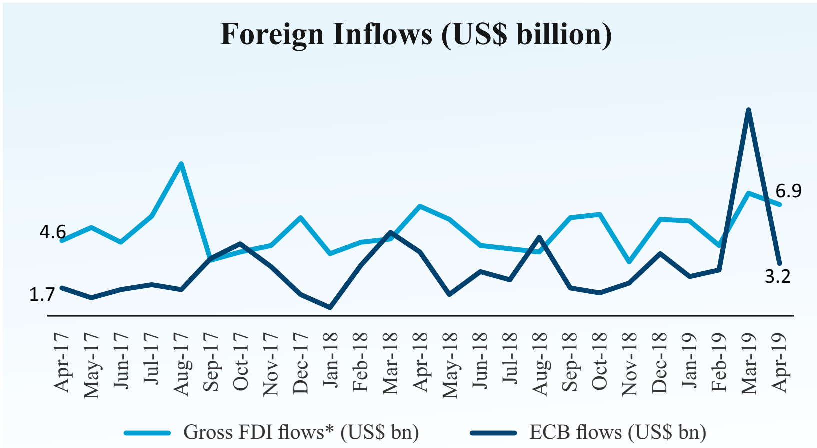


Note: *Net FII inflows include only the equity flows, for June the data is till 17th June*

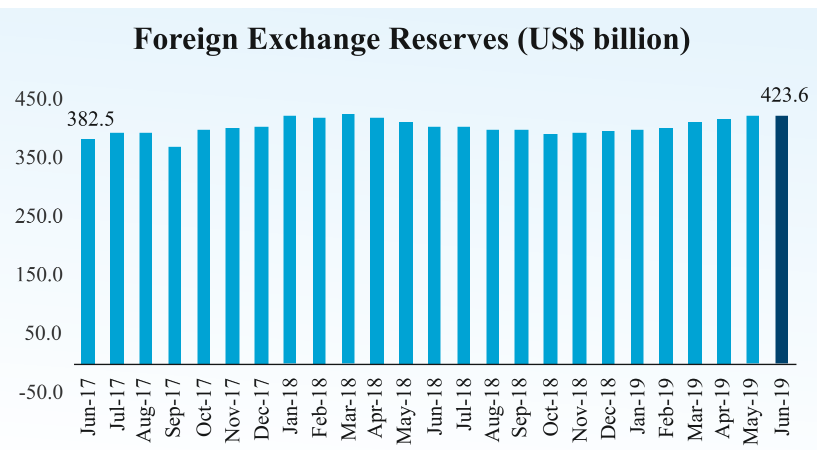
- The INR-USD exchange rate print has remained benign and at sub 70 per US$ levels for the fourth consecutive month now in June 2019 (till 17th June). The FII flows for May and June so far have remained lacklustre.
- The rate cut by the RBI, along with policy normalisation in other advanced economies, has hit FII flows to the country, even though investor spirits were buoyed by the re-election of the present government by a majority vote.

Both FDI and ECB flows show moderation in April 2019 after a stellar performance in March

- FDI flows moderated to US$6.9 billion in April 2019 as compared to US$7.5 billion in the previous month. Going forward, with the formation of a stable government at the centre, we can expect FDI flows to rise in the remaining months of the current fiscal.
- ECB flows too slowed down sharply to US$3.2 billion in April 2019 as compared to a historic high of US$12.7 billion seen in the previous month.



Foreign exchange reserves inching towards historic highs in June 2019



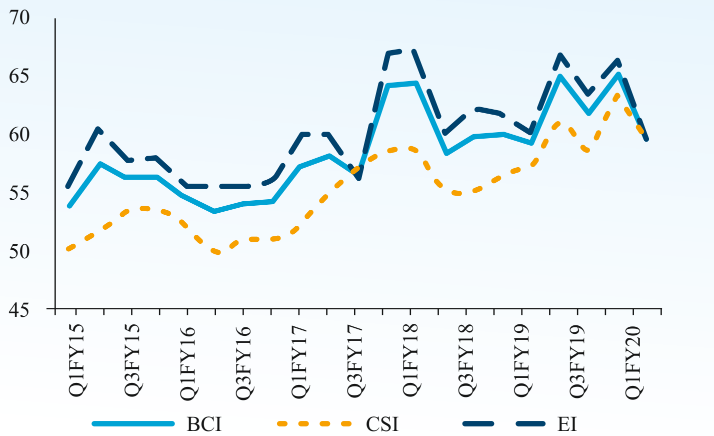
- Foreign exchange reserves have inched closer to their historic peak (of US$426 billion in April 2018), by increasing to US$423.6 billion in June 2019 (in the week of June 7).
- In the week of June 7, foreign currency assets, a major component of the overall reserves, rose by US$1.66 billion to US$395.80 billion.

Source: *RBI*

CII Business Confidence Index records a dip in 1QFY20

- The CII Business Confidence Index (CII- BCI) stood at 59.6 during the April-June 2019 quarter. The current reading, though lower than the previous quarter of 65.2, continues to indicate positive business confidence in the ongoing quarter.
- The survey covered more than 300 firms of varying sizes. The CII-BCI is constructed as a weighted average of the Current Situations Index (CSI) and the Expectations Index (EI).

CII 107th Business Confidence Index

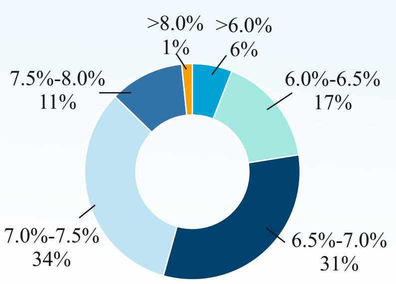


Note: *BCI is Business Confidence Index, CSI is Current Situations Index and EI is Expectation Index*

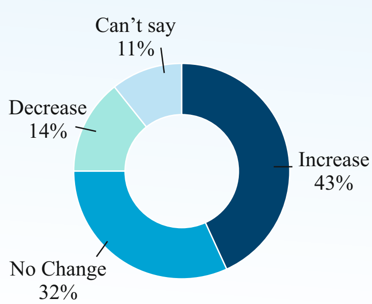
More than a third of the respondents expect GDP growth in the 7.0-7.5% range in FY20

Growth and Inflation Expectations in 2019-20

Expected GDP Growth in 2019-20 (% of Respondents)



Expected change in Retail Inflation in 2019-20 (% of respondents)



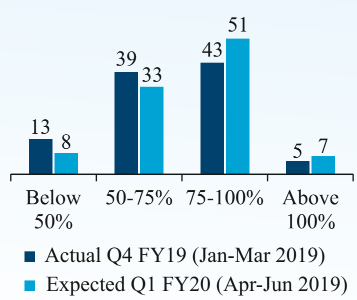
- About 34 per cent of the respondents foresee 7.0-7.5 per cent growth in GDP in 2019-20, closely followed by 31 per cent who feel that GDP growth may be a tad bit lower, in the 6.5-7.0 per cent range. It is pertinent to note that growth expectations have been revised lower from the previous survey.
- A major share of the respondents (43 per cent) expect to see an upward trajectory in inflation rates in 2019-20, while nearly a third of the respondents (32 per cent) foresee no change in inflation rates in 2019-20.

More than half of the respondents foresee capacity utilization in the 75-100% range in Apr-Jun 2019 quarter

- Majority of the respondents (51 per cent) feel that capacity utilization will lie in the 75-100 per cent range in the Apr-Jun quarter as against 43 per cent of respondents who experienced the same in the Jan-Mar quarter.
- As per the survey, improving the business environment and increasing infrastructure investment need to be the top two priorities of the new government.

Investment Plans and Priorties for the New Government

Capacity Utilization (% of Respondents)

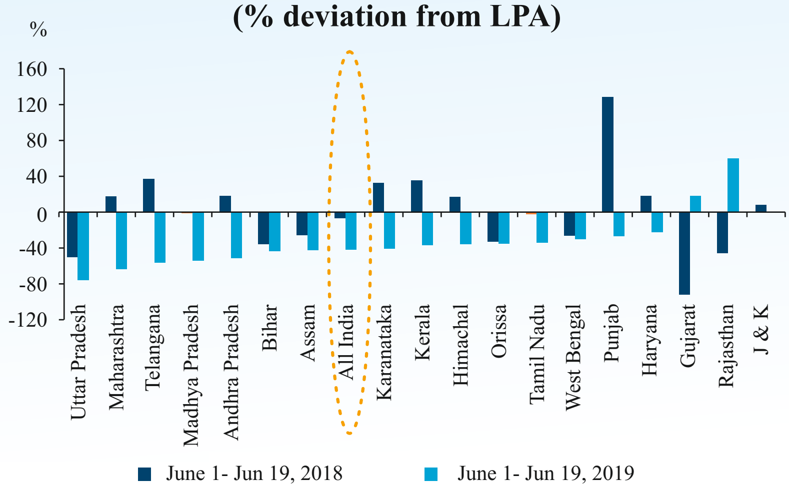


Focus area	Rank
Ease of Doing Business	1
Increasing investment in Infrastructure	2
Agriculture sector	3
Education and Skilling of workforce	4
International Trade	5

Source: *107th CII Business Outlook Survey (April-June 2019)*

Monsoon rainfall in India has been sharply deficient so far (till 19th Jun, 2019)

Progress of South-West Monsoon: Rainfall Gap (% deviation from LPA)

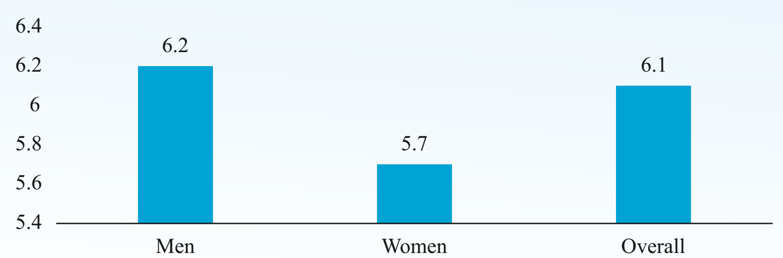


- IMD's latest monsoon data (till 19th June, 2019) shows that monsoon rainfall has been sharply deficient so far this year. The rainfall gap based on the cumulative SW-monsoons (from 1st to 19th June) stood at 42.5 per cent. Uttar Pradesh and Maharashtra have been the worst impacted so far.
- The late onset and tardy progress of monsoon has also led to limited sowing of important kharif crops. Area covered under the kharif crop as on 14th June 2019 stood at 82 lakh hectares, which is 9 per cent lower as compared to the same time last year. Rice and oilseeds are affected the most so far this year.

Unemployment rate is at historic high as per the recent labour force survey

- As per the first edition of the Periodic Labour Force Survey (PLFS) which covers the period July 2017 to June 2018, the unemployment rate stood at 6.1 per cent in 2017-18. Notably, the unemployment was more prominent in the urban sector at 7.8 per cent as compared to 5.3 per cent in the rural sector and larger among the male group at 6.2 per cent vs. 5.7 per cent seen across females.
- The labor force participation rate for females was much lower at 17.5 per cent as compared to 55.5 per cent for males in 2017-18, and the difference was starker in the urban sector.

Unemployment Rate (%) as per the Periodic Labour Force Survey



Fiscal Deficit reaches 52 per cent of budgeted estimate in May 2019

Fiscal Deficit Snapshot of 2019-20

Indicator	% of Actuals to Budget Estimates	
	May-19	May-18
Revenue receipts	7.3%	7.3%
- Tax revenue	6.8%	6.9%
- Non tax revenue	10.4%	9.8%
Total receipts	7.1%	7.0%
Revenue expenditure	19.0%	19.1%
Capital expenditure	14.2%	21.3%
Total expenditure	18.4%	19.4%
Fiscal deficit	**52.0%**	**55.3%**
Revenue deficit	**68.3%**	**67.9%**

- As per the recent figures released by the CGA, the fiscal deficit for the month of May 2019 stood at 52 per cent of the budgeted estimates for the year 2019-20, which was slightly lower than what it was in the same period a year ago. To be sure, for 2019-20, the fiscal deficit has been set at 3.4 per cent of the GDP in the interim Budget.
- Encouragingly, non-tax revenue receipts stood higher at 10.4 per cent in May 2019 as compared to 9.8 per cent in the same period last year. How far this trend is able to sustain, will be something which will be keenly watched.

Source: *IMD, CSO, CGA*

STATE OF STATES

Startups are important for India's economic growth as they help in addressing our development priorities by creating wealth and jobs. The startups landscape is evolving at a very fast pace in the country as a result of which the entrepreneurial spirit is getting ingrained in the populace at large. States have played a pivotal role in supporting the growth of these startups by formulating suitable policies. As per DIPP, Maharashtra has the highest number of start-ups in the country, followed by Karnataka and Delhi.

To assess the states on their entrepreneurial ecosystem, which would help the startups to thrive, DIPP came out with its first-ever startup rankings in 2018. States have been identified as leaders across various categories such as Start-up policy leaders, incubation hubs, seeding innovation, scaling innovation, regulatory change champions, procurement leaders and communication champions. On the basis of the performance in these categories, the States were recognised as the Best Performers, Top Performers, Leaders, Aspiring Leaders, Emerging States and Beginners. As per the rankings, Gujarat has emerged as the best performer for providing a strong ecosystem for startups, ahead of states such as Maharashtra and Karnataka, known for their startup culture.

The State in focus for this issue is **Tamil Nadu**. The southern state grew at a slightly higher pace of 8.2 per cent in 2018-19 as compared to 8.1 per cent in the previous year mainly due to an impressive performance by the services sector. Agriculture and industry sectors witnessed a sharp deceleration in growth, in part due to the high base of last year. Owing to a well-developed infrastructure and a host of reform measures initiated by the state government, like the setting up of Tamil Nadu Industrial Guidance & Export Promotion Bureau, Tamil Nadu Industrial Development Corporation Ltd (TIDCO) etc., the state has seen an improvement in gross capital formation in 2016-17. Though FDI flows moderated in 2018-19, this could be a one-off blip and we can expect the flows to once again exhibit an upward trend, given the investment friendly policies adopted by the state government.

The state has seen an improvement in its socio-economic indicators as well, with its infant mortality rate coming down to 17 in 2016 from 22 in 2011. As per the World Bank, "Tamil Nadu is one of India's richest states. Since 1994, the state has seen a steady decline in poverty, with the result that today, Tamil Nadu has lower levels of poverty than most other states in the country. Nevertheless, parts of the state still record high levels of poverty. After 2005, Tamil Nadu was among India's fastest growing states, with growth being driven mainly by services".

Maharashtra has the highest number of startups in the country

Number of Startups in Indian States

States	Number of Startups	States	Number of Startups
Maharashtra	2587	Madhya Pradesh	384
Karnataka	1973	Rajasthan	371
Delhi	1833	Andhra Pradesh	259
Uttar Pradesh	1129	Odisha	251
Telangana	748	Bihar	178
Gujarat	712	Chhatisgarh	168
Haryana	710	Jharkhand	116
Tamil Nadu	709	Punjab	102
Kerala	461		
West Bengal	417		

- Start-ups play a vital role in addressing India's development priorities as they create wealth and jobs while providing innovative ideas and solutions to myriad problems facing the country. In recent years, the Indian startup ecosystem has come on its own and India has distinguished itself in the global startup ecosystem.
- As per DIPP, Maharashtra has the highest number of start-ups in the country with its share in the total number of startups recognised under 'Start-up India' standing at 17.7 per cent. Karnataka and Delhi have the second and third highest number of start-ups respectively in the country.

However, Gujarat is the best place for startups as per government rankings

- We now move on to assess the states on their entrepreneurial ecosystem, which would help the startups to thrive. Here the DIPP, in its first ever Startup Rankings 2018, rates Gujarat as the best performer for providing a strong ecosystem for startups, ahead of states such as Maharashtra and Karnataka, known for their startup culture.
- Though Maharashtra has the largest number of startups, it has lagged behind in the rankings, indicating the need for the state government to provide a conducive environment for startups.

The State-wise Story

	States	Percentile
Best Performer	Gujarat	100
Top Performers	Karnataka, Kerala, Odisha and Rajasthan	85 to 100
Leaders	Andhra Pradesh, Bihar, Chhattisgarh, Madhya Pradesh and Telangana	70 to 85
Aspiring leaders	Haryana, Himachal Pradesh, Jharkhand, Uttar Pradesh and West Bengal,	50 to 70
Emerging states	Assam, Delhi, Goa, Jammu & Kashmir, Maharashtra, Punjab, Tamil Nadu and Uttarakhand	25 to 50
Beginners	Chandigarh, Manipur, Mizoram, Nagaland, Puducherry, Sikkim and Tripura	More or less equal to 25

Source: *State Startup Ranking Report, 2018 Released By DIPP*

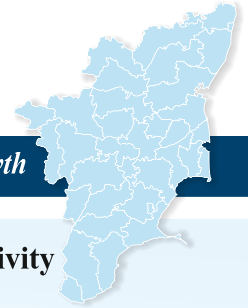
Proactive state government interventions in nuturing startup ecosystem is the key

Performance of States Across the Seven Intervention Areas

Startup policy & Implementation	Incubation support	Seed funding support	Angel & Venture funding support	Simplified regulations	Easing public procurement	Awareness & Outreach
Andhra Pradesh	Andhra Pradesh	Bihar	Chhatisgarh	Andhra Pradesh	Chhatisgarh	Andhra Pradesh
Chhatisgarh	Delhi	Gujarat	Gujarat	Chhatisgarh	Gujarat	Chhatisgarh
Gujarat	Gujarat	Jammu & Kashmir	Jharkhand	Gujarat	Odisha	Gujarat
Jharkhand	Haryana	Karnataka	Karnataka	Haryana		Karnataka
Karnataka	Karnataka	Kerala	Kerala	Himachal Pradesh		Kerala

- A total of 27 states and three union territories participated in the Startup Ranking exercise. The criteria for ranking states have been based on seven areas of intervention across various categories such as start-up policy & implementation, incubation support, seed funding support, angel & venture funding support, simplified regulation, easing public procurement and awareness and outreach. The states are ranked as Best Performer, Top Performers, Leaders, Aspiring Leaders, Emerging States and Beginners.
- Gujarat performed well on angel venture and easing public procurement pillars of the rankings.

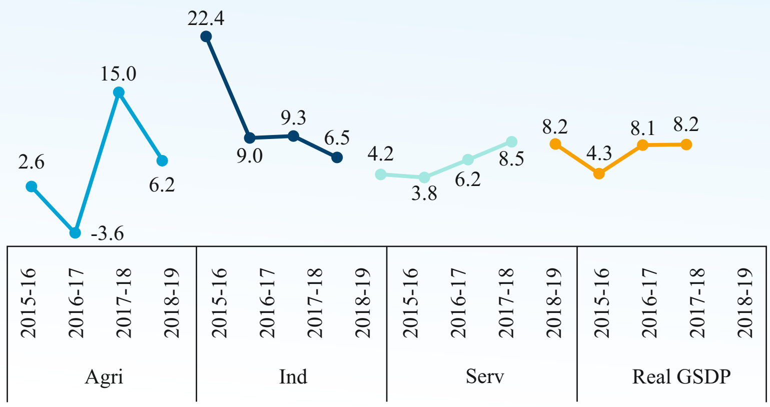
Source: *States Startup Ranking Report, 2018 released by DIPP*



Tamil Nadu economy grew at a faster pace in 2018-19 on higher service sector growth

- The Tamil Nadu economy grew at a higher pace of 8.2 per cent in 2018-19 as compared to 8.1 per cent in the previous fiscal supported by a sharp jump in service sector growth. Service sector is the dominant sector in the state with its contribution in the overall GDP standing at over 53 per cent.
- Farm sector growth decelerated to 6.2 per cent in 2018-19 largely on the high base effect, while industrial growth weakened to 6.5 per cent during the year.

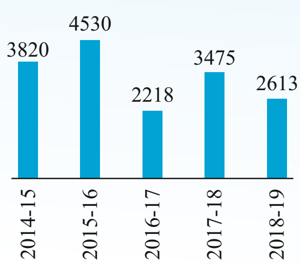
Real GSDP by Economic Activity (y-o-y%)



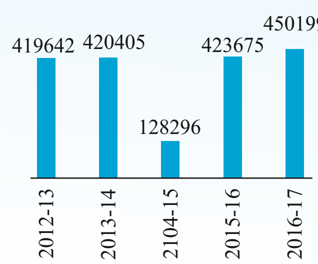
Investment friendly policies of the government have attracted investments in the state

Important Investment Indicators in the State

FDI Equity Inflows (US$ mn)



Gross Capital Formation (Rs mn)



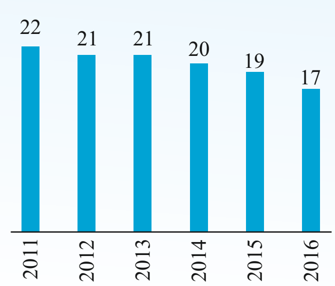
- Gross capital formation improved in 2016-17 as compared to the previous year. Policy initiatives of the state government in the form of setting up of Tamil Nadu Industrial Guidance & Export Promotion Bureau, Tamil Nadu Industrial Development Corporation Ltd (TIDCO) etc. have attracted major investment proposals in the state. The formulation of a startup policy is also on the anvil, which is expected to further improve state's investment attractiveness.
- Given the continued efforts by the state government, the moderation in FDI flows by 25 per cent in 2018-19 as compared to the previous year could be a one-off blip and the flows might improve going forward.

Poverty in Tamil Nadu is lower than in many Indian states

- The state has done well in bringing down its infant mortality rate (IMR) over the years to 17 in 2016 from a high of 22 in 2011. The downward trend in IMR has continued since the last several years now.
- As per the recent World Bank analysis of key Indian States (2018), poverty reduction in Tamil Nadu has been faster than in many other states after 2005. Nevertheless, parts of the state still record high levels of poverty.

Socio-economic Indicators in the State

Infant Mortality Rate (per thousand)



Poverty Rate (Based on MRP Consumption)

	No of persons (in mn)	Percentage (%)
2004-05	18.7	28.9
2009-10	12.2	17.1
2011-12	8.3	11.3

Source: *RBI, CSO and World Bank's India States Briefs (2018)*

GLOBAL TRENDS

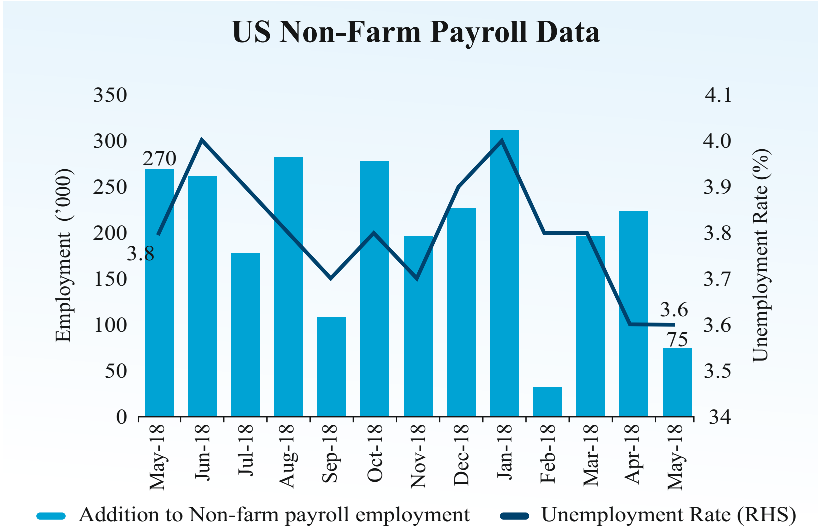
The World Bank's Global Economic Prospects report for June 2019 notes that global growth has continued to soften this year and its momentum remains fragile and subject to substantial risks. As a result, the World Bank has downgraded the global growth forecast for both 2019 and 2020, revising it lower to 2.6 per cent and 2.7 per cent respectively. As downside risks like rising trade barriers, build-up of government debt, deeper than expected slowdown in several major economies and lacklustre investment in developing and emerging economies continue to cloud the growth outlook, growth rate for the advanced and emerging economies have also been revised lower, to 1.7 per cent and 4.0 per cent in 2019. In this light, the World Bank underscores the need for big policy adjustments, including structural reforms for achieving growth that will lead to stronger development outcomes for nations.

Further, geopolitics and trade tensions have continued to weigh on international investment. This is evident from the recently released World Investment Report, by UNCTAD, which indicates that global FDI have declined for the third consecutive year, falling 13 per cent in 2018 to US$1.3 trillion from US$1.5 trillion in the previous year. The fall has been mainly driven by a net decline in FDI flows in developed nations as the tax-driven repatriation of earnings by US Multinational Enterprises (MNEs) has caused FDI flows to shrink to US$557 billion- the lowest since 2004. However, the effect of US tax reforms on FDI is expected to wind down in 2019, thereby brightening the outlook for FDI flows to developed countries.

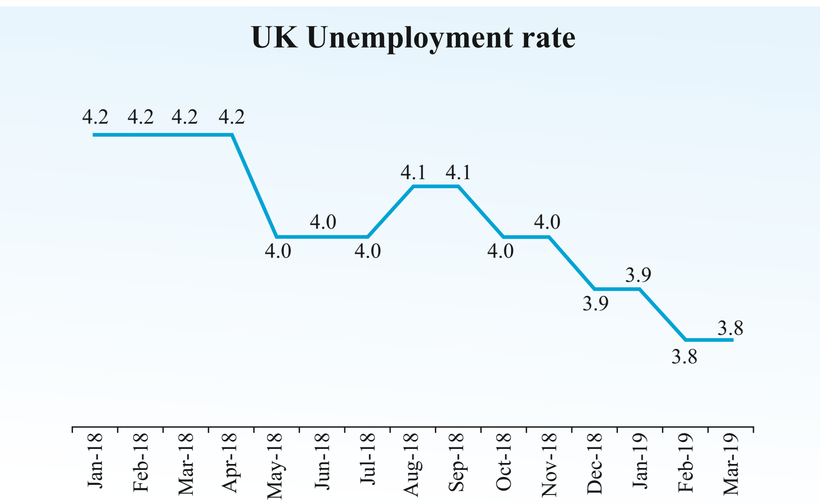
However, developing countries have continued to receive a stable flow of foreign investments in 2018, with FDI inflows rising 2 per cent over the previous year. The steady FDI inflows to the developing nations, coupled with a fall in FDI flows to developed countries, have helped them achieve 54 per cent share in the total FDI flows in 2018. India too recorded an improvement in FDI inflows, which rose to US$42 billion in 2018 from US$40 billion in 2017, driven by an increase in mergers & acquisitions in services, including retail, e-commerce and telecommunication, notably the acquisition of Flipkart by Walmart and merger of Vodafone and American Tower. Though the underlying FDI trends indicate a possibility of a modest recovery in 2019, downside risks such as geopolitics, escalating trade tensions and a global shift towards more protectionist policies could act as a dampener.

Weak US payroll gains in May 2019 deepen concerns about a slowing economy

- US non-farm payrolls increased by a meagre 75,000 in May 2019, down from the revised 224,000 in April 2019 and well below the market expectation of 180,000 for May. The weakness in payroll data has raised concern about a slowdown in the US economy while at the same time increasing the probability of a rate cut by the US Federal Reserve in the future, though the Fed maintained status-quo in its June meeting.
- The payroll gains in May 2019 were majorly hit by a sharp slowdown in job creation in the services sector, particularly education, healthcare and business & professional services. However, the unemployment rate remained unchanged at 3.6 per cent in May 2019 from the previous month as the number of unemployed in the labor force did not change much.



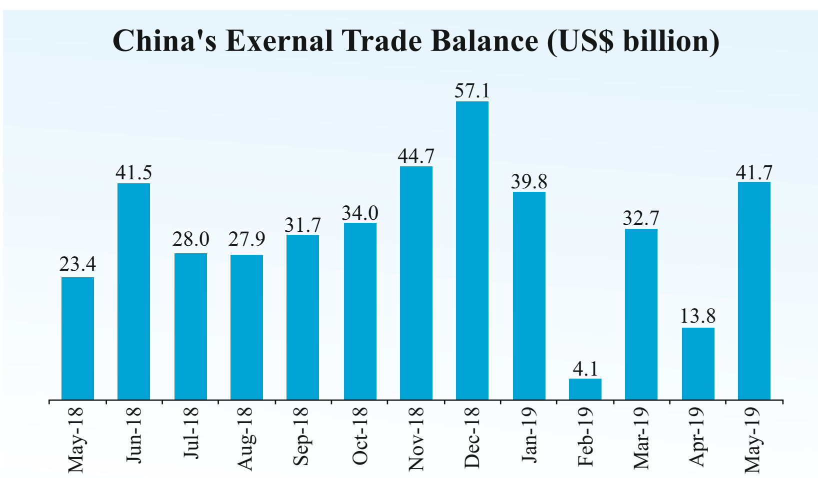
Despite Brexit, unemployment rate is lowest in more than 44 years



- UK's unemployment rate remained at a multi decade low of 3.8 per cent in the February-April period. The unemployment rate was at its lowest since October-December 1974 as unemployment fell 34,000 to 1.30 million in the February-April 2019 period, with unemployment rate among men standing at 4 per cent while for the women it was marginally lower at 3.7 per cent.
- Despite Brexit fears, the job market has remained resilient as employment increased by 32,000 to a record high of 32.75 million in the February-April 2019 period. However, total pay growth eased to 3.1 per cent in February-April 2019 from 3.3 per cent in the previous period.

China'a trade surplus jump to a 5-month high in May, on an unexpected rise in exports

- China's trade surplus in May 2019 soared to its highest level since December 2018, beating market expectations, to stand at US$41.7 billion as against US$13.8 billion in the previous month and US$23.4 in the same month last year.
- The unexpected surge in the trade balance was mainly on account fo a surprise uptick in exports, which rose by 1.1 per cent to US$213.9 billion in May 2019 while imports contracted by 8.5 per cent to US$172.2 billion in the said month.



Source: *US Bureau of Economic Analysis, Office for National Statistics, Ministry of Commerce-China*

World Bank lowers global growth forecast to 2.6% in 2019 and 2.7% in 2020

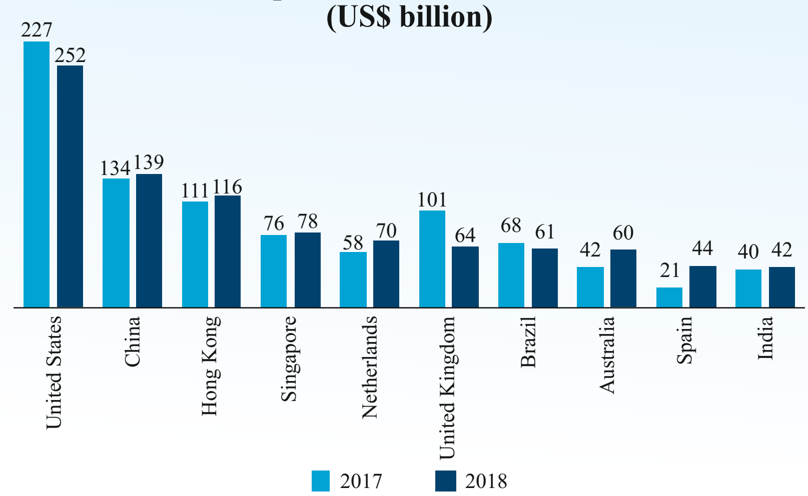
Country	2017	2018	2019 (F)	2020 (F)	2021 (F)
World	3.1	3.0	2.6	2.7	2.8
Advanced Economies	2.3	2.1	1.7	1.5	1.5
USA	2.2	2.9	2.5	1.7	1.6
Euro Area	2.4	1.8	1.2	1.4	1.3
Japan	1.9	0.8	0.8	0.7	0.6
Emerging market and developing economies	4.5	4.3	4.0	4.6	4.6
China	6.8	6.6	6.2	6.1	6
India	**7.2**	**7.2**	**7.5**	**7.5**	**7.5**
Russia	1.6	2.3	1.2	1.8	1.8
Brazil	1.1	1.1	1.5	2.5	2.3
South Africa	1.4	0.8	1.1	1.5	1.7

- As per the recently released Global Economic Prospects Report 2019 of the World Bank, global growth forecast for 2019 has been revised 0.3 percentage point lower, to 2.6 per cent, and 0.1 percentage point lower for 2020, to 2.7 per cent.
- Consequently, growth rate for the advanced and emerging economies have also been revised lower, to 1.7 per cent and 4.0 per cent in 2019, as rising trade barriers and subdued investment constrain economic outlook. India's growth forecast, however, remains unchanged at 7.5 per cent for 2019, 2020 and 2021, backed by private consumption and strengthening investment.

US continues to lead as the top FDI destination in 2019 as per World Investment Report

- As per the latest World Investment Report, by UNCTAD, global FDI inflows continued to shrink in 2018, falling to US$1.3 trillion as against US$1.5 trillion in 2017. While geopolitics and trade tensions continued to weigh on FDI flows, the tax-driven repatriation of earnings by the US Multinational Enterprises (MNEs) was the main cause of the fall. Nonetheless, the US continued to reign as the top recipient of FDI in 2018, with US$252 billion flowing into the US economy.
- FDI inflows to developing countries, however, remained steady, increasing 2 per cent over the previous year and accounting for 54 per cent of the global inflows. FDI inflows to India also improved in 2018, rising by US$2 billion to US$42 billion in 2018.

FDI Inflows of Top 10 Host Economies in 2017 and 2018 (US$ billion)



Denmark leads the maiden Gender Equality Index in 2019

SDG Gender Index 2019 Ranking and Scores

Country	2019 Rank	Score
Denmark	1	89.3
Finland	2	88.8
Sweden	3	88.0
Norway	4	87.7
Netherlands	5	86.8
Slovenia	6	86.5
Germany	7	86.2
Canada	8	85.8
Ireland	9	85.4
Australia	10	85.2
India	*95*	*56.2*

- The SDG Gender Index, developed by Equal Measure 2030, ranks Denmark at the top spot, followed by Finland and Sweden in the gender equality indicators. India is ranked 95[th] on the index, scoring the highest in health, hunger and energy.
- The report notes that while the wealthy nations are making the most progress, the poor and unstable nations are falling behind. Also, the report underscores that countries are not on track to meet the gender equality benchmark set by the UN's SDG 2030 blueprint.

Source: *World Bank Wolrd Economic Prospects, UNCTAD's World Investment Report, Equal Measure 2030's SDG Gender Index*

POLICY FOCUS

The important policy announcements made by the Government/RBI and other major regulators in the month of **May-June 2019** are covered in this month's Policy Focus. Our endeavour through this section is to keep our readers abreast of the latest happenings on the policy front and the implications of the same on the industry so that they can take informed decisions accordingly.

S. No	Area	Policy Announcement	Likely Impact
1.	Banking & Finance	The Reserve Bank of India (RBI) has extended the minimum holding period requirement for NBFCs to securitize loans till 31st December 2019. NBFC's are permitted to securitize loans of over five-year maturity after holding them for six months on their books, while previously the holding period was for at least a year. Housing finance companies (HFCs) and NBFCs offering mortgage loans, where the tenure is usually more than 5 years, are the primary beneficiaries of this relaxation.	The move is aimed at helping the NBFC sector to raise funds through loan securitization thereby supporting it in overcoming the prevailing liquidity shortage.
2.	Banking & Finance	The RBI replaced its 12th February circular pertaining to the prudential norms framework for resolution of stressed asset and introduced a new framework with relaxed stressed asset norms. The key changes in the circular are as follows: 1. Lenders have been given the choice to initiate legal proceedings for insolvency or recovery. 2. Norms would be applicable to small finance banks and NBFCs, in addition to banks. 3. Lenders have been given 30 days to start working on the resolution plan from the day of default. 4. All lenders are mandated to enter into an inter-creditor agreement (ICA) to provide ground rules for finalization and implementation of the resolution plan. 5. Agreement of 75 per cent of lenders by debt value and 60 per cent of lenders by number is required.	The new norms will help in timely resolution of stressed assets.
3.	Banking & Finance	The RBI has proposed draft guidelines for ailing NBFCs as per which Liquidity Coverage Ratio (LCR), which is the proportion of high liquid assets set aside to meet short term obligations for all NBFCs with an asset size >Rs 5000 crore, has been introduced. Starting April 2020, NBFCs will have to maintain a minimum of 60 per cent of LCR which will be increased gradually to 100 per cent by April 2024. Additionally, the RBI has proposed to revise the asset liability management (ALM) framework of NBFCs to ensure that the difference between inflows and outflows during the first 7 days is not more than 10 per cent of the total outflows and similarly about 10-20 per cent over the subsequent days.	The adherence of these guidelines would help build financial resilience and ensure proper governance of NBFCs.
4.	Financial Markets	The Securities and Exchange Board of India (SEBI) has allowed mutual funds to participate in Exchange-Traded Commodity Derivatives (ETCD). However, mutual funds are not allowed to trade in derivatives of sensitive commodities and invest in physical goods except gold through Exchange Traded Funds (ETFs). Further, mutual funds are permitted to participate in ETCDs through hybrid schemes, which include multi-asset scheme and gold ETFs. The following are the investment limits for the different schemes:	The move will boost participation of mutual funds in the commodity markets.

S. No	Area	Policy Announcement	Likely Impact
		1. Mutual fund schemes participating in ETCDs of particular goods (single) shall not hold more than 10 per cent of net asset value (NAV) of the scheme. However, the limit of 10 per cent is not applicable for investments through gold ETFs in ETCDs having gold as underlying asset. 2. In case of multi-asset allocation schemes, the exposure to ETCDs shall not be more than 30 per cent of the NAV of the scheme. For other hybrid schemes, excluding multi-assets allocation scheme, the participation in ETCDs shall not exceed 10 per cent of NAV.	The move will boost participation of mutual funds in the commodity markets.
5.	Financial Markets	SEBI has tightened the disclosure standards of the credit rating agencies (CRAs), mandating them to disclose the probability of default (PD) benchmark for the companies rated by them. The benchmarks would be different for each rating category, for one-year, two-year and three-year cumulative default rates, both for the short run and long run. The CRAs have also been directed to disclose sensitive factors that could potentially impact the rating of the instruments, including financials and sector specific information.	The move is aimed at strengthening the disclosures made by credit rating agencies and to enhance the rating standards.
6.	Foreign Affairs	The Cabinet has approved the ratification of a Multilateral Convention (MLI) to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit shifting (BEPS). The Convention will modify India's treaties in order to curb revenue loss through treaty abuse and base erosion and profit shifting strategies by ensuring that profits are taxed where substantive economic activities generating the profits are carried out and where value is created.	The implementation of MLI will help to counter the existing lacunae in the international tax regime and curb revenue loss by preventing tax treaty abuse.
7.	External Trade	The government has increased tariffs, by up to 50 per cent, on 29 high value US agriculture and industrial imports, with effect from 16th June 2019. The list of items includes agricultural commodities like almond, apples, lentils, chickpeas and walnuts in addition to 18 iron and steel goods. The move, though delayed by a year, comes as a response to the hike in US tariffs on steel and aluminum exports from India.	The earnings from the hike in tariffs of US imports would help even out the losses faced by Indian industry after the US increased tariffs on steel and aluminum exports from India.
8.	Bio-Fuel	The government has completely restricted the import of bio-fuels, including ethyl alcohol, bio-diesel and petroleum oils, for all purposes. Earlier bio-fuel imports were allowed for non-fuel purposes, subject to actual user condition, but now all bio-fuel import will require import license from Directorate General of Foreign Trade (DGFT).	The policy is aimed at reducing imports of bio-fuels and substituting them with indigenous production, thereby leading to less waste, a cleaner environment and more income support to farmers.
9.	Taxation	The Central Board of Direct Taxes (CBDT) has issued new guidelines for compounding in case of an offence. The latest guidelines which come into effect from June 17, classify offences into three categories: 1. The first category of offences, open to compounding, include defaults under tax deducted or collected at source, failure to file return.	The revised guidelines make it difficult to get compounding done for money laundering, black money act/non-disclosure of foreign assets and Benami cases. The move is meant to curb tax evasion and have stricter laws for tax evaders.

S. No	Area	Policy Announcement	Likely Impact
		2. The second category, for which compounding will not be allowed, deals with willful evasion of tax, removal or concealment or transfer or delivery of property to thwart tax recovery in a search operation. The third category of offences that "shall normally not be compounded" includes offences committed by a person for which he was convicted by a court of law under direct tax laws, enabling others to evade taxes, launder money by generating bogus invoices, offences relating to undisclosed foreign bank account or assets under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or under the Benami Transactions (Prohibition) Act,1988.	
10.	GST	The government has released a transition plan to the new GST return. The new GST return system will be implemented on a trial basis between July-September 2019 and the taxpayers will continue to file Form GSTR-1 (details of outward supply) and GSTR-3B (summary return) during the said period. From October 2019, Form GSTR-1 would be replaced by Form GST ANX-1, which can be used to upload invoices on a continuous basis. For large taxpayers (agg. turnover > Rs 5 crore in the previous fiscal year), Form GSTR-3B will have to be filed for October and November while from December onwards Form GST RET-1 is required to be filed. For the small taxpayers (agg. turnover up to Rs 5 crore), Form GST PMT-08 will have to be filed from October 2019 onwards and Form GST RET-01 will need to be filed for the Oct-Dec 2019 quarter. From January 2020, all taxpayers shall file Form GST RET-1, and Form GSTR-3B shall be completely phased out.	The trial run of the new tax return facility will help taxpayers to get acquainted with the new return system thereby leading to better compliance.

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has around 9000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from around 276 national and regional sectoral industry bodies.

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India is now set to become a US$ 5 trillion economy in the next five years and Indian industry will remain the principal growth engine for achieving this target. With the theme for 2019-20 as 'Competitiveness of India Inc - India@75: Forging Ahead', CII will focus on five priority areas which would enable the country to stay on a solid growth track. These are - employment generation, rural-urban connect, energy security, environmental sustainability and governance.

With 66 offices, including 9 Centres of Excellence, in India, and 10 overseas offices in Australia, China, Egypt, France, Germany, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 355 counterpart organizations in 126 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry
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