ASSOCHAM NEWS & VIEWS

WEEKLY

Highlights

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⇒ **RBI RELEASED DECEMBER 2019 FINANCIAL STABILITY REPORT**
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The Eight Core Industries comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP). The combined Index of Eight Core Industries stood at 126.3 in November, 2019, which declined by 1.5 per cent as compared to the index of November, 2018. Its cumulative growth during April to November, 2019-20 was 0.0 per cent.

**Coal**

Coal production (weight: 10.33 per cent) declined by 2.5 per cent in November, 2019 over November, 2018. Its cumulative index declined by 5.3 per cent during April to November, 2019-20 over the corresponding period of the previous year.

**Crude Oil**

Crude Oil production (weight: 8.98 per cent) declined by 6.0 per cent in November, 2019 over November, 2018. Its cumulative index declined by 5.9 per cent during April to November, 2019-20 over the corresponding period of previous year.

**Natural Gas**

The Natural Gas production (weight: 6.88 per cent) declined by 6.4 per cent in November, 2019 over November, 2018. Its cumulative index declined by 3.1 per cent during April to November, 2019-20 over the corresponding period of previous year.

**Refinery Products**

Petroleum Refinery production (weight: 28.04 per cent) increased by 3.1 per cent in November, 2019 over November, 2018. Its cumulative index declined by 1.1 per cent during April to November, 2019-20 over the corresponding period of previous year.

**Fertilizers**

Fertilizers production (weight: 2.63 per cent) increased by 13.6 per cent in November, 2019 over November, 2018. Its cumulative index increased by 4.0 per cent during April to November, 2019-20 over the corresponding period of previous year.
Steel

Steel production (weight: 17.92per cent) declined by 3.7 per cent in November, 2019 over November, 2018. Its cumulative index increased by 5.2 per cent during April to November, 2019-20 over the corresponding period of previous year.

Cement

Cement production (weight: 5.37per cent) increased by 4.1 per cent in November, 2019 over November, 2018. Its cumulative index declined by 0.02 per cent during April to November, 2019-20 over the corresponding period of previous year.

Electricity

Electricity generation (weight: 19.85per cent) declined by 5.7 per cent in November, 2019 over November, 2018. Its cumulative index increased by 0.7 per cent during April to November, 2019-20 over the corresponding period of previous year.
MINISTRY OF FINANCE

Monthly Review of Accounts of Union Government of India up to the month of November 2019 for the Financial Year 2019-20

The Monthly Account of the Union Government of India upto the month of November 2019 has been consolidated and reports published. The highlights are given below:-

The Government of India has received Rs.10,12,223crore (48.60% of corresponding BE 19-20 of Total Receipts) upto November 2019 comprising Rs. 7,50,614crore Tax Revenue (Net to Centre), Rs.2,32,600 crore of Non Tax Revenue and Rs.29,009crore of Non Debt Capital Receipts. Non Debt Capital Receipts consists of Recovery of Loans (Rs.10,910crore) and Disinvestment Proceeds (Rs. 18,099crore).

Rs.4,21,850crore has been transferred to State Governments as Devolution of Share of Taxes by Government of India upto this period which is Rs. 10,113crore lower than the previous year.

Total Expenditure incurred by Government of India is Rs.18,20,057crore (65.3% of corresponding BE 19-20), out of which Rs.16,06,215crore is on Revenue Account and Rs.2,13,842crore is on Capital Account. Out of the Total Revenue Expenditure, Rs.3,41,812crore is on account of Interest Payments and Rs.2,35,015 crore is on account of Major Subsidies.
MINISTRY OF FINANCE


To achieve the GDP of $5 trillion by 2024-25, India needs to spend about $1.4 trillion (Rs. 100 lakh crore) over these years on infrastructure. In the past decade (FY 2008-17), India invested about $1.1 trillion on infrastructure. The challenge is to step-up annual infrastructure investment so that lack of infrastructure does not become a binding constraint on the growth of the Indian economy. The Union Finance Minister Smt. Nirmala Sitharaman made a brief statement on the contents of the National Infrastructure Pipeline at a Press Conference here. She indicated that Government will examine the recommendations of the Task Force and take action early.

Hon’ble Prime Minister in his Independence Day-2019 speech highlighted that Rs.100 lakh crore would be invested on infrastructure over the next five years including social and economic infrastructure projects.

To achieve this objective, a Task Force was constituted to draw up the National Infrastructure Pipeline (NIP) for each of the years from FY 2019-20 to FY 2024-25 with the approval of the Finance Minister. The Task Force is chaired by Secretary, DEA with CEO (NITI Aayog), Secretary (Expenditure), Secretary of the Administrative Ministries, and Additional Secretary (Investments), DEA as members and Joint Secretary (IPF), DEA as Member Secretary.

The first meeting of the Task Force was held in September 2019. Subsequently, several meetings were held with various Departments/Ministries engaged in infrastructure development, Corporates engaged in infrastructure development & construction, Banks/Financial Institutions, Private Equity funds, and Industry Associations, including ASSOCHAM, CII & FICCI to seek information as well as suggestions on reforms required in infrastructure sectors.

This exercise, the first of its kind, is expected to be followed up by a periodical review process. NIP will enable a forward outlook on infrastructure projects which will create jobs, improve ease of living, and provide equitable access to infrastructure for all, thereby making growth more inclusive. NIP includes economic and social infrastructure projects.
On the basis of the information compiled as on date, total project capital expenditure in infrastructure sectors in India during the fiscals 2020 to 2025 is projected at over Rs 102 lakh crore.

During the fiscals 2020 to 2025, sectors such as Energy (24%), Roads (19%), Urban (16%), and Railways (13%) amount to around 70% of the projected capital expenditure in infrastructure in India.

Out of the total expected capital expenditure of Rs. 102 lakh crore, projects worth Rs 42.7 lakh crore (42%) are under implementation, projects worth Rs 32.7 lakh crore (32%) are in conceptualization stage and rest are under development. It is expected that projects of certain states, who are yet to communicate their pipelines, would be added to the pipeline in due course.

The Task Force in its detailed report has given recommendations on changes required to several key sectoral policies and other reform initiatives to be initiated by Central and State Governments. A monitoring mechanism has also been suggested to ensure timely implementation.

A copy of Report of Task force is attached here
MINISTRY OF FINANCE


In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Indirect Taxes & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, for TABLE-1, TABLE-2, and TABLE-3 the following Tables shall be substituted, namely: -

**“TABLE-1”**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Chapter/ heading/ sub-heading/tariff item</th>
<th>Description of goods</th>
<th>Tariff value (US $Per Metric Tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>1</td>
<td>1511 10 00</td>
<td>Crude Palm Oil</td>
<td>745</td>
</tr>
<tr>
<td>2</td>
<td>1511 90 10</td>
<td>RBD Palm Oil</td>
<td>759</td>
</tr>
<tr>
<td>3</td>
<td>1511 90 90</td>
<td>Others – Palm Oil</td>
<td>752</td>
</tr>
<tr>
<td>4</td>
<td>1511 10 00</td>
<td>Crude Palmolein</td>
<td>763</td>
</tr>
<tr>
<td>5</td>
<td>1511 90 20</td>
<td>RBD Palmolein</td>
<td>766</td>
</tr>
<tr>
<td>6</td>
<td>1511 90 90</td>
<td>Others – Palmolein</td>
<td>765</td>
</tr>
<tr>
<td>7</td>
<td>1507 10 00</td>
<td>Crude Soya bean Oil</td>
<td>847</td>
</tr>
<tr>
<td>8</td>
<td>7404 00 22</td>
<td>Brass Scrap (all grades)</td>
<td>3603</td>
</tr>
<tr>
<td>9</td>
<td>1207 91 00</td>
<td>Poppy seeds</td>
<td>3395</td>
</tr>
<tr>
<td>Sl. No.</td>
<td>Chapter/ heading/ sub-heading/tariff item</td>
<td>Description of goods</td>
<td>Tariff value (US $)</td>
</tr>
<tr>
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<td>------------------------------------------</td>
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</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>1.</td>
<td>71 or 98</td>
<td>Gold, in any form, in respect of which the benefit of entries at serial number 356 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed</td>
<td>487 per 10 grams</td>
</tr>
<tr>
<td>2.</td>
<td>71 or 98</td>
<td>Silver, in any form, in respect of which the benefit of entries at serial number 357 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed</td>
<td>575 per kilogram</td>
</tr>
<tr>
<td>3.</td>
<td>71</td>
<td>(i) Silver, in any form, other than medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92; (ii) Medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92, other than imports of such goods through post, courier or baggage. Explanation. - For the purposes of this entry, silver in any form shall not include foreign currency coins, jewellery made of silver or articles made of silver.</td>
<td>575 per kilogram</td>
</tr>
<tr>
<td>4.</td>
<td>71</td>
<td>(i) Gold bars, other than tola bars, bearing manufacturer’s or refiner’s</td>
<td>487 per 10 grams</td>
</tr>
</tbody>
</table>
(ii) Gold coins having gold content not below 99.5% and gold findings, other than imports of such goods through post, courier or baggage.

Explanation. - For the purposes of this entry, “gold findings” means a small component such as hook, clasp, clamp, pin, catch, screw back used to hold the whole or a part of a piece of Jewellery in place.

<table>
<thead>
<tr>
<th>Sl. No.</th>
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<th>Description of goods</th>
<th>Tariff value (US $ Per Metric Tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>080280</td>
<td>Areca nuts</td>
<td>3798&quot;</td>
</tr>
</tbody>
</table>

Note: - The principal notification was published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide Notification No. 36/2001–Customs (N.T.), dated the 3rd August, 2001, vide number S. O. 748 (E), dated the 3rd August, 2001 and was last amended vide Notification No. 90/2019-Customs (N.T.), dated the 13th December, 2019, e-published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S.O. 4460(E), dated 13th December, 2019.
RESERVE BANK OF INDIA

RBI released ‘Quarterly BSR-1: Outstanding Credit of Scheduled Commercial Banks for June 2019’

The Reserve Bank released its web publication entitled ‘Quarterly Basic Statistical Returns (BSR)-1: Outstanding Credit of Scheduled Commercial Banks (SCBs), June 2019’, along with quarterly data for March 2019, on its Database on Indian Economy (DBIE) portal (web-link: https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#12). It captures various characteristics of bank credit such as occupation/activity and organisational sector of the borrower, type of account, and interest rates. Data covering 1,21,644 branches of 94 SCBs (excluding Regional Rural Banks) are presented for bank groups, population groups and states1.

Highlights:

- Industrial credit moderated due to tepid demand but credit to the household sector continued to grow at a robust pace and its share in total credit increased.
- Private sector banks expanded credit at a pace higher than public sector banks in June 2019.
- Growth in credit by metropolitan branches was lower vis-a-vis bank branches in other areas. Accordingly, the share of metropolitan branches in total credit declined modestly between March-2019 and June-2019.
- Working capital loans in the form of cash credit, overdraft and demand loans accounted for 36.8 per cent of outstanding credit in June-2019.

Ajit Prasad
Director

Press Release: 2019-2020/1478

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1 Aggregate data based on fortnightly Form-A Return (collected under Section 42(2) of the RBI Act 1934) for the last reporting Friday of June 2019 had been published earlier at our website (Home>Statistics>Data Release>Fortnightly>Scheduled Bank’s Statement of Position in India) and aggregate level monthly Sectoral Deployment of Bank Credit data for June 2019 based on selected banks had also been published on our website (Home>Statistics>Data Release>Monthly> Data on Sectoral Deployment of Bank Credit).
RESERVE BANK OF INDIA

RBI released December 2019 Financial Stability Report

The Reserve Bank of India released the 20th issue of the Financial Stability Report (FSR). The FSR reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability, as also the resilience of the financial system. The Report also discusses issues relating to development and regulation of the financial sector.

Overall assessment of systemic risks

India’s financial system remains stable notwithstanding weakening domestic growth; the resilience of the banking sector has improved following recapitalisation of Public Sector Banks (PSBs) by the Government. Risks arising out of global/domestic economic uncertainties and geopolitical developments, however, persist.

Global and domestic macro-financial risks

- The global economy confronted a number of uncertainties – a delay in the Brexit deal, trade tensions, whiff of an impending recession, oil-market disruptions and geopolitical risks – leading to significant deceleration in growth. These uncertainties weighed on consumer confidence and business sentiment, dampened investment intentions and unless properly addressed are likely to remain a key drag on global growth.
- As regards the domestic economy, aggregate demand slackened in Q2:2019-20 further extending the growth deceleration. While the outlook for capital inflows remains positive, India’s exports could face headwinds in the event of sustained global slowdown but current account deficit is likely to be under control reflecting muted energy price outlook.
- Reviving the twin engines of consumption and investment while being vigilant about spillovers from global financial markets remains a critical challenge going forward.

Financial Institutions: Performance and risks

- Scheduled commercial banks’ (SCBs) credit growth remained subdued at 8.7 per cent year-on-year (y-o-y) in September 2019, though Private Sector Banks (PVBs) registered double digit credit growth of 16.5 per cent.
- SCBs’ capital adequacy ratio improved significantly after the recapitalisation of public sector banks (PSBs) by the Government.
- SCBs’ gross non-performing assets (GNPA) ratio remained unchanged at 9.3 per cent between March and September 2019.
- Provision Coverage Ratio (PCR) of all SCBs rose to 61.5 per cent in September 2019 from 60.5 per cent in March 2019 implying increased resilience of the banking sector.
- Macro-stress tests for credit risk show that under the baseline scenario, SCBs’ GNPA ratio may increase from 9.3 per cent in September 2019 to 9.9 per cent by September 2020.
primarily due to change in macroeconomic scenario, marginal increase in slippages and the
denominator effect of declining credit growth.

- As per network analysis, total bilateral exposures between entities in the financial system
registered a marginal decline in quarter ended September 2019. Among all the
intermediaries, Private Sector Banks (PVBs) saw the highest y-o-y growth in their payables
to the financial system, while insurance companies recorded the highest y-o-y growth in
their receivables from the financial system. Commercial Paper (CP) funding amongst the
financial intermediaries continued to decline in the last four quarters.
- The size of the inter-bank market continued to shrink with inter-bank assets amounting to
less than 4 per cent of the total banking sector assets as at end-September 2019. This
reduction, along with better capitalisation of PSBs led to a reduction in contagion losses to
the banking system compared to March 2019 under various scenarios relating to
idiosyncratic failure of a bank/non-banking finance company (NBFC) /housing finance
company (HFC) and macroeconomic distress.

Financial sector: Regulation and developments

- Reserve Bank has initiated policy measures: to introduce a liquidity management regime for
NBFCs; to improve the banks’ governance culture; for resolution of stressed assets and for
the development of payment infrastructure.
- The Reserve Bank has accepted some of the key recommendations of the Task Force on
Offshore Rupee Markets viz., allowing domestic banks to freely offer foreign exchange
prices to non-residents and allowing rupee derivatives (with settlement in foreign currency)
to be traded in International Financial Services Centres (IFSCs).
- The Securities and Exchange Board of India (SEBI) has taken a number of steps to improve
the financial markets including a revised risk management framework of liquid funds, revised
norms for investment and valuation of money market and debt securities by mutual funds
(MFs), revised norms for credit rating agencies (CRAs), facilitating new commodity
derivative products and setting up institutional trading platforms (ITPs) on stock exchanges
to promote start-ups.
- The Insolvency and Bankruptcy Board of India (IBBI) continues to make steady progress in
the resolution of stressed assets.
- The Insurance Regulatory and Development Authority of India (IRDAI) has taken initiatives
for growth of InsurTech and strengthening insurers’ corporate governance processes.
- The Pension Fund Regulatory and Development Authority (PFRDA) continues to bring more
citizens under the pension net.

(Yogesh Dayal)
Chief General Manager