



# India soars higher





India  
soars  
higher



Moody's upgrades India's **sovereign rating** for the first time

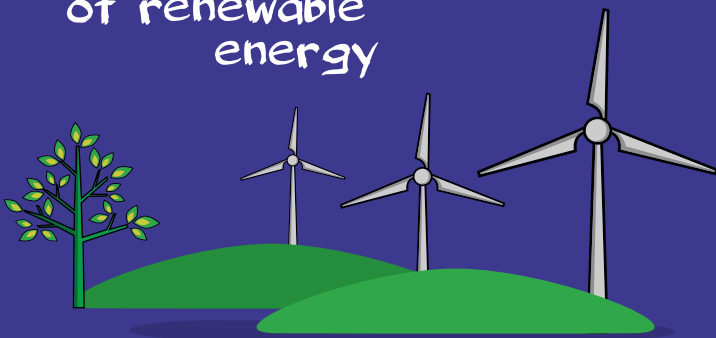


India most **'competitive economy'** in South Asia - WEF,

ranked **40th** in 2017 global competitiveness ranking



**175 GW** of renewable energy



targeted to be generated **by 2022**

Over **95 million** citizens across 90 cities directly benefitted



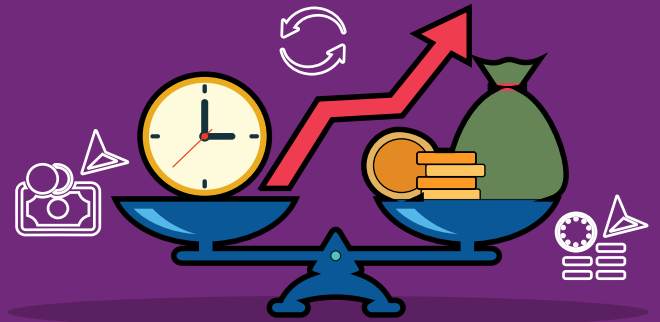
by the Smart Cities Mission

## World Bank's **Doing Business** 2018:



Ranks  
**100**  
(up 30 points)

## **FDI** in 2016-17 -



**highest ever** for a  
fiscal year at  
**USD 60 Billion**

## IBC together with **PSB recapitalisation** package



likely to push up  
**credit growth**

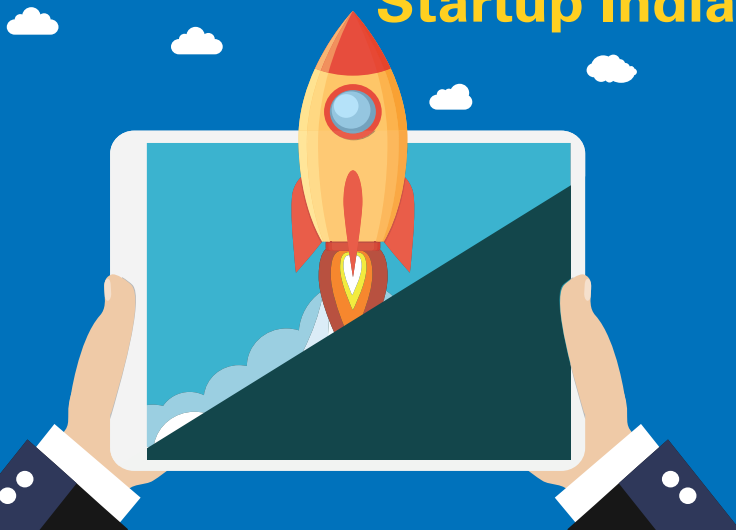
## **GST**

has  
created  
a single market;



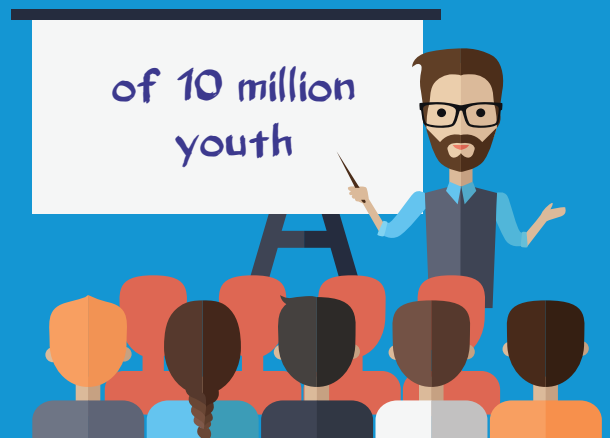
will lead to more **formalisation**  
**of the economy**  
by widening the tax base

## Over **6,000 startups** recognised under **Startup India**



## Targeted **training**

of 10 million  
youth



by **2020**

# Foreword

In 2016, KPMG in India published a white paper, *India Soars High*, highlighting the country's growth story. This year, we provide an update, as India continues to make progress with policy reforms and initiatives that are making India a place with unprecedented opportunities for global and domestic businesses.

India's progress on the World Bank's Ease of Doing Business rankings, to a rank of 100, progressing from 142<sup>01</sup> just three years ago (2015), reflects a focus on this topic at the centre and the states. Building on bankruptcy reforms, major non-performing assets situations were identified for resolution and actions moving forward. Foreign Direct Investment (FDI) was further liberalised. In 2016-17, FDI reached an all-time high of USD60.1 billion<sup>02</sup>.

A stable macroeconomic environment is a precursor to growth. India has demonstrated a resolve to achieve fiscal consolidation, complemented with aggressive and not purely populist measures. Retail inflation averaged at 3.4 per cent for the April-January FY18 period<sup>04</sup>, significantly lower than 4.5 per cent during the same period in FY17<sup>03</sup>, and, while fiscal deficit for FY18 modestly increased to 3.5 per cent of Gross Domestic Product (GDP), attributed mainly to uncertainty over Goods and Services Tax (GST) collections, the government is committed to further lower it to 3.3 per cent in FY19<sup>04</sup>. The government has also addressed the deterrents and roadblocks to the country's potential to grow, with progressive policy reforms such as GST and the newly formed Insolvency and Bankruptcy Code (IBC).

In spite of some reformative steps that slowed the growth momentum in the first quarter of FY18, the economy is likely to grow at 7.4 per cent<sup>04</sup> in 2018, higher than the advanced economies and the world, i.e., 2 per cent and 3 per cent, respectively<sup>05</sup>. India has been recording the highest growth rate amongst the Brazil, Russia, India, China and South Africa (BRICS) economies. Buttressing India's stability is its foreign exchange reserve of about USD420 billion<sup>04</sup>.

Ease of doing business (EODB) is an area where concerted actions have led to important results. The government has adopted more than 7,000

initiatives to improve EODB in the country<sup>06</sup>. As a result, India is now placed amongst the top-five countries that improved its ranking in the World Bank's Doing Business 2018 Report and, for the first time was ranked in the top 100 economies. India recorded improvements in 9 out of 10 indicators supported by major measures such as time-bound clearance of applications, de-licensing manufacturing of defence equipment, single-window clearance mechanism, reducing documents required for trade and introducing a single form for online return filing. This should be recognised as just the beginning of India's continued efforts to become one of the most investor friendly nations, as it continues to focus on progressing in areas such as trade across borders, enforcement of contracts, registration of property and starting a business to create a more enabling, participative and inviting economic ecosystem.

Improving ease of doing business is an important enabling factor for attracting investments. Other aspects to advance investments are the promotion of new sectors for investments, skill enhancement and employability. These areas are intertwined and are of key importance to investors. These are being addressed through several central government schemes, which have been adopted by most states. New regulations also play a key role. While the GST unifies the country's tax regime, the IBC helps address the resolution of high levels of Non Performing Assets (NPAs) - USD128 billion across 38 listed public and private banks<sup>07</sup>, which have been weighing down the banking system.

This report also highlights India's efforts to be a digitised economy. A consequence of demonetisation, adopted in November 2016, was the significant thrust to digital transactions in the country. The volume of digital transactions has increased significantly, reaching a record level of 1.1 billion in December 2017<sup>08</sup>. In addition, the cash-to-GDP ratio declined to 8.8 per cent as of FY17, registering a drop from 12.2 per cent in FY16, indicating increased formalisation of the economy<sup>09</sup>.

This report also analyses the progress achieved under several national priority programmes. Skill

01. Doing Business 2015 – Going Beyond Efficiency, India economy profile 2015, World Bank Group

02. Quarterly factsheet on Foreign Direct Investment (FDI), April 2000-March 2017, Department of Industrial Policy & Promotion

03. Database on Indian Economy, Reserve Bank of India – accessed on 16 January 2018

04. The Economic Survey 2018, Ministry of Finance, Government of India, 29 January 2018

05. World economic situation and prospects 2018, United Nations, December 2017

06. Have taken 7,000 steps to improve ease of doing business: Nirmala Sitharaman, The Economic Times,

21 May 2017

07. Bad loans of Indian banks cross Rs 8,00,000 cr: Banking mess explained in 7 charts, Firstpost, 17 August 2017

08. Bankwise Volumes in ECS/NEFT/RTGS/Mobile Transactions - December 2017, Reserve Bank of India, accessed on 16 January 2018

09. Annual Report 2016-17, Reserve Bank of India, accessed on 16 January 2018

India, a flagship initiative of the government, has been able to strengthen the ecosystem with qualified individuals by way of increasing the number of Industrial Training Institutes (ITI) in the country and offering the total number of Qualification Packs (QPs) across sectors. The setting up of State Skill Development Missions by states has advanced the upskilling of the country's workforce. Similarly, the Swachh Bharat Mission and Smart Cities Mission have gained momentum and are promoting administrative professionalism and citizen engagement. Other initiatives like Startup India and Make in India have made inroads into different sectors of the economy, helping states foster a culture of entrepreneurship and innovation.

Sound infrastructure is important for business. Many steps have been taken to address port development and connectivity issues to make India a global logistics centre. The coastal shipping sector in India currently contributes to merely 6 per cent of the entire coastal and inland waterway freight movement. Plans are underway to double this share by 2025<sup>10</sup>. An area of significant progress has been roads, the lifeline of the country, where significant projects are being accomplished through public private partnership (PPP) models. This sector has been opened up for 100 per cent FDI under the automatic approval route, subject to applicable laws and regulations. Bharatmala is envisaged as a programme to develop 34,800 km of roads in its first phase<sup>11</sup>, along the lines of Sagarmala which is a connectivity initiative in the ports and shipping sector. The Railway Budget in 2017 was consolidated with the Union Budget and the government earmarked a historic budget outlay to reshape Indian railways and allied sectors. With the growing need and importance of alternate sources of energy, the government has taken a series of initiatives, especially in the renewable energy (RE) sector paving the way for a host of investment opportunities in this growing sector as detailed in this report.

A majority of the industrial activity happens in the Micro, Small and Medium Enterprises (MSMEs) sector. Indian MSMEs, with approximately 63 million units, contribute 8 per cent to national GDP, employ over 111 million people and manufacture over 6,000

products<sup>12,13</sup>. The government intends to enhance the manufacturing sector's contribution to 25 per cent of GDP. Hence, several central government schemes are made to benefit this sector directly.<sup>14</sup> Key steps have been taken by the government for this sector including reduction of the income tax rate of 25 per cent for MSME companies having a turnover of upto USD38.65 million<sup>15</sup> and Minimum Alternate Tax credit carry forward extended to 15 years from 10 years.

Looking ahead, the promise of the many government initiatives mentioned must be realised through rigorous monitoring of these programmes. India still needs to take further steps to restructure its trade and FDI regime. The country needs to be even more responsive and flexible to address global investors' requirements.

It is now imperative that a fine balance be struck between the need to push public investment on the one hand and keep the fiscal deficit under check on the other. Consumer spending could get a boost with a wise mix of public spending and other fiscal reforms to spur demand in the nation. The government will need to facilitate increased exports and further streamline the GST ecosystem.

Reforms are vital for sustainable growth. The Indian economy is moving in the right direction with initiatives taken towards stepping up infrastructure investment, land and labour market reforms and measures to boost manufacturing growth. While all these can still be classified as an 'unfinished agenda', a significant volume of work has already been undertaken towards the completion of these tasks, in terms of a conducive policy environment as well as on the ground effort. A combination of supportive global growth, improving capex, fiscal spending, a buoyant consumer and concerted policy efforts augur well for a stronger growth outlook for the Indian economy over the short to medium term.

I am happy to note that India is marching ahead and setting examples for not just the developing economies but also for developed ones. India has many successes to be proud of – ranging from the Aadhaar programme extending unique identification to 1.14 billion<sup>16</sup> individuals in 2017 to policy measures that provide an impetus to entrepreneurship.

10. Sagarmala: Revolutionizing logistics in India through port led development, press Information Bureau, 24 October 2016

11. Expansion of Highways Network under Bharatmala Pariyojna, Press Information Bureau, 18 December 2017

12. MSME at a Glance 2016", Ministry of MSME, 2016

13. 111 Million Indian Workers as Data Rules Change", Bloomberg, 22 November 2017

14. India keen to increase manufacturing sector's contribution to GDP to 25 per cent: Sitharaman", Electronics B2B, 17 April 2017

15. India Budget 2018-19, India Budget website, 1 February 2018

16. State of Aadhaar report 2016-17, IDinsight India, May 2017

Areas of focus and progress are varied and include simplification of taxes, focus on improving ease of doing business, right to information, universal education, food security, sanitation, rural employment and governance and transparency.

I take pleasure in presenting to you 'India soars higher', a report that not only highlights the state of the Indian economy with an all-pervasive viewpoint, but also brings forth the attractive propositions global investors could explore.

I firmly believe this report will provide you a clearer understanding of India's evolving business landscape and help companies gain the necessary perspective to make judicious decisions to strategise their investments in India.



Arun M. Kumar

**Chairman and CEO**  
KPMG in India







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# India's economic snapshot



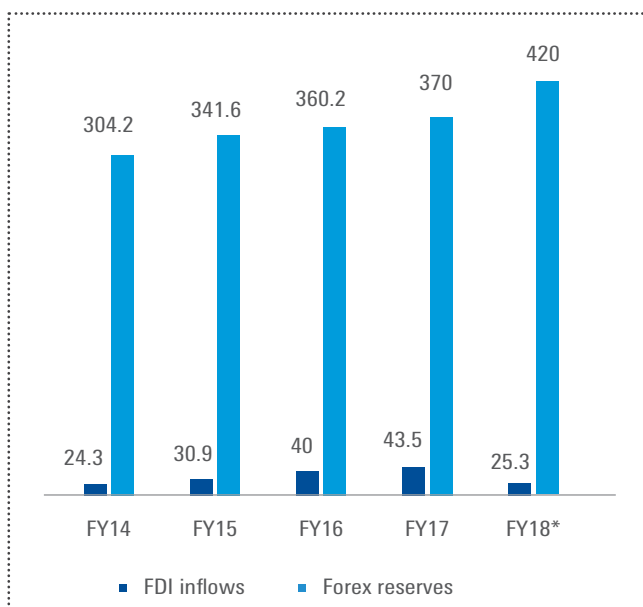
# Macro-economic stability

Stable macro-economic indicators, structural reforms, improving business ecosystem, thrust on infrastructure development, and liberal FDI regime have resulted in high foreign capital inflows and provided the needed impetus to make India a favoured investment destination. India's GDP is expected to rise to 7.4 per cent in 2018-19, 7.8 per cent in 2019-20 and 2020-21, again making it the world's fastest growing economy<sup>01</sup>. GST, which had nominally reduced the pace of growth in the country, is expected to positively contribute to economic activity and fiscal sustainability by reducing the cost of complying with multiple state tax systems and expanding the tax base by bringing more informal activity into the formal sector.

The country continues to move towards the path of macro-economic stability, as evidenced by the improving inflation and fiscal deficit. Retail inflation averaged at 3.4 per cent for the April-January FY18 period, lower than 4.5 per cent during the same period in FY17.<sup>02</sup> Fiscal deficit has lowered gradually; the modest fiscal slippage in FY18 however is largely attributable to uncertainty over GST collections.

There have been efforts to build on the gains the country has already made on the macroeconomic stability front and to enhance transparency in policymaking. For instance, a Monetary Policy Committee, was formed for maintaining price stability, while keeping in mind the objective of growth. A target of 4 per cent inflation was notified earlier, with a band of  $\pm 2$  per cent, which the committee aims to achieve<sup>03</sup>. This arrangement has not only enhanced transparency but also led to balanced decision making (because before the formation of the committee the RBI Governor was the sole decision maker). A continuation in fiscal consolidation is essential to achieve sustainable economic growth and buoy investors' sentiment. Recognising its importance, a panel headed by former Revenue Secretary NK Singh was formed to review the implementation of Fiscal Responsibility and Budget Management (FRBM). The panel recommended bringing down India's fiscal deficit to 2.5 per cent of GDP by FY23 and reducing the debt-to-GDP ratio to 38.7 per cent, from the FY17 levels of 49.4 per cent.<sup>04</sup>

## FDI inflows and Forex reserves (USD billion)



Sources: "FDI Factsheet", DIPP, accessed on 5 January 2018; "FDI Factsheet", DIPP, accessed on 5 January 2018; "Weekly Statistical Supplement", RBI, accessed on 5 January 2018

Note: FY18: Data is for April-September period for FDI inflows, for Forex reserves data is up to 09 February 2018

01. Global Economic Prospects: A World Bank Flagship Report, 10 January 2018  
02. Database on Indian Economy, Reserve Bank of India

03. Under governor Ujjit Patel, RBI zooms in on 4% inflation target", Hindustan Times, 8 May 2017  
04. "N.K. Singh committee recommends 2.5% fiscal deficit target by FY23", Live Mint, 13 April 2017

The country's FDI inflows have surged in recent years, registering a 17 per cent rise in the April-September FY18 period<sup>05</sup>, which was mostly driven by an open FDI regime and improving business scenario in the country. India has also ramped up its foreign exchange reserves to USD420 billion (as on 09 February 2018), which provides sufficient cover for almost 11 months of imports for India<sup>06</sup>. To further streamline investments and attract foreign funds, the Union Cabinet on 10 January 2018 approved a proposal to allow 100 per cent FDI through automatic route in single brand retail which was so far limited to 49 per cent. Also, foreign single brand retailers are not required to comply with the 30 per cent local sourcing target in case their overseas units already source from India. The Cabinet also allowed foreign airlines to invest up to 49 per cent in national carrier Air India under the approval route which is expected to expedite the Air India divestment process<sup>07</sup>.

Global investors have been attracted by India's strong economic fundamentals and the ongoing reform agenda. The country's main equity index Sensex gained 7,430.37 points in 2017 and continued its rally to reach a lifetime high of 34,443.19 on 09 January 2018. Primary market activity has also been on the rise: as many as 36 initial public offerings (IPOs) were issued last year, raising approx. USD10 billion<sup>08</sup>. This can be seen as a precursor of an increase in private investment. The strong performance of stocks has spilled over into the currency market, with the rupee gaining around 6.11 per cent against the U.S. dollar and thus emerged as one of the best performing emerging market currencies<sup>09</sup>.

The economy could receive boost in terms of job creation and investment revival, due to large-scale government driven infrastructure programmes spanning sectors such as real estate, ports, roads and power. 'Sagarmala' and 'Bharatmala' programmes are expected to develop and retrofit India's port and road infrastructure and also promote industrialisation along major ports. Flagship programmes such as 'Housing for all', 'Atul Mission for Rejuvenation and Urban Transformation' (AMRUT) and 'Smart Cities' mission would transform India's urban and rural infrastructure, across segments such as housing, mobility and waste management. In addition, the government is also focussing on achieving 175 GW renewable energy, and further improving the power scenario in rural areas through its 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY).



05. Fact Sheet on Foreign Direct Investment, Department of Industrial Policy and Promotion

06. "Forex reserves rise during week ended 15 December 2017", Centre for Monitoring Indian Economy Pvt. Ltd., 22 December 2017

07. Cabinet Approves 100% FDI In Single Brand Retail Via Automatic Route, NDTV, 10 January 2018

08. "As the 'year of IPOs' ends, here is the list of winners & losers", The Economic Times, 25 December 2017

09. Rupee becomes stronger, gains nearly 400 paise against US dollar in 2017", Financial Express, 26 December 2017

# Government's reform agenda driving structural changes

The government has undertaken several reforms for promoting inclusive growth, improving business climate, widening the tax base and addressing indigenous challenges for the Indian economy.



JAM trinity to drive inclusive growth



GST to widen tax base



Insolvency and Bankruptcy code to address NPA challenge



Formalisation and digitisation of the economy

## Inclusive growth through Jan Dhan-Aadhaar-Mobile (JAM) trinity

To promote inclusive development in the economy, Pradhan Mantri Jan-Dhan Yojana (PMJDY) was launched in 2014. The programme was aimed at providing banking services to the unbanked population and bringing them under the financial mainstream of the Indian economy. Under PMJDY, more than 300 million bank accounts have been opened, with cumulative deposits crossing USD10.7 billion.<sup>10</sup> With 1.1 billion Indian population getting biometric-identification based Aadhaar cards<sup>11</sup> and the telecom subscriber base crossing the 1.2 billion mark,<sup>12</sup> a significant portion of the population can be brought under the mainstream, to deliver critical governance services transparently and seamlessly.

## GST to widen tax base and encourage formalisation of the economy

GST, introduced in July 2017, is an important indirect tax reform. It aims to revamp the entire indirect tax structure, and seeks to create a unified market by subsuming various taxes at national- and state-level. This new indirect tax regime can benefit businesses in several ways, including easier compliance, input tax credits, savings on logistics costs, and higher competitiveness. Consumers, on the other hand, benefit from a transparent tax system. In addition, the GST regime is likely to create more revenue buoyancy by widening the tax base (India's tax to GDP ratio is expected to increase to 11.9 by FY20).<sup>13</sup>

## IBC to help in addressing India's NPA issue

The Indian banking system has been plagued with high levels of NPAs- USD128.8 billion across 38 listed public and private banks.<sup>14</sup> This has led to various concerns for the economy, including the risk of capital erosion for the bank and lower credit lending capabilities, which in turn would impact the flow of credit to crucial sectors such as infrastructure and MSME. However, the introduction of IBC, which replaces multiple laws and bodies previously dealing with insolvencies, would help the banks in recovering capital from stressed assets in a time-bound manner. Further, India's central bank identified 12 large NPA accounts, with their NPAs amounting to almost 25 per cent of the cumulative NPAs. The central bank directed the banks to find a resolution for accounts within six months, failing which insolvency proceedings might be initiated under the IBC. As a result, 11 of the 12 largest NPA accounts are now under National Company Law Tribunal (NCLT)<sup>15</sup>. Furthermore, the RBI has also directed banks to create resolution plans for another 28 large stressed accounts or refer them to the NCLT. It also requires banks to report defaults of borrowers with more than USD7,73,000 of loan on a weekly basis while mandating that restructuring or change in ownership for large accounts with an exposure of USD15.5 million or more must undergo independent credit evaluation by credit rating agencies. For an exposure of USD77.3 million, two independent credit

10. "Progress-Report", PMJDY, 15 November 2017

11. "UIDAI Achieves 111 Crore Mark on Aadhaar Generation Unique Identity Covers to Over 99 Per cent Adult Residents of India", PIB, 27 January 2017

12. "The Indian Telecom Services Performance Indicators", TRAI, 28 September 2017

13. "Number of taxpayers under GST set to eclipse that of previous tax regime", Live Mint, 24 July 2017

14. "Bad loans of Indian banks cross Rs 8,00,000 cr: Banking mess explained in 7 charts", First Post, 17 August 2017

15. "Identified: 12 insolvent accounts responsible for 25% of toxic assets on bank balance sheet", The Economic Times, 14 June 2017

evaluators must be appointed<sup>16</sup>. With this, there is an unprecedented accountability for the financial institutions while the regulators are engaged in providing the most suitable and globally competitive regulatory and dispute resolution ecosystem.

To further address the problem of weak lending activity on the back of high NPAs, a recapitalisation package worth USD32.6 billion has been unveiled. This package entails issuing recapitalisation (recap) bonds worth USD20.9 billion, while the remaining capital would come from market borrowing and budgetary support.<sup>17</sup> Essentially, the government will issue recap bonds to Public Sector Banks (PSBs) and increase its stakes in them in return. Thus, the fiscal impact stemming from recap bonds is likely to be limited, as the government will bear only the interest burden.

### Formalisation and digitisation of the economy

The government undertook the demonetisation drive withdrawing high value currency notes accounting for nearly 86 per cent of the total currency in circulation in November 2016 with the twin objectives of curbing the parallel black economy and promoting digitisation of the economy. Post the initiative, the volume of digital transactions in India reached a record level of 965 million in October 2017, increasing 10 per cent from September 2017 levels.<sup>18</sup> Also, the cash-to-GDP ratio declined to 8.8 per cent as of FY17, compared with 12.2 per cent in FY16.<sup>19</sup> Further, the recent decision of the Government to

bear Merchant Discount Rate (MDR) charges for digital transactions up to the value of USD30.92 for a period of two years, could further push the adoption of digital payments in the country<sup>19</sup>. In addition, the Digital India programme is likely to provide further impetus to the digitisation drive, as it entails bridging the digital divide between urban and rural India, by connecting 250,000 villages through optical fibre<sup>21</sup>.

In addition, several other reform measures such as recapitalisation of PSBs, Direct Benefit Transfer (DBT) scheme and the Real Estate Regulation Act (RERA), were undertaken in the last two years. The Mudra Yojana, aimed at promoting entrepreneurship via loan disbursement to small businesses, has benefitted 90 million individuals, with a total loan disbursement amount crossing USD62.1 billion, as of September 2017.<sup>22</sup>

The DBT scheme targets plugging leakages in the subsidy transfers and till August 2017, has resulted in USD10.1 billion worth of savings for the government.<sup>23</sup> Further, the RERA act would bring higher transparency and protect consumer's interests in the real estate sector.

The current government's economic and institutional reforms received endorsement from Moody's investor services, as it raised India's sovereign rating for the first time in 14 years and changed the outlook to positive from stable.<sup>24</sup>



16. Resolution of Stressed Assets – Revised Framework, The Reserve Bank of India, 12 February 2018

17. "Bank recapitalisation: Govt giving final touches to recapitalisation bonds, approval soon", Live Mint, 29 November 2017

18. "Demonetisation impact: India's cash to GDP ratio now compares with nations like Germany and France, says RBI", Financial Express, 31 August 2017

19. "Digital transactions touch 965 million in October", Live Mint, 9 November 2017

20. "Government to bear MDR charges on digital transactions up to Rs 2,000", The Economic Times, 15 December 2017

21. "31,680 out of 250,000 panchayats connected with internet: Manoj Sinha", Business Standard, 30 August 2017

22. "Mudra Yojana: 9 cr people given loans of Rs 4 lakh crore under scheme, says Rajyavardhan Singh Rathore", Financial Express, 13 October 2017

23. "Govt savings through DBT touches Rs 65,000 crore: Javadekar", The Times of India, 19 September 2017

24. "Moody's upgrades India rating, backs Modi govt reforms", Live Mint, 18 November 2017



# A budget with added focus on rural economy and social sector

The Union Budget 2018-19 has placed emphasis on agriculture, rural economy, and education. As expected, there is a modest fiscal slippage in the current fiscal year which is expected to continue in the next fiscal year as well. Economic growth for 2018-19 was projected at 7.2-7.5 per cent, which is higher than 6.5 per cent (advanced estimates) in 2017-18<sup>25</sup>.

The proposal by the Finance Minister to launch one of the world's largest healthcare protection scheme is both ambitious and much needed in a country like India where a large portion of population do not have access to healthcare facilities. Equally

unprecedented is the proposal to build a cluster-based model for horticulture and promote exports by setting up state-of-the-art testing facilities in 42 new food parks, which could substantially enhance the growth potential of this crucial sector. In line with the plan to gradually bring down the corporate tax rate, the Finance Minister extended the reduction in the corporate tax rate to enterprises with annual turnover of USD38.6 million, which will both encourage investment and job creation. As before, the Budget gave a solid push to infrastructure, increasing the allocation to this vital sector by 21 per cent.



25. The Economic Survey 2018, Ministry of Finance, Government of India, 29 January 2018

# Key takeaways

**Fiscal deficit for 2017-18** was marginally increased to 3.5 per cent from the 3.2 per cent projected earlier. For 2018-19, it is set at 3.3 per cent

**Minimum support price (MSP)** for Kharif crops was set at 50 per cent higher than the cost of production. Farm credit target increased by 10 per cent to USD170 billion

**Exports of agriculture commodities** will be liberalised and state-of-the-art testing facilities in 42 mega food parks will be set up

**USD221.69 billion** will be spent in 2018-19 for creation of livelihood and infrastructure in **rural areas**

There is a proposal to launch '**Revitalising Infrastructure and Systems in Education (RISE) by 2022**' with a total investment of USD15.5 billion in the next four years.

Lending target for the **MUDRA Yojana** set at USD46.4 billion

**Allocation for infrastructure** was increased by 21 per cent to USD92.3 billion. The **capital expenditure target for Railways** is pegged at USD23.2 billion

A **national health protection scheme** worth USD7,730 to be launched

The **corporate tax rate** lowered for enterprises with a turnover of USD38.65 million

**Disinvestment target** set at USD12.37 billion

**Fixed-term contract hiring** extended beyond apparels to all sectors

# India's continuously improving business regime

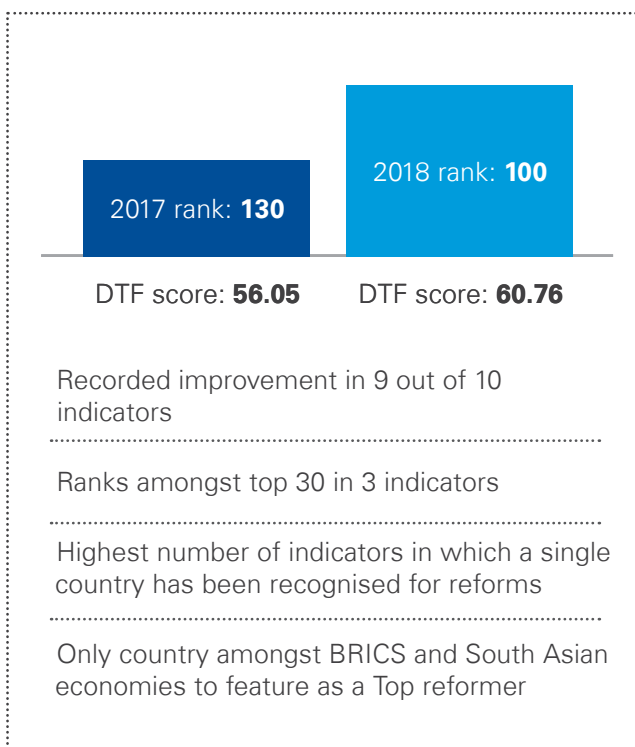
India undertook more than 7,000 steps at the central- and state-level, to simplify business regime and attract foreign investments in the country<sup>26</sup>. Some of the major measures are time-bound clearance of applications, de-licensing manufacturing of defence equipment, the creation of a single-window clearance mechanism and reducing number of documents required for trade.<sup>27</sup> Consequently, India jumped a record 30 places in World Bank's Doing Business Report, 2018 to achieve 100th rank. The country was one of the top performers in the report for the year 2017 and was credited with registering the highest ever jump<sup>28</sup>.

The positive effect of GST, which was not taken into account in this year's rankings, will be reflected in next year's rankings.

India also introduced state/Union Territory (UT)-level ranking system for EoDB in 2015, with the objective of incentivising states/UTs to improve their respective business regime. Recently, the government introduced changes in the state-level system, asking higher ranked states to partner with low ranked states, to further cut down the red tape. Also, the government's decision to consider the feedback from businesses on quality of implementation of reforms, could help the states to take corrective measures.<sup>29</sup>

Moreover, India has also made progress on other international indices, reiterating its improving business ecosystem. In 2017, the World Economic Forum (WEF) highlighted India as the most 'Competitive economy' in South Asia, as it secured 40th spot in the 2017 global competitiveness ranking. Among its BRICS peers, only China (27) is ahead.<sup>28</sup> Also, the country climbed one spot, to 8th rank in the 2017 A.T. Kearney Foreign Direct Investment (FDI) Confidence Index, on the back of a simplified and transparent business environment.<sup>30</sup>

## Highlights of World Bank's Doing Business 2018 report<sup>30,31</sup>



26. "What has Modi done besides GST, Bankruptcy code to improve Ease of Doing Business ranking?", Financial Express, 31 October 2017

27. "Ease of Doing Business rankings: India makes highest-ever jump to rank 100 out of 190 countries", Business Today, 1 November 2017

28. "Government pairs states to boost ease of doing business rankings", The Times of India, 3 November 2017

29. "India improves on WEF's global competitiveness rankings", Live Mint, 27 September 2017

30. "India jumps to 8th place on Global FDI Confidence Index", The Economic Times, 19 April 2017

31. "Doing Business 2018", Doing Business, 31 October 2017

32. "Doing Business 2017", Doing Business, accessed on 28 November 2017

| Parameter                         | EoDB 2017 | EoDB 2018  | Reforms implemented   |
|-----------------------------------|-----------|------------|---|
| Starting a business               | 155       | <b>156</b> | Applications for PAN and TAN merged and online application system simplified  |
| Dealing with construction permits | 185       | <b>181</b> | Online system introduced, reducing the number of procedures and time required   |
| Getting electricity               | 26        | <b>29</b>  | Reduction in duration and frequency of power outages  |
| Registering property              | 138       | <b>154</b> | Digitisation of land records initiated in some states   |
| Getting credit                    | 44        | <b>29</b>  | Increased credit bureau coverage for adults and secured creditors prioritised for dues recovery   |
| Protecting minority investors     | 13        | <b>4</b>   | Higher shareholder protection, with proposals of claiming damages and initiating action against directors   |
| Paying taxes                      | 172       | <b>119</b> | Electronic payments introduced for PF payments and simplified compliance norms for corporate income tax   |
| Trading across borders            | 143       | <b>146</b> | Merchant overtime fees removed in Delhi and Mumbai, and import compliance time in Mumbai reduced as infrastructure at Nhava Sheva Port was improved |
| Enforcing contracts               | 172       | <b>164</b> | National Judicial Data Grid (NJDG) introduced, which facilitates monitoring and managing court cases  |
| Resolving insolvency              | 136       | <b>103</b> | New insolvency and bankruptcy code adopted, expediting reorganisation process and recovery for creditors  |

# India to emerge as a global manufacturing hub

With a vision to increase manufacturing output's share in GDP to 25 per cent by 2025, the 'Make in India' programme was launched by the Indian government. Under the programme, 25 sectors have been identified, which could help in propelling India's manufacturing industry. The government has also launched various sector-specific policies around export promotion, fiscal and tax incentives, protection against imports, etc. Further, the government is planning to tweak the 'National Manufacturing Policy' of 2011, in line with the Industrial revolution 4.0, encompassing latest technological developments such as automation, internet of things, artificial intelligence, robotics, etc.

In 2016, the Indian government liberalised FDI policies across defence, pharmaceuticals, civil aviation, food trading, broadcasting services, etc.<sup>33</sup> In addition, in the 2017 Union budget, government announced plans to abolish Foreign Investment

Promotion Board (FIPB), to further simplify the bureaucratic processes for foreign investors.<sup>34</sup>

The government's efforts had a positive impact on the manufacturing industry, as FDI inflows increased to USD18.4 billion in 2016, from USD1.7 billion in 2014.<sup>35</sup> Besides, India's improving credentials as a manufacturing destination received a boost, as a report by United Nations Industrial Development Organization (UNIDO) placed India at the 6th position among the world's 10 largest manufacturing destinations<sup>36</sup>. The Nikkei India manufacturing Purchasing Managers' Index (PMI) reached a 5-year high of 54.7 in December 2017, signalling a recovery in the economy<sup>37</sup>.

Going forward, the liberalised FDI regime along with government's efforts in promoting defence manufacturing, electric vehicles and renewable energy, are expected to boost India's manufacturing industry.<sup>38</sup>



33. "India: Recent Liberalization Of FDI Policy – An Update", Mondaq, 8 July 2016

34. "Reforms: FIPB abolished, more measures to attract FDI", Indian Express, 2 February 2017

35. "Budget 2017: India's pathway to be the next manufacturing destination", Business Today, 30 January 2017

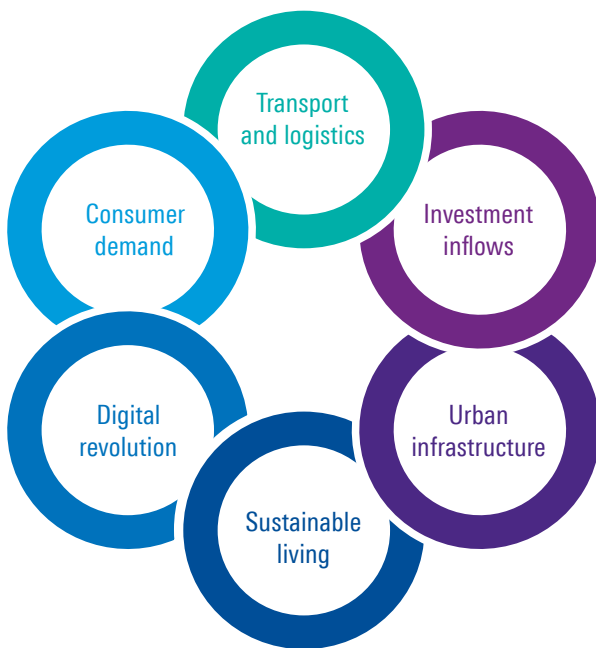
36. "Industrial Development Report 2018", United Nations Industrial Development Organization, 30 November 2017

37. About Indian Economy Growth Rates & Statistics, IBEF, 10 January 2018

38. "India ranked 6th in top 10 largest manufacturers list: UN report", The Hindustan Times, 2 April 2016

# Mega trends driving the economy forward

The next phase of growth for the Indian economy is expected to be driven by infrastructure development, investments, advancements in transport and logistics infrastructure, sustainable living, changing digital landscape and increased consumerism facilitated by higher incomes and expanding middle-class base.



## Increased focus towards urban infrastructure development

The government has announced major programmes to retrofit and develop urban infrastructure, such as 'Smart Cities', 'Housing for all', etc. As India moves towards an urbanised society, with urban population projected to reach around 583 million 2030,<sup>39</sup> these programmes are expected to transform India's urban infrastructure landscape. The smart cities mission has seen 147 projects being completed, with projects worth USD21 billion under various stages of implementation.<sup>40</sup>

## Higher investment inflows to boost industrial activity

The country is witnessing significant investment announcements and inflows on the back of a liberalised FDI regime, Make in India initiative and an improved business environment. The cumulative FDI equity flow during FY15–17 was USD114.4 billion, 40 per cent more than the USD81.8 billion registered during the preceding three years — FY12–14.<sup>41</sup> Furthermore, several investment commitments, such as USD21.7 billion<sup>42</sup> and USD18.6<sup>43</sup> billion for food processing and electronics sector, respectively, are expected to provide an impetus to the industrial activity in the economy.

## Transport and logistics infrastructure to get a boost

In a major push to developing an integrated logistics framework in the country, including industrial parks, cold chains and warehousing facilities, the government in November had granted infrastructure status to the logistics sector, enabling the industry to access cheaper finances. The government also created the position of a special secretary in the commerce ministry to exclusively handle logistics<sup>44</sup>. This can further fuel India's merchandise exports which have been on a positive trajectory since August 2016 to January 2018, barring October 2017, when exports registered a 1.1 per cent dip<sup>45</sup>. The prospects in India's logistics sector can also be estimated from the fact that funding in logistics startups increased by 205 per cent in 2017<sup>46</sup>. The 'Sagarmala' programme to facilitate port-led industrialisation, and increased budgetary support to boost railways and highways infrastructure, could reshape the existing transport and logistics network in the country. Promotion of multi-modal transport hubs and inland waterways is also expected to help in developing the infrastructure. Further, recent developments such as the new metro rail policy, announcement of USD108.6 billion spending on road network<sup>47</sup> and according infrastructure status to the logistics sector, is expected to facilitate higher private investments.<sup>48</sup>

39. "Urban India Real Estate", KPMG in India, August 2016

40. "Works worth Rs 32,000 crore started, tendered: Hardeep Singh Puri on 'Smart City' spendings", The Economic Times, 1 January 2018

41. "3 years of Modi rule: FDI inflows jump to \$60 billion in 2016-17 from \$36 billion in 2013-14", Financial Express, 19 May 2017

42. "Modi's 3 years: Government receives Rs 1.43 lakh crore of investment in electronics sector", The Economic Times, 23 May 2017

43. "World Food India ends with investment vows worth Rs 1.2-lakh crore", DNA India, 6 November 2017

44. "Binoy Kumar appointed Special Secretary in commerce ministry", The Times of India, 6 November 2017

45. Logistics Ease Across Different States (LEADS) index, LiveMint, 09 January 2018

46. Indian Startup Ecosystem, Inc42

47. "Cabinet approves Rs7 trillion road construction plan, including Bharatmala", Live Mint, 24 October 2017

48. "India's transport infrastructure growth to gain pace over 5 years: Report", Business Standard, 15 November 2017

### Shift towards sustainable living to drive transformational changes in the economy

India has set a target of achieving 175 GW of renewable energy by 2022 and selling only electric vehicles by 2030.<sup>49</sup> The recent step of ordering 10,000 electric vehicles, would only help in bringing gradual shift in the Indian automotive industry, with increased focus towards manufacturing of electric vehicles. According to Niti Aayog, a rapid adoption of green mobility solutions such as public transport, electric vehicles and car-pooling could enable India to save around USD60 billion by 2030<sup>50</sup>. Recent measures such as the announcement of a 20 GW renewable energy manufacturing roadmap,<sup>51</sup> phasing out of diesel-based engines in railways, the procurement of electric cars for the government, etc. could help to achieve the aforementioned targets. Further, these targets are expected to drive transformational changes in the power and automobile sector, with respect to job creation, technological advancements, manufacturing capabilities, etc.

### Digital revolution led by increased internet adoption and technology changes

With more than 420 million internet users (September 2017)<sup>52</sup>, billion plus digital transactions (December 2017)<sup>53</sup> and 3.9 million TB 4G data consumption (June 2017)<sup>54</sup>, India's digital landscape could undergo monumental changes by 2020, as internet users are expected to reach 730 million<sup>55</sup> and digital payments to USD500 billion.<sup>56</sup> The country has also planned to launch 5G services by 2020<sup>57</sup>. These developments would further boost the digital economy, which could reach USD1 trillion by 2025.<sup>58</sup> Further, these advances would have significant implications across myriad sectors such as retail, manufacturing, banking and finance, etc., thus driving India's economy forward.

### Consumer demand to be propelled by rising median income

By 2030, the country's median income per household is expected to reach USD10,073. Further, by 2030, India would be ranked 2nd behind China in terms of middle-class, as it is expected to have more than 90 million middle-class households<sup>59</sup>.

That would lead to higher discretionary spending and facilitate movement of our consumer market from 'bottom of the pyramid' to a middle-class market.<sup>60</sup>



49. "India to sell only electric vehicles by 2030: Piyush Goyal", The Hindu, 18 August 2017

50. "Electric vehicles to save \$60 billion in fuel costs by 2030: Niti Aayog", The Economic Times, 12 May 2017

51. "India releases roadmap for RE rollout, announces 20 GW manufacturing auction", PV Magazine, 27 November 2017

52. "Telephone subscriber base shrinks in Sept quarter", The Hindu Business Line, 28 December 2017

53. "Digital transactions cross 1 billion mark in December", Live Mint, 4 January 2018

54. "Jio to drive India to become full-grown 4G power in 2018: Report", Yourstory, December 2017

55. "Internet users in India to reach 730 million by 2020: Govt", India Today, 27 March 2017

56. "Opinion: India is sitting on the cusp of a people-centric digital revolution", Money Control, 15 November 2017

57. "Move over 4G, India sets eyes on 5G launch by 2020", Live Mint, 27 September 2017

58. "Samsung to help India become \$1 trillion digital economy: Ravi Shankar Prasad", Financial Express, 7 June 2017

59. "India likely to be a \$7 trillion economy by 2030, per capita income will be \$4,000, says Bibek Debroy", Firstpost, 21 December 2017

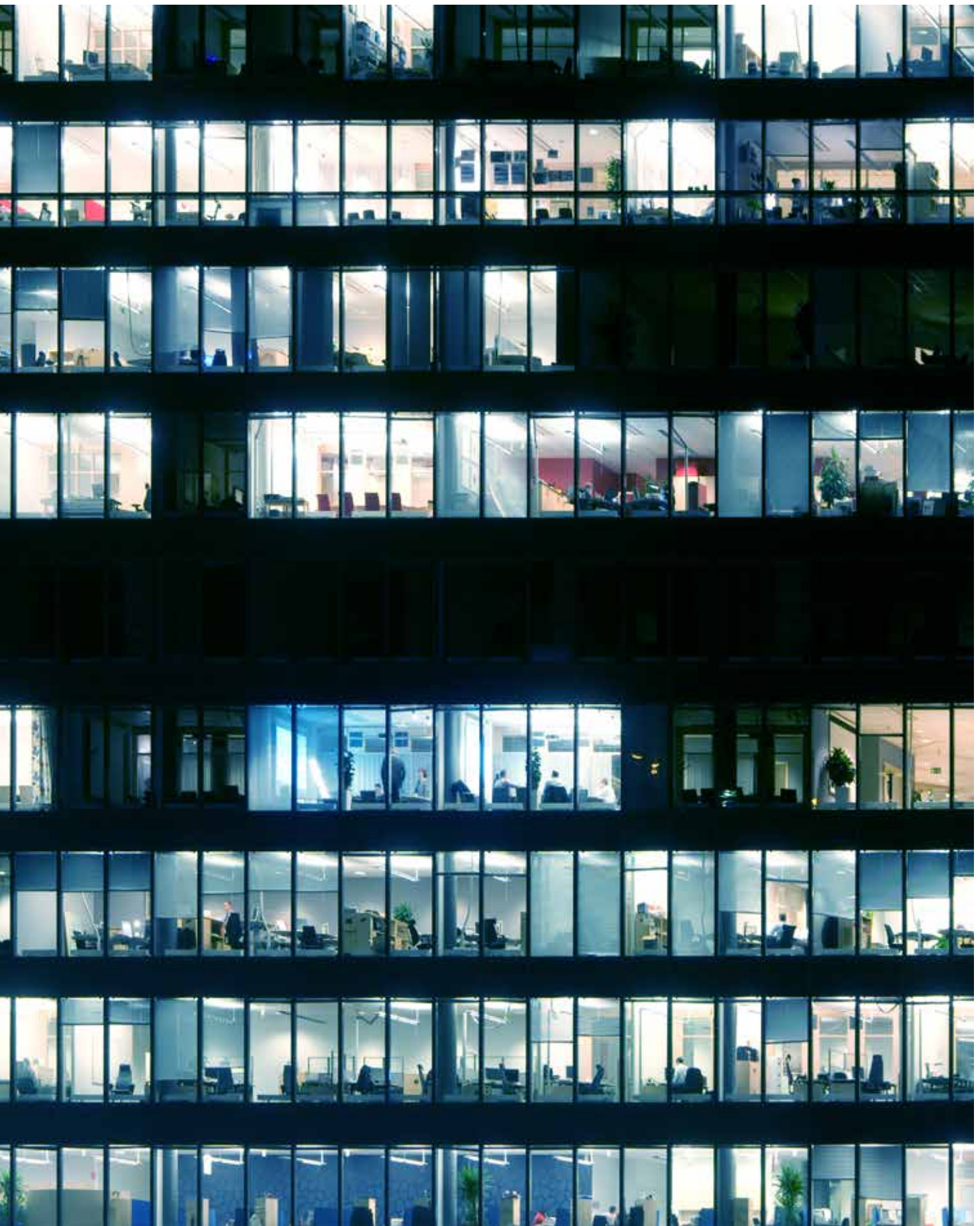
60. "Top 5 Emerging Markets with the Best Middle Class Potential", Euromonitor, 20 September 2015

# The Indian growth story continues to progress and evolve

The measures adopted in the last couple of years have significantly bolstered India's medium-term outlook. The same is echoed by a change in India's sovereign rating after a period of 14 years. The economy's increasing alignment to policy changes and its ability to withstand temporary disruptions caused by GST implementation is expected to help it transition towards a new framework in the future. While the government's recent commitment to inject sizeable capital into the banking sector could go a long way in addressing the 'twin balance sheet' issue (balance-sheet weakness in the banking and corporate sectors), improving farm incomes, as agriculture prices are likely recover from demonetisation and supply shocks, is likely to play a pivotal role in steering GDP growth levels to over 7.5 per cent in FY2019.







# Flagship programmes update



As the country strides into the next phase of growth, the structural reforms and flagship initiatives introduced by the government recently have played a very important role at augmenting the collective growth impact.

Amongst others, some of the initiatives that have the potential to have a transformational impact on the Indian economy and accelerate India's growth have been covered in the report.

### **Digital India**

Digital India is a flagship programme launched with an aim to transform India into a digitally powered society and prepare India as a knowledge economy by focusing on technology to enable change. It would work as an 'Umbrella programme' which would cover various sectors under its purview to lay emphasis on National e-Governance Plan.

### **Ease of Doing Business (EoDB)**

The primary objective of the initiative is to improve India's EoDB ranking in global standing, promoting the country as a vibrant investment destination and improving the business climate in India to attract foreign investors.

### **Make in India**

The main objective of this campaign is to attract investments across 25 focus sectors, by encouraging multinationals and domestic companies to manufacture their products in India.

### **Skill India**

Skill India seeks to provide institutional capacity to train a minimum of 400 million skilled people by 2022.<sup>01</sup> Skill India continues to be one of the key government agenda during 2017-18 with a focus on short-term vocational education programmes

### **Smart Cities Mission**

The 'Smart Cities' project was launched with the objective of driving economic growth and improving the quality of life of citizens by facilitating local area development and harnessing technology that leads to smart outcomes.

### **Startup India**

The main objective of the programme is to create an optimal environment to nurture innovation and start-ups, thereby boosting economic growth and employment generation.

### **Swachh Bharat Abhiyan**

The government launched Swachh Bharat Abhiyan (Clean India Mission), undertaking a cleanliness pledge, with the aim of making India clean, by 2019. At the outset, the programme was supported government employees across the country, along with celebrities and business leaders, sponsoring the cause.



01. PIB Backgrounder-National Mission for Skill Development, 14 July 2015

# Digital India - harnessing technology to enhance India's connectivity



## Overall objective

- Digital India is an initiative of the Government of India aimed at modernising the Indian Economy, empowering the Indian society and transforming the quality of governance by the creative use of digital technology. The initiative aims to create a digitally empowered society and knowledge economy with an outlay of USD17.5 billion
- The initiative was launched on 02 July 2015 with **nine pillars** namely Broadband Highways, Universal Access to Mobile Connectivity, Public Internet Access Programme, e-Governance – Reforming Government Through Technology, eKranti - Electronic Delivery of Services, Information for All, Electronics Manufacturing, IT for Jobs and Early Harvest Programmes.



## Major achievements

- A significant growth has been observed in all modes of digital payments with number of Digital Payments crossing 1 billion for the month of December 2017<sup>02</sup>
- In 2017, total number of Aadhaar account holders reached 1,190 million compared to 1,040 in 2016<sup>03</sup>
- The JAM Trinity has facilitated direct benefit transfers of subsidy leading to savings of USD8.81 billion; benefitting nearly 480 million people.<sup>04</sup> This has been accomplished by leveraging India's mobile phone user base of over 1,100 million
- The number of Common Service Centers (CSC) has increased to over 270,000 in 2017; generating employment for 1 million people in rural India out of which nearly 35,000 are women entrepreneurs
- During April 2014 till March 2017, IT and Electronics sector received the highest amount of FDI at USD12.24 billion
- The number of mobile manufacturing and ancillary units have increased to 105 in 2017<sup>05</sup>
- Over 170 million mobile handsets were manufactured in India in FY17; creating around 400,000 direct and indirect jobs<sup>06</sup>
- Around 5.25 million candidates were trained under the Digital Saksharta Abhiyan (DISHA) and National Digital Literacy Mission. The programme targets have now been upgraded - with Prime Minister's Gramin DISHA (PMGDISHA) aiming to make 60 million people digitally literate.<sup>07</sup>
- Under the online scholarship schemes, 14 million registered students benefit under the 32 schemes currently underway
- Digital transactions through Government's own BHIM-UPI app have increased from USD262 million in Jan 2017 to USD1.1 billion in Oct 2017<sup>08</sup>
- Under BharatNet, as on September 2017, 0.23 million km optical fibre network has been laid<sup>09</sup>.

02. Bankwise Volumes in ECS/NEFT/RTGS/Mobile Transactions - December 2017, Reserve Bank of India, accessed on 16 January 2018

03. Key Achievements: 2017, Press Information Bureau, 29 December 2017

04. Over Rs 57,000 crore savings through DBT: Government, The Economic Times, 10 July 2017

05. Key Achievements: 2017, Press Information Bureau, 29 December 2017

06. "Indian companies made mobiles worth Rs 90,000 cr in FY17, says govt", Business Standard, 21 July 2017

07. Kurukshetra – The Monthly Magazine, Ministry of rural Development, August 2017

08. "IMPS, debit cards drive digital payments to 75.6 million transactions in August", The Economic Times, 10 October 2017

09. "BharatNet Phase 1: Target Achieved Through Meticulous Planning and Focused Implementation at Ground Level;", Press Information Bureau Government of India, accessed on 15 January 2018



## Key reforms/plans in place

Several reform measures have been undertaken in terms of EoDB, fiscal incentives, infrastructure development, innovation and R&D, policy initiatives and skill development, as a part of the Digital India initiative.

- With the aim of boosting manufacturing and attracting investments in the Electronic sector, the Modified Special Incentive Package Scheme (M-SIPs) has been extended till 2020 and 15 new product categories have been added. Under the M-SIPs scheme, the Government has extended incentives worth USD1.55 billion for investors setting up units in India. Proposals worth a value of approx. USD24.27 billion have been received under the scheme till March 2017<sup>10</sup>
- An Investment Facilitation Cell and country-specific helpdesks (Japan and Israel), have been established at Ministry of Electronics and Information Technology (MeitY) to handhold and help investors during stages of transition.<sup>11</sup>
- Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules 1996, has been replaced with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules 2016, effective from April 1, 2016.
- Duty exemptions to importer/manufacture have been provided, based on self-declaration as against obtaining permissions from the Central Excise authorities. The need for additional registration has also been done away with
- To promote indigenous manufacturing of mobile handsets, differential excise duty dispensation is available to mobile handsets i.e. Countervailing Duty (CVD) on imports @12.5 per cent and Excise Duty @1 per cent without input tax credit<sup>12</sup>
- Tariff structure has been rationalised for promotion of manufacturing of Point of Sale (POS) and other Digital Payment Devices (Micro ATMs as per standards version 1.5.1; Fingerprint reader/scanner; Iris scanner; and Miniaturised POS card reader for mPOS).
- India's first Centre of Excellence on Internet of Things was launched in Bengaluru, Karnataka

(July 2016). Five patents have been filed by start-ups incubated by the centre.

- National Centre of Excellence in Technologies for Internal Security (NCETIS) and National Centre of Excellence for Large Area Flexible Electronics (NCFlexE) have been set up at IIT Mumbai and IIT Kanpur respectively.



10. "Modified Special Incentive Package Scheme(M-SIPS)", Ministry of Electronics and Information Technology, accessed on 15 January 2018

11. "Budget 2017: Govt increases allocation for M-SIPS and EDF", The Indian Express, 2 February 2017

12. "Govt set to slap 10% duty on imported mobile phones", The Times of India, 27 June 2017



## Case study<sup>13</sup>: Digital Payments

### Background

The cashless push by the government, especially after demonetisation, has brought newer options such as the BharatQR code, Unified Payments Interface (UPI) and the BHIM app; in addition to existing modes such as internet banking, mobile banking, Immediate Payment Service (IMPS), debit card, credit cards, cash cards and mobile wallets.

### Challenges to address

- With 13 per cent of GDP in cash, the need to move towards a digital ecosystem is greater than ever.
- Despite being one of the largest economies in the world, India's tax-to-GDP ratio is one of the lowest in the world, averaging at around 10 per cent<sup>14</sup>.

### Action followed up to sustain momentum

- The Government set a target of achieving 25 billion digital transactions through five select mode of transactions excluding the wallets and pre-paid instruments<sup>15</sup>. To create and sustain a digital payments ecosystem:

A dedicated programme management unit was set up within the Ministry to coordinate

among all the stakeholders, i.e.; the Central Ministries, State Governments, banking and financial institutions

Various departments and states were given specific targets to achieve in terms of number of digital transactions

Continuous monitoring mechanism developed to identify high volume and high value transactions

Developed and implemented new payment tools and methods like BHIM-UPI, FasTag, BharatQR, BBPS (Bharat Bill Payment System)

Launched targeted incentive schemes for people using digital payment modes. For example, in the initial phases of BHIM Merchant app, the Government provided cashback to the merchants using the app and general public also received cashback and referral bonus

Waived off Merchant Discount Rates (MDR) applicable on all debit card, BHIM, UPI, AePS transactions up to a value of USD30.91

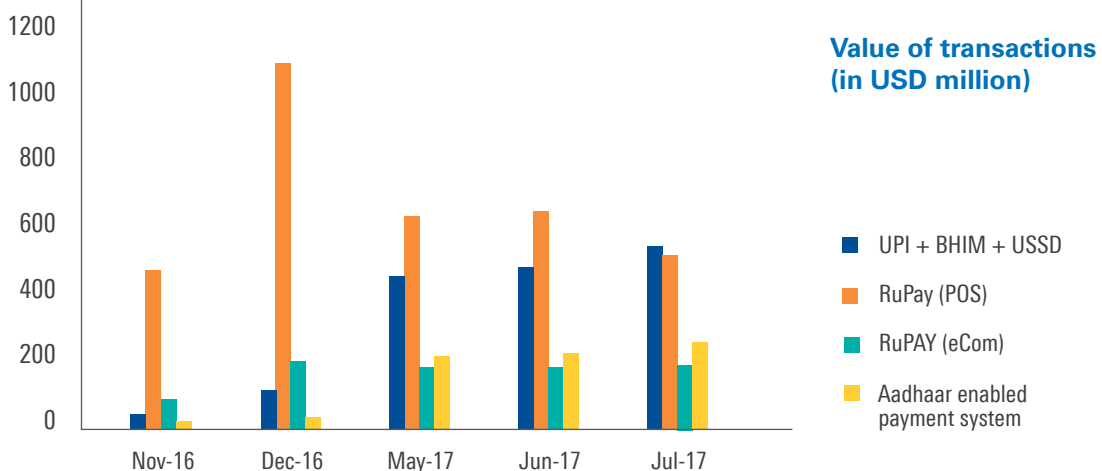


Illustration: "Growth in Digital Payments" National Payments Corporation of India Ltd., accessed on 15 January 2018

13. "Digital payment up in India after demonetization; debit cards see a decline in usage", FirstPost, 25 September 2017

14. Medium-term Expenditure Framework Statement, Government of India, August 2017

15. DigiDhanMela for Promoting Digital Payment Options, Press Information Bureau, 27 January 2017



## Future plans

- A roadmap for making India USD1 trillion digital economy by 2025 is currently being drafted by the Government of India<sup>16</sup>
- A new entity, Digital India Corporation, is expected to be setup for the purpose of better organisation structure and control.
- Several innovation based projects are currently being initiated with dedicated committees already put in place for Blockchain, AI and Data Analytics. The committees are expected to come up with a roadmap for their implementation in the near future
- Promote lithium-ion (Li-Ion) battery manufacturing in India along with other electronics devices and components, in order to reduce import dependency
- A new and comprehensive law for data protection and privacy is being prepared and is expected to be implemented soon
- The push towards digital payments shall continue in the short to medium term with government providing support through cheaper modes of digital payments like BharatQR code
- Bharat Interface for Money or BHIM would be further upgraded to provide new features and options similar to competing apps
- Unified service delivery platform UMANG app has been made available across platforms and in 13 Indian languages in January 2018. It shall be made available in all Indian languages in the near future.
- Collaborate with countries like Denmark, Mauritius, Iran, etc. on various fronts like Cyber Security, DigiLocker, etc.



## Key institutions/departments driving the reform

- The Prime Minister's Office
- Ministry of Electronics and Information Technology
- Unique Identification Authority of India (UIDAI)



16. "Make India \$1 trillion digital economy in 4 yrs: Prasad to industry", Deccan Chronicle, 16 June 2017

# Ease of doing business - creating a conducive business environment



## Overall objective

In 2014 the Government of India started a concerted effort to improve the Business Regulatory climate of the country. A fundamental change in approach was the alignment of India's regulatory reform initiatives to the World Bank's Doing Business Project, an independent objective assessment of 190 economies, the outcomes of which are based on feedback by business intermediaries. The assessment is based on 10 indicators, which span through the lifecycle of a business. To ensure objectivity of the exercise the assessment is based on certain standardised assumptions which reflect the conditions of Small and Medium Enterprises, which in most economies are the cornerstone of employment, in most economies.



## Major achievements

India marked its highest ever improvement on the assessment with a jump of 30 ranks to secure 100th position, This is a significant improvement (for India,) and the best rank India has achieved since inception of DB project in 2006.

The introduction of the IBC and provision for online payment of statutory contributions such as Employee Provident Fund and Employee State Insurance have been two substantial reforms leading to this jump in ranking. Other key highlights are listed below:

- The 2018 report
  - placed India among the top 30 economies of the world on 3 of 10 indicators, which span the lifecycle of a business
  - ranked India 4th in the world on protecting minority investors
  - ranked India 29th on getting credit and getting electricity
- The pace of reforms is best evidenced by the getting electricity indicator, wherein India's rank has improved by 108 ranks to 29 within a short span of three years.
- It is particularly important to note that the doing business assessment, is based on a case study of a Small or Medium sized company, indicating the target audience of the reform initiatives of the government over the past three years.
- Nearly 1,200 laws have been abolished, structural reforms have been driven and procedures simplified.

GST was not factored in this edition of the Doing Business Report as its implementation was post the cut-off date of 1 June, 2017 set by the World Bank for the assessment.

FDI limits have been increased for key sectors including defence, railways, retail, pharmaceuticals and food processing. The Government is also working towards substantially reducing the compliance time for a wide variety of approvals. Most notable is the reduction India has sought to cut the enormous approval times. The enormity of the achievement is best illustrated in the case of forest clearance to various projects where the Government has reduced approval time from 600 days to less than a third i.e. about 180 days<sup>17</sup>.

17. "New initiatives and efforts 2014-16". Ministry of environment, forest and climate change, accessed on 15 January 2018





## Key reforms/plans in place

India needs to improve in dealing with construction permits where it ranks 181, enforcement of contracts where it is ranked 164, starting a business where it is 156, trading across borders where it is 146 and registering property where it is still at 154<sup>18</sup>. The reform process is a dynamic exercise which undergoes constant change basis interactions with industry stakeholders. More than 100 reforms have been identified by the Department of Industrial Policy & Promotion (DIPP) and are being coordinated by seven nodal ministries appointed by the Prime Minister's Office<sup>19</sup>.

- The government is also proposing to establish dedicated commercial courts, at the district level.
- Proposed amendments to The Specific Relief Act, 1963 towards creating a more stable and predictable business environment.
- Recently, India has amended the Insolvency and Bankruptcy Code to include a provision wherein the resolution professional will disclose the liquidation value to the committee of creditors who are obligated to maintain such knowledge in confidentiality. Previously, bidders were using the liquidation amount as a benchmark and not treating the business as a going concern. The new amendment is expected to encourage bidders to make their own assessment while submitting a resolution plan, hence catering to a better recovery rate in insolvency proceedings.



## Future plans

Government aims to place India amongst the top 50 countries in the next few years.



## Key institutions/departments driving the reform

The overall implementation is coordinated by DIPP, Ministry of Commerce & Industry. The nodal agencies responsible for indicators include:

- Ministry of Corporate Affairs
- Ministry of Housing and Urban Affairs
- Ministry of Power
- Department of Land Records
- Department of Justice
- Department of Revenue
- Department of Financial Services



18. "Ease of Doing Business rankings: India makes highest-ever jump to rank 100 out of 190 countries", Business Today, 1 November 2017

19. "Govt to implement 200 reforms to push India into top 50 in WB ranking: DIPP", The Hindu Business Line, 1 November 2017

# Make in India - making India the go-to destination for manufacturing



## Overall objective

The initiative aims at enhancing manufacturing through investment, innovation, and by building best-in-class manufacturing infrastructure.<sup>20</sup> Make in India represents a comprehensive overhaul of dated policies and processes. The initiative hopes to attain<sup>21</sup> 'Minimum Government and Maximum Governance'. Following are the core objectives under Make in India initiative:

- Transforming India into a global design and manufacturing hub
- Improving job creation and economic development
- Giving the Indian economy global recognition
- Building best-in-class manufacturing infrastructure
- Enhancing ease of doing business
- Eliminating excessive laws and regulations
- Ensuring time-bound project clearances through a single online portal



## Major achievements

- Online dashboard was launched as a part of this initiative for regular and effective monitoring of Action Plans.
- About 8.21 million people have been trained across Make in India sectors<sup>22</sup>
- Over 1,00,000 people have been trained in the following sectors: Electronics and IT, Textile and Apparel, MSME, Leather, Automotive, Tourism and Chemicals and Petrochemicals<sup>23</sup>
- Asia's largest MedTech Zone (AMTZ) being set up in Andhra Pradesh will host around 200 independent manufacturing units<sup>24</sup>
- The Defence Ministry has issued a tender worth USD1.55 billion for acquiring 61 advanced air defence gun systems from local manufacturers under the Make in India programme<sup>25</sup>.
- The government has increased the basic custom duty on many key electronic items like smartphones, television sets, TV panels, etc. This move is expected to boost domestic manufacturing industry and give a push to the Make in India initiative. It will also encourage the foreign companies to start their manufacturing facilities in India.<sup>26</sup>
- Commissioning of Scorpene-class submarine INS Kalvari, a diesel-electric attack submarine is touted as an excellent example of Make in India. Built for the Indian Navy, it is the first of six such submarines that will be inducted into the Indian Navy.<sup>27</sup>

20. Make in India website, accessed on 15 January 2018

21. "MAKE IN INDIA: SECTORS IN FOCUS - PART 1", Make in India website, accessed on 15 January 2018

22. Progress under 'Make In India' scheme, Press Information Bureau, 27 December 2017

23. Progress under 'Make In India' scheme, Press Information Bureau, 27 December 2017

24. Progress under 'Make In India' scheme, Press Information Bureau, 27 December 2017

25. Make in India gets Rs 10,000 crore defence boost, India Today, 3 Jan 2018

26. Govt raises import duty on electronic items including cellphones, TV to boost Make in India, The Economic Times, 16 Dec 2017

27. Modi commissions Scorpene-class submarine INS Kalvari, The Hindu Businessline, 9 January 2018



## Key reforms/plans in place<sup>28</sup>

- Advantage India: Development of industrial corridors and 21 new nodal industrial cities
- Sagar Mala project started by the government of India to streamline India's ports and inland waterways
- Startup India initiative launched - 15 states have introduced a start-up policy for promoting setting up of start-ups
- Intellectual Property Rights Policy (Launched in May 2016 ): Policy formulated for addressing IPR concerns of the industry and promote innovation in the country
- Ease of Doing Business:
  - Time required for incorporation of a company reduced to 1 day from 10 days;
  - Power connection provided within a mandated time frame of 15 days from 180 days;
  - Number of documents for exports and imports reduced from 11 to 3;
  - Legitimacy of industrial license prolonged to 7 years from 3 years<sup>29</sup>
- GST – A single tax framework aimed at streamlining the current tax structure and bringing in transparency in the way business functions.
- Permanent residency status for foreign investors for 10 years
- Online portals for Employees State Insurance Corporation (ESIC) and Employees Provident Fund Organisation (EPFO)



28. Government of India

29. "Ease of doing business: Big changes by Modi Govt will allow you to start a business in 6 days", The Economic Times, 1 March 2017



## Case study<sup>30</sup> - UJALA

The zero-subsidy domestic LED bulb programme – Unnat Jyoti by Affordable LEDs for All (UJALA) is being implemented by Energy Efficiency Services Limited (EESL) – an energy service company under the Ministry of Power (GoI). EESL is a joint venture of four major government-owned companies: Power Grid, NTPC, Rural Electrification Corporation Limited and the Power Finance Corporation Limited.

**Objective:** “UJALA aims to replace 770 million old wasteful lamps with modern, efficient and longer lasting LED lamps, without the need for any government subsidies”.

**Current development:** About 100 million LED bulbs have been distributed across 120 cities in India. There is a drop in annual household electricity bills by 15 per cent, saving consumers over USD247 million every year. India is now the 2nd largest producer of LED in the world. A revenue of USD331 million is generated per year and this is expected to grow further.

**Contribution to climate targets:** EESL aims to reduce carbon emissions by around 3 million tonnes of CO2 per year, which is same as removing 2.7 million cars from the road per year.

**Transformed the lighting market in India:** Remarkable growth story of UJALA has led to a technological jump from incandescent bulbs to LEDs within half a decade.

**Approach model:** EESL procured bulk of LEDs which contributed to the reduction in LED retail market prices which was about USD12.37 per LED bulb in the year 2012 to USD3.10 per LED bulb in 2016 - one of the fastest LED price reductions in the world.

**Future plans:** EESL plans to continue providing benefits to the economy with the initiation of new energy efficiency initiatives to transform the markets for residential fans, street lighting and agricultural pumps.



## Key institutions/departments driving the reform

- Prime Minister's office
- DIPP
- NITI Aayog
- Ministry of Commerce and Industries
- Ministry of Shipping
- Ministry of Environment, Forest and Climate Change
- Ministry of External affairs
- Ministry of Road Transport & Highways
- Ministry of Home Affairs
- Ministry of Coal
- Ministry of Civil Aviation
- Ministry of Finance
- Ministry of Skill Development & Entrepreneurship
- Ministry of Steel
- Ministry of Petroleum & Natural Gas
- Ministry of New & Renewable Energy
- Ministry of Health & Family Welfare
- State Governments

30. "India Shows the Way to the World in Fight Against Climate Change". Press Information Bureau Government of India, 13 May 2017

# Skill India - making India globally competitive



## Overall objective

“To rapidly scale up skill development efforts in India, by creating an end to end, outcome focused implementation framework, which aligns demands of the employers for a well-trained skilled workforce with aspirations of Indian citizens for sustainable livelihoods” - This mission statement of the National Skill Development Mission is now the guiding principle for all skill development initiatives in India.

Skill India seeks to provide institutional capacity to train a minimum of 400 million to become skilled workforce by 2022<sup>31</sup>.



## Major achievements<sup>32</sup>

### Strengthening the ecosystem

- The number of Industrial Training Institute (ITIs) in the country has increased from 10,750 in May 2014 to over 13,105 in May 2016. More than 1,141 new ITIs have been added and 0.17 million seats have increased in the last one year<sup>33</sup> showcasing the Government’s resolve towards skilling in India
- Over 1,661 qualifications from both the National Skill Development Corporation (NSDC) and ITI ecosystems have been aligned to National Skills Qualification Framework (NSQF) during the last two years<sup>34</sup> along with creation of model curriculum for them leading to uniformity in course content across the system. Thus the total number of Qualification Packs (QPs) across sectors available till date is 2,122<sup>35</sup>
- More than 250 Pradhan Mantri Kaushal Kendras (PMKK) have been setup as model and iconic centres for skilling across districts primarily focused on imparting multi-disciplinary job roles and courses<sup>36</sup>
- Skill Management Accreditation of Training Centers (SMART) was launched by NSDC to digitally manage over 13,000 centers across India. The portal seeks to standardise the due-diligence and ranking of the various training centers
- Sector Skill Councils (SSCs) have been set up as autonomous industry-led bodies by NSDC with an aim to ensure that the training is relevant to industry needs and is aligned with the national skill development policy. Till date, proposals for 38<sup>37</sup> SSCs have been approved by the NSDC board. There are approximately 450 corporate representatives in the Governing Councils of these SSCs thereby enabling SSCs to bridge the industry connect gap.

31. PIB Backgrounder-National Mission for Skill Development, 14 July 2015.

32. “DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION”, Government of India, 20 December 2017

33. Skill Development Sector - Achievement Report. (n.d.). Retrieved November 21, 2017

34. Skill Development Sector - Achievement Report. (n.d.). Retrieved November 21, 2017

35. National Skill Development Corporation website, accessed on 16 January 2018

36. “India’s First Pradhan Mantri Kaushal Kendra for Skilling in Smart Cities”, Press Information Bureau, 23 October 2017

37. Ministry of Skill Development and Entrepreneurship website, accessed on January 03, 2018

## Policy thrust

- State Skill Development Missions have been set up with the goal of achieving the overall skill development targets with better focus on state specific requirements and implementation of various central government schemes.
- The latest amendment to the Apprentices Act 1961, has made it possible to exploit its potential by extending the provisions of the Act to the service industry as well as relaxing the norms for calculating the number of apprentices to be engaged. This has opened up various newer avenues for the apprenticeship programme which were traditionally focused on manufacturing sector.
- The National Apprentices Promotion Scheme (NAPS) with an allotment of approximately USD2.3 billion and a target of increasing the number of apprentices from 0.23 million to over 5 million by year 2020 is a step in the right direction<sup>38</sup>. This will help industry avail subsidy and thereby streamline labour recruitment and training cost<sup>39</sup>
- The Cabinet Committee on Economic Affairs has approved two new World Bank supported schemes with an outlay of approximately USD1 billion - Skills Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP)

and Skill Strengthening for Industrial Value Enhancement (STRIVE). Both these are outcome focused schemes marking a shift from inputs to results in the implementation strategy in vocational education and training.<sup>40</sup> These are also expected to address the current challenges by addressing the shortage of master trainers, capacity building, model curriculum etc.

- The Government of India has set aside USD2.69 billion in 2017-18, 16 per cent more than last year's allocation of USD2.3 billion<sup>41</sup> for skill development. This further showcases the resolve to address the current shortage of trained manpower<sup>42</sup>.

## Training achievements

- Under Pradhan Mantri Kaushal Vikas Yojana (PMKVY), a total of 1.98 million candidates have been enrolled, out of which 1.79 million have been trained and 1.19 million have been certified<sup>43</sup> till date<sup>44</sup>
- Under the Craftsmen Training Scheme, more than 1 million trainees were skilled during FY 2015-16<sup>45</sup>
- India signed Memorandum of Cooperation (MoC) with Japan on the 'Technical Intern Training Program (TITP)'. TITP is an ambitious programme which envisages to send 0.3 million Indian technical interns to Japan for on-the-job training for a period of three to five years.<sup>46</sup>



38. ASSOCHAM, August 2017, Skill Development in India - An Overview

39. "National Apprenticeship Promotion Scheme", Skill Development, Government of India, accessed on 15 January 2018

40. Cabinet approves SANKALP & STRIVE Schemes to boost Skill India Mission, Press Information Bureau, 11 October 2017

41. Ministry of Skill Development and Entrepreneurship website, accessed on 3 January, 2018

42. "Highlights of Budget 2017 for skill development, youth and jobs", National Skills network, 2 February 2017

43. Skill Development Sector - Achievement Report. (n.d.). Retrieved November 21, 2017

44. "Pradhan Mantri Kaushal Vikas Yojana flounders: 30 lakh trained in skills, less than 3 lakh get job offers", The Indian Express, 21 September 2017

45. Skill Development Sector Achievements report, Make in India, 21 December 2016

46. Business Standard, October 2017, assessed on November 22, 2017



## Key reforms/plans in place

- Ministry of Skill Development and Entrepreneurship (MSDE) launched its flagship scheme Pradhan Mantri Yuva Udyamita Vikas Abhiyan (PMYUVA) Yojana on entrepreneurship education and training in November 2016. With an outlay of approx. USD78 million, it aims to provide entrepreneurship education and training to over 0.7 million students in 5 years (2016-17 to 2020-21) through 3,050 institutes.<sup>47</sup>
- There are plans to open three new Regional Vocational Training Institutes (RVTIs) for women in FY17 in order to increase the female workforce participation ratio (WPR). Correcting the current female WPR can reportedly increase India's GDP by 60 per cent<sup>48</sup>.
- Pradhan Mantri Kaushal Kendra (PMKK) scheme has a target to set up 426 PMKKs across 409 districts. Currently, the country has more than 250 PMKKs
- The Skill India programme looks to offer a passage for overseas employment through special programs mapped to global job requirements and benchmarked to international standards.
- The Skill India programme also envisages to maintain a national online database, known as the Labour Market Information System (LMIS), which will match the demand and supply of skilled workforce in the country and thereby decrease the asymmetry that exists.



47. MSDE Announces Launch Of Pradhan Mantri Yuva Yojana To Scale Up An Ecosystem Of Entrepreneurship For Youngsters, Press Information Bureau, 9 November 2016

48. McKinsey Global Institute, September 2015, The power of Parity



## Case study<sup>49</sup>

**Project:** Andhra Pradesh State Skills Development Corporation’s initiative with a German conglomerate company

**Project Objective:** “To combine virtual and physical worlds for engineers and manufacturers and to train engineering and polytechnic candidates (including alumni) with industry-relevant courses thereby making them more employable and creating trained workforce for new technology been introduced by manufacturer”.



**6 COE’s**



**34 t-SDIs**

**Project Brief:** First of its kind as a single platform in capacity building with various skill set and giving priority for all core sectors ‘Manufacturing, Electrical, Electronics, Auto and Farm machinery (Agriculture)’ by giving more priority to ‘Make in India’.

- Centre of Excellence (CoE) are equipped with state-of-the-art tools and technologies serve as a ‘Technical Knowledge Resource’ for industry and acts as ‘Hub’ for t-SDIs.
- ‘t-SDIs - technical-Skill Development Institutes’ are focused on skilling students in vocational trades at Polytechnic/ITI level. The t-SDIs are meant to focus on skills for blue collar and rust collar jobs.

**Target Group:** Engineering and Polytechnic candidates (including alumni), ITI and school dropouts.

“AP State Skill Development Corporation (APSSDC) and a German conglomerate company organising 10-day training for degree-diploma engineers” Skill Reporter, 30 May 2017

**Sectors and trades covered:**



Automobile



Aerospace and Defence



Mineral based industries

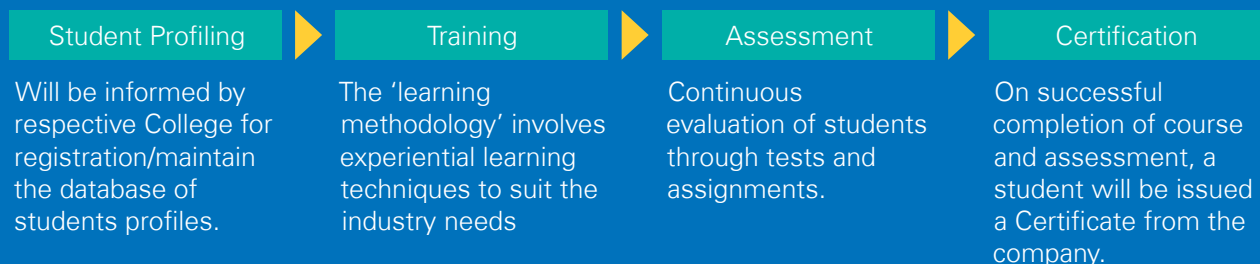


Electronics and IT



Agro and food processing

**Student Training Programme:**



**Impact:** The centres would offer training in different disciplines and any student attending a course in these centres would ultimately be equipped with the knowhow of the latest technology thereby providing a ready pool of skilled workers for the industry/company, thus driving adoption of technology introduced by them.

Established labs in **40** institutions

**31** Engineering colleges

49. AP State Skill Development Corporation (APSSDC), accessed on 16 January 2018





## Future plans

- Government of India and various state governments have also conceptualised projects with various multilateral agency to develop and strengthen the skill ecosystem in India. Some of them are as detailed below:
  - SANKALP at an estimated outlay cost of approx. USD0.7 billion is envisioned to provide training that is relevant to the market, to 35 million youth.<sup>50</sup> It will also focus on setting up assessor academies that will assess the quality of the training provided by institutes. Thus the scheme presents a huge opportunity for national and international assessment agencies.
  - STRIVE at an estimated cost of approx. USD343 million<sup>51</sup> seeks to focus on the quality of vocational training provided by Industrial Training Institutes. Additionally, it will also focus on providing stronger apprenticeship programs through the involvement of Small and Medium Enterprises and various business associations. The scheme provides opportunities for Massive Open Online Course (MOOC) providers, knowledge providers in curriculum development and training of trainers by Subject Matter Experts and industries to invest in vocational training and ITIs.
  - The Asian Development Bank has supported India's Skill Development program in Odisha, Madhya Pradesh, Himachal Pradesh, Kerala and Meghalaya with cumulative financing to the tune of USD304 million.<sup>51</sup>
- The Government of India has also introduced various initiatives like Make in India, Digital India, Housing for all, National Highway development project, inland waterways development which have a multibillion dollar outlay and is expected to help India maintain the current GDP growth rate, thereby translating into increased job opportunity.



## Key institutions/departments driving the reform

- The Prime Minister's office
- Ministry of Skill Development and Entrepreneurship (MSDE)
- National Skill Development Agency (NSDA)
- National Skill Development Corporation (NSDC)

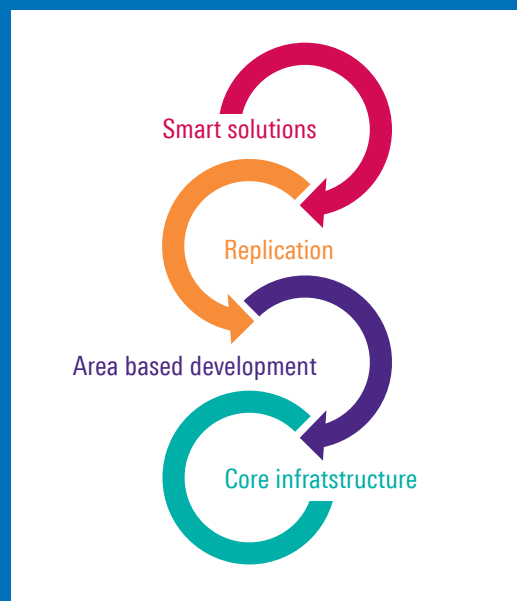
50. Press Information Bureau, Government of India; October 2017

51. "India: Supporting Kerala's Additional Skill Acquisition Program in Post-Basic Education", Asian Development Bank, accessed on 15 January 2018

# Smart Cities – creating a smarter and sustainable India

## Overall objective

- The Smart Cities Mission aims to drive economic growth and improve the quality of life in the country by enabling local area development and harnessing technology, especially the ones that leads to Smart outcomes.<sup>52</sup>
- The mission is being implemented through area-based and pan-city developments based on the following finalised principles
  - Integrated planning - Four-fold pathway
  - Real citizen consultations
  - Applying IT infrastructure and services
  - Competition for Bottom-up Model
  - Thrust to Area Development
  - Self-reliance for funding and focus on smart projects
  - Unique Implementation Framework
- Key Smart Solutions under Smart Cities Mission are:



| Category                                 | Solutions   |   |
|--|---|---|
| <b>E-Governance and Citizen Services</b> | <ul style="list-style-type: none"> <li>• Public Information, Grievance Redressal</li> <li>• Electronic Service Delivery</li> </ul>          | <ul style="list-style-type: none"> <li>• Citizen Engagement</li> <li>• Citizens – City’s Eyes and Ears</li> <li>• Video Crime Monitoring</li> </ul> |
| <b>Waste Management</b>                  | <ul style="list-style-type: none"> <li>• Waste to Energy and Fuel</li> <li>• Waste to Compost</li> </ul>                                    | <ul style="list-style-type: none"> <li>• Every Drop to be Treated</li> <li>• Treatment of C&amp;D Waste</li> </ul>                                  |
| <b>Water Management</b>                  | <ul style="list-style-type: none"> <li>• Smart Meters and Management</li> <li>• Leakage Identification, Preventative Maintenance</li> </ul> | <ul style="list-style-type: none"> <li>• Water Quality Monitoring</li> </ul>  |

<sup>52</sup> Smart Cities Mission Statement & Guidelines, Ministry of Urban Development, Government of India, June 2015

| Category          | Solutions  |  |
|-------------------|--|--|
| Energy Management | <ul style="list-style-type: none"> <li>Smart Meters and Management</li> <li>Renewable Sources of Energy</li> </ul> | <ul style="list-style-type: none"> <li>Energy Efficient and Green Buildings</li> </ul> |
| Urban Mobility    | <ul style="list-style-type: none"> <li>Smart Parking</li> <li>Intelligent Traffic Management</li> </ul>            | <ul style="list-style-type: none"> <li>Integrated Multi-Modal Transport</li> </ul>     |
| Others            | <ul style="list-style-type: none"> <li>Tele-Medicine</li> <li>Incubation/Trade Facilitation Centers</li> </ul>     | <ul style="list-style-type: none"> <li>Skill Development Centers</li> </ul>            |



## Major achievements

### Smart Cities in numbers: Progress so far

- The Government announced the list of 30 cities for development as smart cities in June 2017, taking the total cities picked up so far to 90 under the Smart City Mission. 20 cities are set to compete for the remaining 10 spots to complete the list of “100 Smart Cities Mission”<sup>53</sup>.
- 60 cities have constituted Special Purpose Vehicles (SPVs) with a mandate to plan, appraise, approve, release funds, implement, manage, operate, monitor and evaluate the Smart City development projects in respective cities.<sup>54</sup>
- Project Management Consultants have been hired in 52 cities which assist the selected smart cities in designing, developing, managing and implementing the smart city proposals.<sup>55</sup>
- So far, over 95 million of urban population across 90 cities have benefitted as a result of the Smart Cities Mission.<sup>56</sup>

| Round#       | Total Winning Proposals | Total Urban Population Impacted |
|--------------|-------------------------|---------------------------------|
| Round 1      | 20                      | 37,308,257                      |
| FastTrack    | 13                      | 9,456,915                       |
| Round 2      | 27                      | 25,506,844                      |
| Round 3      | 30                      | 23,683,030                      |
| <b>Total</b> | <b>90</b>               | <b>95,955,046</b>               |

Smart Cities Network | Smartnet, January 16, 2018

53. SMART CITIES MISSION, Government of India, January 16, 2018

54. SMART CITIES MISSION, Government of India, January 16, 2018

55. Smart Cities Network | Smart net, January 16, 2018

56. Smart Cities Network | Smart net, January 16, 2018



## Key reforms/plans in place

- A smart city is ambitious to unify data from wide range of sources and to generate actionable intelligence for decision-making for improved governance and citizen services. Information and Communications Technology (ICT) forms the bedrock of a holistic infrastructure framework and provides necessary impetus to an integrated approach towards 'smartness'. Jabalpur, Surat and Pune are amongst the 10 cities that have already developed Command and Control Centers to aggregate different data streams in a city under a single roof. On similar lines, 20 cities are expected to float tenders soon for integrated command and control centers.<sup>57</sup>
- 30 cities are on the road to implement footpaths, bicycle tracks, etc. under the Smart Roads project<sup>58</sup>
- Rooftop solar, as already implemented on large scale by cities such as Coimbatore, are to be planted on all public buildings by all of the smart cities



## Case study

### Success Stories:

#### Indore<sup>59</sup>:

- As a result of paced growth and commercialisation, Indore faced an acute issue of Solid Waste Management - around 750 open garbage dumps in the city were not cleared regularly. Indore's Smart City Proposal highlighted the need for implementing GPS-based Vehicle Tracking and Monitoring System (VTMS) in the city.
- VTMS became operational since 1 March 2017 within first quarter of its operations, more than 90 per cent garbage vehicles (more than 700 of 750 vehicles) had already been inducted into the system. The project has led to real-time monitoring of garbage vehicle movement ensuring tracing of collection route and improvement in solid waste handling and operational efficiency which will be critical for the city to achieve 'Zero Waste' status.
- The system is contributing significantly to cleanliness and public health in the city. As a matter of fact, the Swachh Sarvekshan Survey 2017 ranked Indore as the cleanest city in India.

#### Bhopal<sup>60</sup>:

- In order to promote bicycle rides and provide for first and last mile connectivity to Bus Rapid

Transit (BRT), Smart City Bhopal has initiated a public bicycle-sharing programme in the city.

- As a result of this initiative, a large number of people are using the public bicycle-sharing programme, where more than 50 per cent of the users are registered members.
- Currently 250 bicycles are placed/available in 40 locations for hiring with plans for increasing the number of bicycles to 500 at 50 locations in the city.
- The project is leading to reduction in vehicular traffic of the city and lesser demand for vehicle parking. This is further playing an important role in enabling safer transport and less pollution/congestion on roads. This is also expected to have favorable impact on the health of citizens.

#### Bhubaneswar<sup>61</sup>:

- Bhubaneswar has emerged as one of the fast-growing, important trading and commercial hubs in the state and Eastern India. Bhubaneswar has about 300 intersections of which at present, 23 per cent of intersections are signalised for conducive traffic movements.
- To enhance the efficiency of the signalised intersections the city has proposed to have

57. SMART CITIES MISSION, Government of India, January 16,2018

58. SMART CITIES MISSION, Government of India, January 16,2018

59. Indore deploys VTMS; tracks waste real time, Smart Cities Council, 25 July 2017

60. Public Bicycle Sharing – Bhopal, SMARTNET, 3 July 2017

61. Adaptive Traffic Signal Control System – Bhubaneswar, SMARTNET, 3 July 2017

a coordinated traffic signal control system. In light of the above, Bhubaneswar has recently procured the requisite technology of traffic engineering named Composite Signal Control Strategy (CoSiCoSt) developed by C-DAC (Centre for Development of Advanced Computing).

- The system shall be integrated with other smart city modules in the Central Command Centre and provide real-time decision support. The

Adaptive traffic signal control system is planned to be installed at 58 traffic signals, 14 pelican crossings and blinkers at five locations in the city.

- The project is leading to equitable distribution of green phase (traffic signal) time and faster response to traffic conditions and emergencies. The system also predicts traffic volumes and accordingly adjusts signal timings.

## Upcoming Projects:

Bhopal<sup>62</sup> has launched an innovative PPP based smart poles and intelligent streetlights project under the Smart Cities Mission. The project is innovatively structured in such a manner that it delivers bundled smart services to citizens and maximum values for money to the city authority.

400 Smart poles and 20,000 LED Street Lights are to be installed across the city under this programme. Smart Pole and LED Street Lights offer multiple services to the city residents; the integral features of the Smart Pole and LED Street Lights are:

| Smart Poles  | Intelligent Street Lights  |
|--|--|
| Energy efficient and remotely controllable LED street lights   | Increased life of LED lights   |
| Surveillance cameras for safety and parking violation detection  | Intelligent, programmable street light system for efficient power management |
| Environmental sensors to monitor air quality, temperature and humidity   | Remote operation and control of street light system                          |
| Wi-Fi hotspot services for the city  | Report of operating (green sign) and non-operating (red sign) luminaries     |
| Electric vehicle charging points to promote use of electric vehicles in the city   | Power theft control detection  |
| Mobile based application with functionality of SoS   | SMS to maintenance field staff in event of faults                            |
| Optical fiber for better bandwidth to the Wi-Fi users/ providing backhaul to telecom operators                                     | Workforce cost saving  |
| Smart pole has telecom tower infrastructure to match with city aesthetic and ready to accommodate upcoming technology as 4G and 5G | Automatic report generation for day/ month/year                              |

62. Smart Roads (Smart Poles And Street Lights) On PPP Basis – Bhopal, SMARTNET, 3 July 2017



## Future plans

- Market estimates suggest investments of about USD1.2 trillion will be required over the next 20 years across areas such as transportation, energy and public security to build smart cities in India.<sup>63</sup>
- A total of 2,313 projects worth approx. USD14.89 billion are at various stages of select smart cities, summary of which is as below<sup>64</sup>:
- The Smart City Mission also has a key agenda of creating Industrial Corridors between India's big metropolitan cities in India. Interestingly, these corridors are developed by the Indian Government in collaboration with foreign governments who are keen to find their domestic private enterprises new avenues of investment.

| Project Status              | Nos.  | Value (in USD million) |
|-----------------------------|-------|------------------------|
| <b>Projects Completed</b>   | 57    | 145                    |
| <b>Under Implementation</b> | 116   | 692                    |
| <b>Under Tendering</b>      | 182   | 1510                   |
| <b>DPR Preparation</b>      | 1,958 | 12,545                 |

- For instance, Japan is helping India develop its smart cities by investing USD4.5 billion in the first phase of the Delhi-Mumbai Industrial Corridor (DMIC) project through lending from the Japan International Cooperation Agency (JICA).
- JICA has also taken up master planning for three 'Smart Cities' — Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka — in the Chennai-Bangalore Industrial Corridor.
- The United Kingdom (UK) is collaborating with India for developing the Bangalore-Mumbai Economic Corridor project with the help of private companies from the UK.
- PPP based investments to be encouraged.
- India has also been inviting foreign partnership for developing the smart cities and has signed deals to build eight cities — three with Germany, three with the U.S., and one each with Spain and Singapore.



## Key institutions/departments driving the reform

- The Prime Minister's office
- Ministry of Housing and Urban Affairs
- Partner Ministries and State Governments
- Special Purpose Vehicles, Municipal Corporations and Urban Local Bodies
- Investors and citizens at large
- Project Management Consultants

63. Smart Cities, Make in India, 2015

64. Tying up Loose Ends, Indian Infrastructure, December 2017

# Startup India - fostering entrepreneurship and promoting innovation

## Overall objective

Startup India aims to create an optimally enabling environment for both existing and prospective entrepreneurs.<sup>65</sup>

The objectives of the startup India programme include:

- Building an enabling startup ecosystem that will drive sustainable economic growth
- Empowering start-up's to grow through innovation and design
- Creating a country of job creators instead of job seekers
- Fostering a spirit of entrepreneurship across India
- Propelling India into the league of leading startup nations across the world



## Major achievements

- An Action Plan for promoting startups was launched on 16 January, 2016<sup>66</sup>
- Simplified definition of startups for getting access to Government benefits/incentives
- The salient features of startup definition are inclusion of potential of employment generation or wealth creation along with innovation
- Government has introduced several tax benefits for startups, along with simplified regulations including self-certification of compliance under labour laws and relaxed norms in public procurement
- Faster exit enabling startups to wind up operations within 90 days instead (as compared to 180 days for other companies) has been provisioned, allowing startups to not fear failure and quickly move on to their new venture
- The Startup India Hub launched in June 2017 is a one-stop-shop platform for engaging with the startup community, along with a repository of startup ecosystem information; the platform has a registered user base of over 21,000<sup>67</sup> including startups, incubators among others
- and 50 per cent rebate on Trademark Filing, along with fast-tracking of patent applications. A panel of over 1000<sup>68</sup> IP facilitators have been constituted for free IPR facilitation and over 900 applicants have been benefitted from the scheme
- Startup India Learning and Development Module launched (in collaboration with Upgrad) in January 2017, is a free, online, 4 week learning course for entrepreneurs. The module has over 1,91,000 registered users and over 6900 course completions till date
- The equity funding instrument - 'Fund of Funds for Startups' (with a corpus of USD1.55 billion) has provided funding to 75 Startups through 17 Alternative Investment Funds
- Under Atal Innovation Mission launched in January 2016, NITI Aayog has approved setting up of 13 new incubation centres (financial grant of USD1.55 million each) and is extending scale-up support to six established incubation centres (financial grant of USD1.55 million each). Besides, financial assistance is also being provided for establishment of 941 Atal Tinkering Labs across the country.

Startup Intellectual Property Protection Scheme provides 80 per cent rebate on patent filing fees

65. PM's address to the nation on 69th Independence Day, Press Information Bureau, Gol, 15 August 2015,  
66. Startup India Action Plan, Startup India, accessed on 15 January 2017

67. Home Page, Startup India, accessed on 15 January 2017  
68. Status Report on Startup India, Startup India, 20 October 2017

- A robust network of infrastructure has also been put in place, through industry-academia partnership (in the form of 8 research parks, 11 technology business incubators, 15 startup centres, 3 bio-clusters, and 30 bio-incubators among others)
- Other key regulatory reforms introduced for startup ecosystem include:
  - External Commercial Borrowing (ECB) guidelines for startups: Startups can borrow up to USD3 million or equivalent per financial year, either in rupees, or any convertible foreign currency or a combination of both, for a minimum average maturity period of three years<sup>69</sup>
  - Foreign Venture Capital Investors (FVCI) are now allowed to invest in startups irrespective of any sector without Reserve Bank of India's (RBI) approval
  - SEBI has approved five key amendments to SEBI (Alternative Investment Funds) (AIF) Regulations, 2012 with respect to 'Angel Funds':
    - Upper limit for number of angel investors in a scheme has been increased from 49 to 200
    - Angel Funds are allowed to invest in overseas venture capital undertakings up to 25 per cent of their investible corpus in line with other AIFs.
    - The requirement of minimum investment amount by an Angel Fund in any venture capital undertaking has been reduced from 5 million to 2.5 million.
- The lock-in requirements of investment made by Angel Funds in a venture capital undertaking has been reduced from 3 years to 1 year.
  - Limit on acceptance of deposits from members removed for startups<sup>70</sup>
  - Exemption from providing cash flow statement as part of financial statements<sup>71</sup>
  - Annual return can be signed by company secretary or a director<sup>72</sup>
  - Tax exemption on investments above Fair Market Value (FMV)<sup>73</sup>
  - Section 54GB of The Income Tax Act, 1961 tweaked for Capital Gains Exemption to startups<sup>74</sup>
  - Minimum Alternate Tax (MAT) carry forward period increased to 15 years<sup>75</sup>
  - 25 per cent corporate tax slab for companies with an annual turnover of less than USD7.73 million<sup>76</sup>
  - Reduction in number of board meeting for Startup companies (from 4 to 2)<sup>77</sup>



## Reforms planned

- Startup ecosystem ranking framework is being launched consisting of action points that State/UT Government must undertake to promote startups in their administrative territories. This competitive and cooperative federalism is expected to accelerate the Startup India movement
- Collaborations with international startup nations like Israel<sup>78</sup>, Portugal<sup>79</sup> and Sweden<sup>80</sup>
- Direct outreach initiatives in reputed academic institutions of India have been initiated

69. 'Startup India' Scheme, Press Information Bureau, 27 December 2017

70. Limit on Acceptance of Deposits by Startups from its Members Removed, Notifications, Startup India, 19 September 2017

71. India: Exemptions Given To Start-Up Companies By Ministry Of Corporate Affairs, Mondaq, 26 July 2017

72. Compliances for Start-Ups under Companies Act, Law Street India, 08 June 2016

73. Notification related to Tax Exemption on Investments above Fair Market Value, Notifications, Startup India, 14 June 2017

74. Tax Exemption on Capital Gains, Notifications, Startup India, 14 May 2016

75. Budget 2017: Govt. allows Carry Forward of MAT upto a period of 15 years instead of 10 years, Tax Scan, 1 February 2017

76. Provisions Relating To Direct Taxes, Finance Bill, 2016

77. Changes in Companies Act which give a fillip to start-ups, Business Today, 17 October 2017

78. When Startup India meets Startup Nation, it is a perfect tango, Your Story, 7 July 2017

79. PM Modi Launches India-Portugal International Startup Hub, Inc42, 26 June 2017

80. India's Startup Boom, Growth Analysis, 16 June 2016





## Future plans

- The Government is considering an avenue for providing collateral free, debt funding to startups<sup>81</sup>
- International collaborations with leading start-up nations like Israel and Sweden is propelling foreign investor interest in Indian startups especially those working in areas such as clean energy, waste management, agri-tech among others
- Greater engagement with corporates and industry leaders to support the startup ecosystem through mentorship, commercialisation of products/services and also through investments by utilising Corporate Social Responsibility (CSR)<sup>82</sup> funds to support incubators



## Key institutions/departments driving the reform

Department of Industrial Policy and Promotion (DIPP)



81. Government's credit guarantee scheme to give startups a loan lifeline of up to Rs 5 crore, ET Rise, 13 March 2017

82. CSR serves as startup capital, The Times of India, 30 April 2015

# Swachh Bharat Mission - a step towards sanitation and rejuvenation

## Overall objective

Swachh Bharat Mission (SBM) was launched with an aim to make India clean and Open Defecation Free (ODF) by 2 October 2019. The Ministry of Housing and Urban Affairs (MoHUA) and Ministry of Drinking Water and Sanitation are responsible for implementation of the mission in urban and rural areas respectively.

| SBM (Urban)   | SBM (Gramin)  |
|---|---|
| Aim to make all 4,041 towns and cities clean and ODF, affecting 377 million population. The programme targets the construction of 66 million household toilets and 0.5 million public and community toilets by 2019. Further, it also aims to ensure 100 per cent scientific processing of municipal solid waste. <sup>83</sup> | To accelerate rural sanitation coverage in 6,03,631 villages of 685 districts, through motivating communities to construct safe toilets and focusing on solid and liquid waste management, by 2 October, 2019 <sup>84</sup> |

The objectives of the programme are<sup>85</sup>:

- Elimination of open defecation
- Eradication of manual scavenging
- Modern and Scientific Municipal Solid Waste Management
- To effect behavioral change regarding healthy sanitation practices
- Generate awareness about sanitation and its linkage with public health
- Capacity augmentation for Urban Local Bodies (ULBs)
- To create an enabling environment for private sector participation in Capex (capital expenditure) and Opex (operation and maintenance)
- Bring about an improvement in the general quality of life in the rural areas, by promoting cleanliness, hygiene and eliminating open defecation.
- Motivate Communities and Panchayati Raj Institutions to adopt sustainable sanitation practices and facilities through awareness creation and health education.
- Encourage cost effective and appropriate technologies for ecologically safe and sustainable sanitation.
- Develop community managed sanitation systems focusing on scientific Solid and Liquid Waste Management systems for overall cleanliness in the rural areas.

83. SBM Guidelines, Swachh Bharat Urban, accessed on 15 January 2017

84. SBM Guidelines, Swachh Bharat Urban, accessed on 15 January 2017

85. Mission objectives. Swachh Bharat, Ministry of Urban Development, Gov



## Major achievements

### SBM Urban

- Urban areas of 9 states and 3 UTs (Andhra Pradesh, Gujarat, Chandigarh, Maharashtra, Haryana, Jharkhand, Chhattisgarh, Madhya Pradesh, Mizoram, Andaman & Nicobar, and Dadra Nagar Haveli) have been declared ODF.<sup>86</sup>
- During the year 2017, an additional 1,472 cities have declared themselves as ODF, taking the total number to 1,977. Of these, 1,494 have been certified as such through a third party certification process, instituted by MoHUA.
- Under Solid Waste Management, 26 per cent of the waste generated is currently being processed with 9 waste-to-energy (WTE) plants. Over 65 per cent wards are covered by door to door collection, and 23 per cent of waste produced is being segregated.<sup>88</sup>
- Use of information and communications technology (ICT) to improve monitoring and implementation of the programme.
  - Swachhta App - mobile and web based citizen grievance redressal platform for SBM (U). The app has over 5 million registered users with over 5.2 million complaints in more than 2,100 active cities<sup>89</sup>
  - Public Toilet Locator on Google Map - active in over 100 cities with over 20,000 toilets mapped online
  - The SWACHH (Swachhta - Cleanliness Augmentation through Corporate Helping Hands) CSR portal - developed to facilitate private sector participation; more than 145 projects from over 19 cities have obtained private funding<sup>90</sup>
  - Swachh Polls - ICT-based system for obtaining feedback from public toilets users on their experience of using the toilet, based on overall cleanliness and functionality.
- Released the National Policy on Faecal Sludge and Septage Management (FSSM), to accelerate efforts in ensuring safe transportation, treatment and disposal of human waste generated from toilets, especially in towns/cities without networked sewerage system<sup>91</sup>
- Revised Tariff Policy 2006 under the Indian Electricity Act 2003 mandating DISCOMS to purchase power from Waste to Energy Plants<sup>92</sup>
- Notified policy on promotion of City Compost thereby providing Market Development Assistance of USD23.19 per metric tonne to scale up compost production<sup>93</sup>
- Standards for Recycled Concrete aggregate (construction waste) and its usage notified by Bureau of Indian Standards (BIS)<sup>94</sup>
- Order released approving the use of plastic waste in road construction also improving longevity and pavement performance<sup>95</sup>
- Swachh Survekshan, a monitoring and evaluation tool instituted by MoHUA, to rank cities on various cleanliness parameters, and gauge the progress as well as encourage large scale citizen participation<sup>96</sup>
  - First round in 2016 ranked 73 cities – state capitals and those with population of 1 million and above
  - Second round in 2017, ranked 434 cities across India, with population 1 million and above
  - Third round in 2018, to rank all 4,041 cities and towns across the country.

86. #WorldToiletDay: A Total Of 8 States, 3 Union Territories And 1,789 Cities Are Now Open Defecation Free, Swachhindia.ndtv, 20 November 2017

87. Mission objectives. Swachh Bharat, Ministry of Urban Development, GoI

88. Swachh Bharat Mission (urban)-1977 cities declared ODF, Press Information Bureau, 31 December 2017

89. Swachh City, accessed on 10 January 2018

90. Swachh City, accessed on 10 January 2018

91. Ministry of Drinking Water and Sanitation, GoI, accessed on 10 January 2018

92. Swachh Bharat Urban, accessed on 10 January 2018

93. Swachh Bharat Urban, accessed on 10 January 2018

94. Swachh Bharat Urban, accessed on 10 January 2018

95. Swachh Bharat Urban, accessed on 10 January 2018

96. Swachh Survekshan 2018: Looking forward to cleaner India where each citizen plays his/her part: Hardeep Puri, Press Information Bureau, 4 January 2018

## SBM Gramin

- Seven states, 232 districts and 2,75,458 villages have been declared ODF bringing rural sanitation coverage to 71.9 per cent.<sup>97</sup>
- All 4,483 Ganga villages have been declared ODF<sup>98</sup>. An independent verification of the ODF declared Ganga villages has been facilitated through the National Level Monitors (NLM) to validate the accuracy of the declaration.
- Developed Swachh Sangraha, a Knowledge Portal that will act as a search engine for all matters rural sanitation, in all state headquarters and 60 districts
- Revised Gramin programme guidelines including information, education and communication (IEC) to update new decisions and clarify policy concerns
- Developed and rolled out a district ranking exercise – Swachhta Darpan, and awarded 46 best performing districts
- Scaled up swachhta activities through Swachhta Hi Seva fortnight, in which around 100 million citizens participated in over 3.2 million activities and approx. 150 awards were given<sup>99</sup>.
- Rolled out Darwaza Bandh, a national level campaign against open defecation, aimed especially at men, in nine languages across TV, radio and outdoor media<sup>100</sup>
- Organised a nationwide crowdsourcing initiative, Swachhathon, to source ideas across 6 themes of sanitation, inviting solutions from students, professionals and organisations.
- Designed targeted visibility initiatives such as twin pit construction and emptying to provide impetus to the campaign and break myths around twin pit sludge emptying.
- Twenty iconic places are being supported in improving mechanisms of cleanliness, roping in PSUs and corporates for financial support



## Key reforms/plans in place

### SBM Urban<sup>101</sup>

- Launching targeted behaviour change (no-littering, zero-garbage, waste reduction and management)
- Introducing a garbage-free star rating protocol for creating garbage-free cities
- Providing handholding support to laggard states to accelerate ODF achievement in remaining states
- Focusing on enhancing decentralised waste processing by Bulk Waste Generators including Resident Welfare Associations to reduce waste to landfill
- Improving access to menstrual hygiene through onboarding of suppliers of sanitary napkin vending machines and incinerators on Government eMarketplace for ease of procurement by ULBs

- Developing revenue models for Public Toilets to ensure sustainability
- Developing synergies with other missions to drive joint efforts for improving socio-economic outcomes (National Health Mission, National Urban Livelihoods Mission, AMRUT)

### SBM Gramin<sup>102</sup>

- States are required to spend at least 50 per cent of their IEC allocation (both Central and State share) to be eligible for the release of further Gol funds starting September 2017.
- Swachhagrahis, the natural leaders at village level are being identified and engaged in large numbers for interpersonal communication
- Major restructuring of the Ministry's MIS to include capturing of typology of toilet, conversion of dysfunctional toilets, dashboard

97. With Over Five Crore Toilets And 70 Per Cent Sanitation Coverage In Rural Areas, Swachh Bharat Abhiyan Crosses Another Milestone, SwachhIndia.ndtv, 25 October 2017

98. Open Defecation Free: 4,480 Villages Along Ganga Declared ODF, SwachhIndia.ndtv, 12 August 2017

99. Ministry of Drinking Water and Sanitation, GOI, accessed on 15 January 2017

100. Swachh Bharat Mission to go all out for 'Darwaza Bandh', Press Information Bureau, 29 May 2017

101. Swachh Bharat Urban, accessed on 10 Jan 2018

102. IEC Guidelines for States and Districts, Swachh Bharat Mission, Ministry of Drinking Water and Sanitation, GOI, accessed on 15 January 2017

for states to include ranking of districts on 10 key housekeeping parameters

- Independent Verification Agency (IVA) being roped in for sample verification across rural areas
- Operationalising guidelines and protocol for scaling up Solid and Liquid Resource Management are being developed
- Protocol on operationalising ODF sustainability being developed for ODF declared states and districts
- Empanelled 36 new Key Resource Centres to scale up capacity building activities
- Created Swachhta Action Plans with 76 Ministries/Departments leveraging USD811 million for FY 2017-18



## Case study

### SBM-Urban

#### Indore – India’s cleanest city in 2017

Indore city is a tier-2 city and the commercial capital of Madhya Pradesh with a population of around 2.75 million (current estimated). The city was ranked first in Swachh Survekshan 2017, a monitoring tool implemented by MoHUA in 500 cities across India, 24 places ahead of its previous ranking held in 2016.<sup>103</sup> The city’s success was driven by the following key interventions:

- **Awareness:** Information, Education and Communication and Behaviour Change Communication approaches were utilised to create awareness among the people and the community about waste collection, segregation and disposal, its benefits and consequences on human health and the environment.
- **Door-to-Door Collection:** Segregated waste is collected from every household and all households are covered by door-to-door collection. The collection and transportation vehicles are covered and divided into two parts for transportation of waste in a segregated manner till the processing stage. This has led to total elimination of large garbage bins from Indore.

- **Recycling of non-biodegradable waste:** This waste is also segregated with the recyclable low-density polyethylene getting cleaned and sent for recycling at existing plastic briquette unit, where the plastic briquettes are sold to an irrigation pipe manufacturer, other smaller volume recyclables are cleaned, sorted, bundled and traded to wholesalers at cost-plus margin. Recycled plastic is also used for road construction.

### SBM-Gramin

Harda district of Madhya Pradesh has been declared ODF in 2016.<sup>104</sup> There are many original initiatives in the district that make Harda’s ODF journey a success story. Led by the District Magistrate, the Swachh Bharat campaign includes ideas like ‘gift a toilet on Rakshabandhan festival’ from brothers to sisters; ODF Olympics-sports for villagers from ODF villages; policy of no expenditure on IEC till the village actually becomes ODF; and a very strict verification procedure. The district has taken efforts to engage the zilla panchayat members proactively. The state has trained around 4,500 motivators in community approaches across the state. The state partnered with a nationalised bank to put in place a system of direct electronic transfer of fund to each household to improve time lag in funds given to beneficiaries.

103. Indore emerges as the Cleanest City of India, Ministry of Housing & Urban Affairs, GoI, 04 May 2017

104. Notes from Swachh Madhya Pradesh campaign, India Water Portal, 21 August 2016



## Future plans

### SBM-Urban<sup>105</sup>

- All states targeted to become ODF by December 2018.
- Swachh Survekshan 2018, the first ever pan India sanitation survey has begun on 4 January 2018. It will rank all 4,041 cities/towns across the country.

### SBM-Gramin<sup>106</sup>

- Public Financial Management System (PFMS) is being planned to be implemented in all states for transparency; organised workshop for 12 States identified for PFMS implementation in Phase I
- Convergence plans with Ministry of Women and Child Development, Ministry of Rural Development, Ministry of Panchayati Raj, Department of School Education for converging additional funds for solid and liquid waste management including menstrual waste.
- Convergence with Department of Empowerment of Persons with Disabilities for financial and policy support for improving sanitation facilities for persons with various disabilities



## Key institutions/departments driving the reform

### SBM-Urban

- Ministry of Housing and Urban Affairs

### SBM-Gramin

- Ministry of Drinking Water and Sanitation



<sup>105</sup>. Ministry of Housing and Urban Affairs, GOI, accessed on 15 January 2017

<sup>106</sup>. Ministry of Drinking Water and Sanitation, GOI, accessed on 15 January 2017



A satellite night view of India, showing the country's outline and the glowing lights of its cities and towns. The lights are concentrated in the eastern and southern parts of the country, with a few smaller clusters in the north and west. The background is dark, representing the night sky.

# Select states and their reform agenda



The emphasis on creating an environment where all states need to vie for better 'ease of doing business' environment, is forming the spine of new-age federalism in the country.

Competitive federalism is working in a subtle manner and many states are able to implement structural

reforms that cut red tape and reduce bureaucracy, thereby creating a business-friendly environment. The report lists out some states and the notable steps undertaken, having outperformed their past performances, to become harbingers of India's economic strength and development.

## Andhra Pradesh

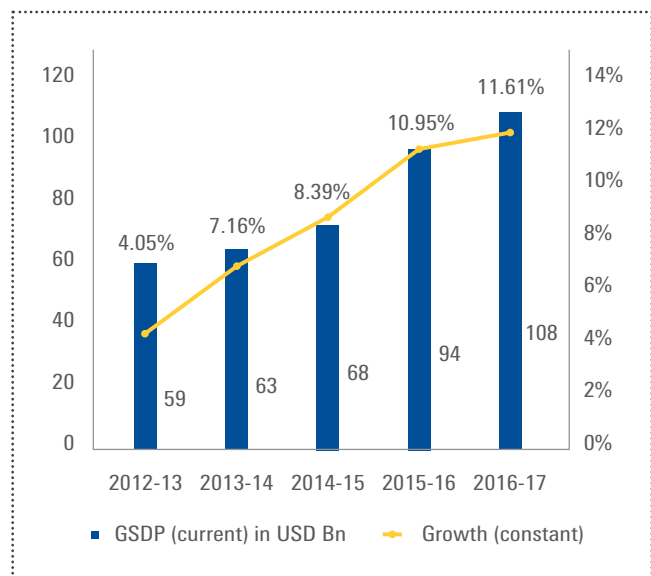
### State Overview

- Registered growth rate of 11.61 per cent in FY16-17<sup>01</sup>
- Expected to grow at a CAGR of more than 12 per cent over the next two decades
- Industrial growth -10.05 per cent | Manufacturing growth -10.36 per cent in FY 16-17<sup>02</sup>
- Mission based approach adopted across seven sectors (Primary, Social Empowerment, Knowledge and Skill, Urban, Industry, Infrastructure, Services) for sustained growth<sup>03</sup>
- Second largest coastline in India (974 km) provides for high export potential<sup>04</sup>
- Two large industrial corridors – Visakhapatnam Chennai Industrial Corridor and Chennai – Bengaluru Industrial Corridor (CBIC) being developed

### Major achievements

- Ranked 1st in India in Ease of Doing Business by DIPP and World Bank in 2016<sup>05</sup>
- 100 per cent electrification: Second State to achieve this milestone with 24X7 quality power supply to industry<sup>06</sup>
- Ranked 1st in 'Energy Efficiency Implementation Readiness (2016)' by World Bank<sup>07</sup>
- 'Amaravati' – Greenfield capital city development in progress
- Attracted FDI of USD1.1 billion from a South Korean automobile manufacturer and its subsidiaries<sup>08</sup>

### Andhra Pradesh economy



Source: AP Economic Surveys

### Key reforms/plans in place

- 'Single Desk Portal' (SDP) | One stop shop for providing all industrial approvals within 21 working days; Provides more than 55 services including approvals, NOCs and renewals
- Guarantee of services through 'Public Service Delivery Guarantee'
- Online Incentive Administration | Process Reengineering initiative to help incentive sanctions by reducing processing time, rationalise documentation requirements and decentralisation of claim sanctions at district level for MSMEs
- Online Investment Tracking Mechanism | For monitoring lifecycle of investments from DPR submission to commercial production, and to address any inter-department issues.

01. AP Socio Economic Survey 2016-17

02. AP Socio Economic Survey 2016-17

03. AP Socio Economic Survey 2016-17

04. AP Socio Economic Survey 2016-17

05. A.P., Telangana top in ease of doing business, The Hindu, 31 October 2016

06. Andhra Pradesh becomes second state to achieve 100% electrification, Indian Express, 13 September 2016

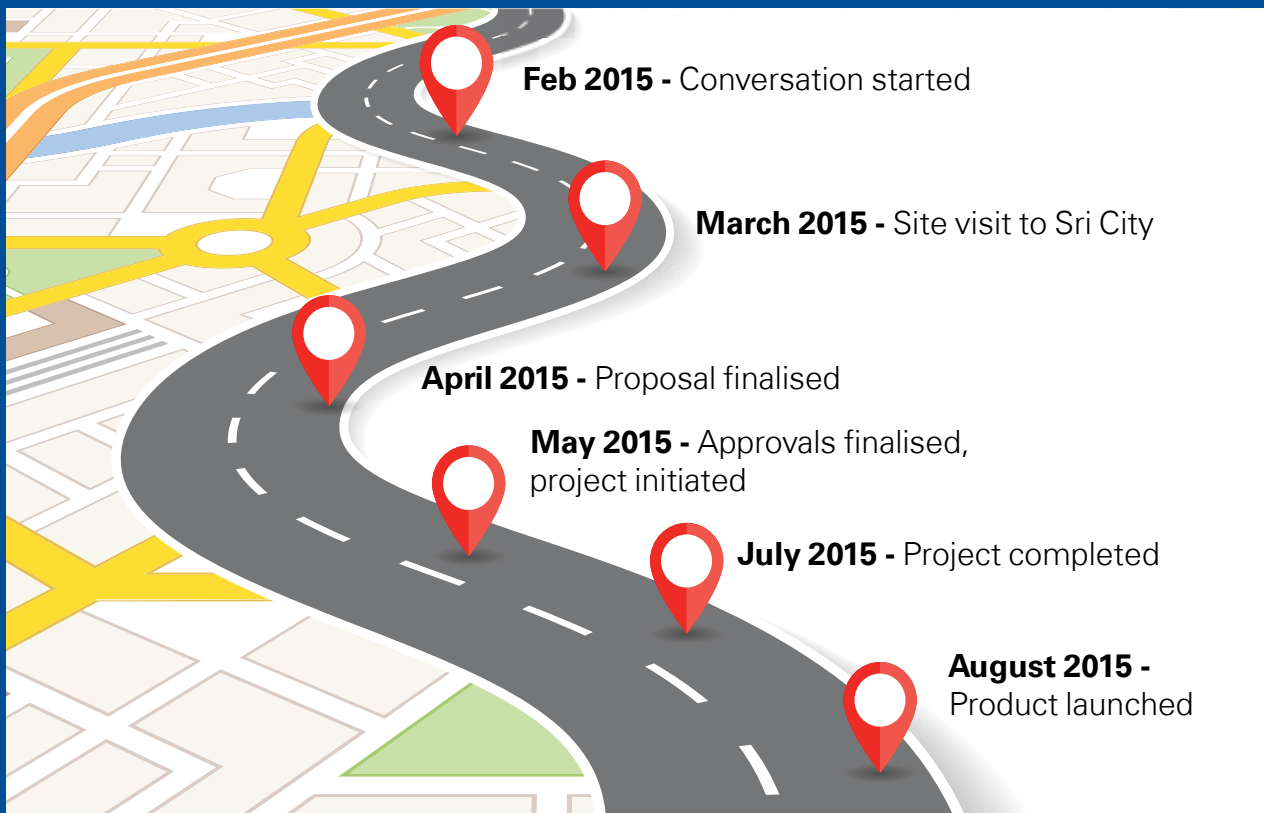
07. A.P. tops in energy efficiency', The Hindu, 4 November 2016

08. Company website - accessed on 15 January 2017

## Case study:

### Fast track implementation of 'a leading Taiwanese contract electronics manufacturer' in Andhra Pradesh<sup>9</sup>

- One of the fastest 'Concept to Grounding' FDI in India
- Location: Sri City, Chittoor | Line of Activity: Mobile phone assembly plant
- A few of the major mobile phone brands have started manufacturing from this facility
- Facility has touched production capacity of 1 phone per second and is generating employment for more than 13,000 people<sup>10</sup>, of which more than 80 per cent are women



## Future plans

- Target to increase contribution of industries to GSDP from 20.7 per cent (2013-14) to 25 per cent by 2020<sup>11</sup>
- Efficient tracking of investments and timely issue resolutions
- Grounding of large Automotive City planned in Anantapur district with a leading South Korean automobile manufacturer as anchor unit
- State-of-the-art MSME Parks with plug-and-play facilities in each of the 175 assembly constituencies to be developed
- Corridor Development: Fast-track development of Visakhapatnam – Chennai Industrial Corridor (VCIC) and Chennai – Bengaluru Industrial Corridor (CBIC)
- Focus on electric mobility solutions

09. Foxconn to double smartphone capacity at Andhra Pradesh factory, Gadgets Now, 12 January 2016  
10. LG to consider setting up unit in A.P., The Hindu, 07 December 2017

11. 'Andhra Pradesh needs to grow at 12%', Business Line, Business Line, 9 October 2015



## Bihar

### State overview

Bihar has been one of India's fastest growing states over the last decade. Though the state faces challenges like high population density and natural calamities like floods, it has been able to achieve accelerated growth momentum on the back of stable government, improved law and order and a visible push in infrastructure development.

#### Overview<sup>12</sup>:



Nine administrative divisions, 38 districts and 534 blocks



Population – 103.8 million (52.2 per cent male; 47.8 per cent female). Population Density – 1,102 per sq. kms



Literacy – 61.8 per cent (male – 73.39 per cent; female – 53.33 per cent)



GSDP at current prices in 2016-17: USD68 billion



Per capita income: USD598.29

Sources: Census 2011; Directorate of Economics & Statistics of Bihar, Central Statistics Office; Ministry of Statistics and Programme Implementation

#### Fastest growing sectors (growth rates)<sup>13</sup>:



Manufacturing (17.7 percent)



Electricity, Gas and Water supply (15.2 per cent)



Trade, repair, hotels and restaurants (14.6 per cent)



Transport, storage and communications (12.6 per cent)



Fishing and aquaculture (10 per cent)

### Major achievements

- During 2011-12 to 2016-17, the GSDP of Bihar at current prices grew annually at 12.14 per cent, the highest rate among all major states in India<sup>14</sup>
- Ranked 16th in the country in EODB rankings (category: aspiring leaders) with implementation rate of 75.82 per cent<sup>15</sup>
- Recently, the Gol has launched road and sewage projects worth USD572 million at Mokamah\*
- Bihar is the 3rd largest producer of vegetables and 6th largest producer of fruits in India
- Highest increase in literacy rate during the last decade (Census 2001 to Census 2011)
- A U.S. industrial conglomerate has expressed interest in setting-up a USD200 million diesel locomotive factory<sup>16</sup>
- A French multinational company operating worldwide in rail transport markets has expressed interest in setting-up a USD130 million electric locomotive factory<sup>17</sup>
- IT/ITeS Conclave 2017 witnessed interest from major players in the technology space

\* cited in India Today, 14 Oct, 2017)

12. Government of Bihar, accessed on 15 January 2017

13. Government of Bihar, accessed on 15 January 2017

14. GSDP of Bihar, Economic Growth in Bihar, Bihar Tourism – IBEF, accessed on 15 January 2017

15. Eoddb, DIPP, GOI, accessed on 15 January 2017

16. GE diesel-loco unit in Bihar on track (but electric is way forward): Goyal, The Telegraph, 28 September 2017

17. Railway engines: Alstom starts production, GE gets first locomotive, Livemint, 12 October 2017

## Key reforms/plans in place<sup>18</sup>

Government of Bihar has initiated reforms on seven important aspects of service delivery to citizens, popularly known as **“Saat Nishchay”**, to fast-track human development efforts and push for infrastructure development in the state. These seven schemes cover the following broad areas:

- Education loans and skill development for youth
- Expansion of technical and higher education opportunities in the state
- Electricity connection to every household
- Piped water supply to every household
- Toilet construction in every household
- All-weather roads and proper drainage network in each habitation of every village
- Women empowerment through reservation in government jobs.

Government has also launched a path-breaking legislation “The Bihar Right to Public Grievance Redressal Act, 2015” to provide the right of public grievance redressal to the people of the state within stipulated time limits.

Government of Bihar has launched the Bihar Industrial Investment Promotion (BIIP) policy 2016 and the Bihar Start-up policy 2017 to give a major boost to industrial development and entrepreneurship in the state.

## Case study<sup>19</sup>

To enhance Ease of Doing Business in the state, Government of Bihar has introduced the following reforms as also articulated in the Industrial Policy document:

- The Udyog Samwad Portal – A one stop platform for investors provides information on acts/rules/notices/notifications published by all relevant departments in the state
- The Udyog Samwad Portal also facilitates grievance redressal for investors and entrepreneurs
- Application process and documentation requirements for setting up business have been simplified
- Defined punitive actions on non-compliance of services are covered under the Bihar Right to Public Service Act
- Labour related reforms: Online application for registration and licenses (including renewal) under the Factory Act and other labour laws
- Tax related reforms: Implementation of GST; application tracking facility and clear timelines mandated for issue of registration certificates
- Environment related reforms: Online consent management system for Consent to Establish (CTE) and Consent to Operate (CTO) under Water and Air Act; authorisation under Hazardous Waste Rules.



18. Government of Bihar, accessed on 15 January 2017

19. Udyog Samwad, Government of Bihar, accessed on 15 January 2017

## Future plans

Bihar has been able to attract new investment proposals worth USD895 million during 2016.<sup>20</sup> Following are the future steps envisaged in the Bihar Industrial Investment Promotion Policy 2016 to facilitate investment promotion and create an enabling environment for industrial development in the state:

- Implementation of single window clearance system
- Establishment of new industrial areas and expansion of existing industrial areas
- Continuous work on improving infrastructure for industrial development like ensuring uninterrupted power supply to industrial areas
- Promotion of private industrial parks
- Allotment of vacant industrial land for priority sector projects.

## Key institutions/departments driving the reform

- Office of the Chief Minister of Bihar
- International Financial Institutions like World Bank, ADB, DFID etc.



20. Bihar witnessed 365% growth in investment proposals in 2016, Hindustan Times, 6 March 2017

# Gujarat

## State overview

With roughly 6 per cent of India's geographical area<sup>21</sup> and 5 per cent of the country's population<sup>22</sup>, Gujarat accounts for almost 8 per cent of India's GDP<sup>23</sup>, 18 per cent of India's industrial output<sup>24</sup> and over 20 per cent of exports<sup>25</sup>. The state's GDP has consistently grown at a rate of over 8 per cent in the past decade<sup>26</sup> and the state's per-capita income is 40 per cent higher than the national per-capita income.<sup>27</sup> The state's infrastructure landscape has evolved over the years to meet the growing urbanisation and industrialisation needs. Some of the key infrastructure components developed in Gujarat are:

- Over 160,000 km of networked roads<sup>28</sup>
- Over 2,400 km of state-wide gas grid<sup>29</sup>
- Over 120,000 km of water canal network<sup>30</sup>
- 16 operational airports
- 48 large ports<sup>31</sup>
- 6 smart cities being developed under India's Smart Cities Mission<sup>32</sup>

The state has a robust MSME backbone of over 2.2 million micro, small and medium enterprises, which provides employment to over 15 million people.<sup>33</sup> In terms of strengths in the manufacturing and industrial sector, Gujarat's contribution to India's manufacturing output is as follows:

- Ranks first in chemical production
- Largest producer of cotton, denim and silk fabric
- Ranks second in pharmaceuticals production
- Ranks third in machinery production

In terms of investments from other countries, FDI to Gujarat grew by over 55 per cent between 2013-14 and 2016-17. The state received USD3.3 billion worth of FDI in the year 2016-17. FDI into Gujarat in 2016-17 is more than double the FDI received in 2014-15 (USD3.36 billion in 2016-17 as against USD1.53 billion in 2014-15). As of 2016-17, Gujarat is positioned at 3rd rank in terms of overall FDI received.<sup>34</sup>

## Tangible reforms – Ease of Doing Business

Gujarat has been active in striking a balance between business activities and interests of citizens and other social groups/investors. As a result, Gujarat has been among the preferred destinations for doing business.

As part of an all-round push for ease of doing business, an Investor Facilitation Portal with 90 online applications covering 16 departments were developed which allows investors to apply for multiple approvals online completely removing the need for physical touch points. These included electricity connections, water connections, building and factory plan approvals, labour approvals etc. Helplines and feedback mechanism are made available to create a better investor experience.

A number of reforms were implemented by the Government of Gujarat including<sup>35</sup>:

- Passing the Gujarat Single Window Clearance Act 2017 in the legislature
- Enabling investors track their applications for various approvals
- Streamlining the government incentive process making the availing of incentives easier and more transparent
- Self-certification for nearly a dozen labour laws avoiding cumbersome inspections
- An online grievance redressal system that auto-escalates if the query is not adequately addressed
- The ability for investors to see all available land banks via a GIS map for obtaining land
- Establishment of commercial courts with jurisdiction over 27 judicial districts in Gujarat
- Intensive awareness drives to educate and inform investors about the above innovations.

21. Gujarat Socio-Economic Review 2016-17

22. Census of India 2011

23. Gujarat Socio-Economic Review 2016-17

24. Annual Survey of Industries 2014-15

25. Gujarat Socio-Economic Review 2016-17

26. Gujarat Socio-Economic Review 2007-08 to 2016-17

27. Gujarat Socio-Economic Review 2016-17

28. Gujarat Socio-Economic Review 2016-17

29. GSPL

30. Gujarat Socio-Economic Review 2016-17

31. Gujarat Maritime Board

32. Smart Cities website, Government of India

33. Micro, Small & Medium Enterprises, Industries Commissionerate, Government of Gujarat, accessed on 15 January 2017

34. DIP, Government of India

35. Industries Commissionerate, Government of Gujarat, accessed on 15 January 2017

## Big plans/opportunity

- **Delhi Mumbai Industrial Corridor (DMIC):** 38 per cent of the 1,483 km-long, high-capacity western Dedicated Railway Freight Corridor (DFC) passes through Gujarat. Six industrial nodes are being developed along the DFC in the state.<sup>36</sup>
- **Six cities of Gujarat being developed as Smart Cities:** Ahmedabad, Vadodara, Surat, Rajkot, Gandhinagar and Dahod. Investment and partnership opportunities across Intelligent Traffic Management Systems (ITMS), ICT solutions, IoT and many more.<sup>37</sup>
- **Gujarat International Finance Tec-City (GIFT) at Gandhinagar:**<sup>38</sup> India's first International Financial Services Centre (IFSC). Firms can undertake offshore transactions in banking, insurance and capital markets
- **Ahmedabad Mumbai High Speed Rail:** India's high speed rail network is set to be established between the cities of Ahmedabad and Mumbai. The ground breaking for this project was done in September, 2017

## What next?

- High growth expected in sectors such as aerospace and defence, financial services, Electronics Systems Design & Manufacturing (ESDM), specialty chemicals, EVs
- Enabling a truly technology driven investor facilitation tool
- Leveraging Industry 4.0 given Gujarat's strong manufacturing base
- Establishment of Gujarat promotion offices at select international locations.



36. DMIC derails in Rajasthan, farmers too hit hard, The Times of India, 07 May 2017

37. Six cities from Gujarat to be developed as Smart Cities, DeshGujarat, 27 August 2015

38. Gujarat International Finance Tec-City - Global Financial Hub, accessed on 15 January 2015

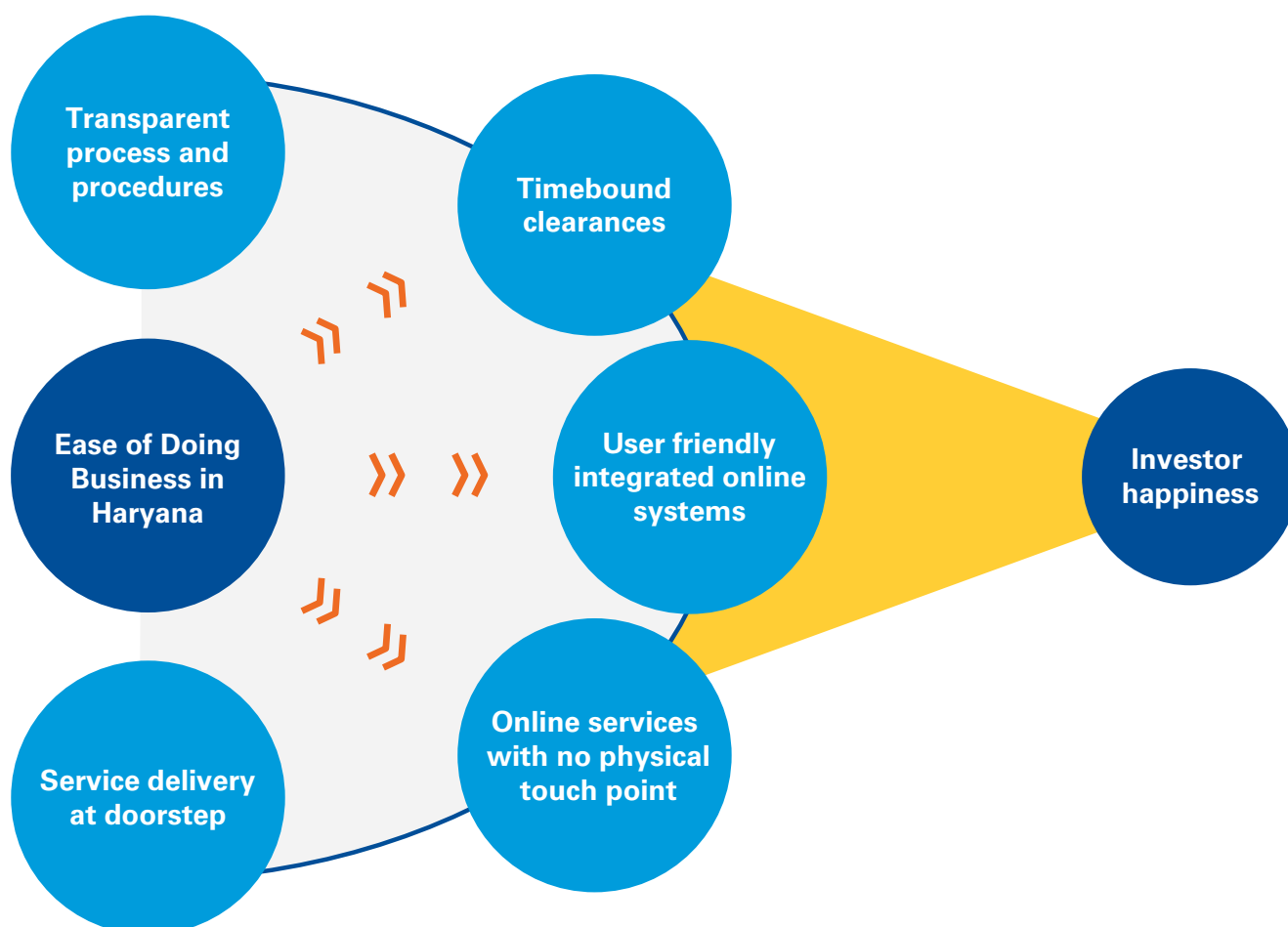


## Haryana

### State overview

- With an area covering 1.3 per cent of the country, Haryana contributes nearly 3.63 per cent to India's GDP<sup>39</sup>.
- Some key facts about the state<sup>40</sup>:
- Geographical area - 44,212 sq.km
  - Divisions - 6
  - Districts - 22
  - Blocks - 140
- Population - 2,53,51,462 (male population - 53.23 per cent | rural population - 46.77 per cent)
- Population density - 8.86 per sq.km.
- Literacy - 75.6 per cent (male - 84.1 per cent and female - 65.9 per cent)
- Power - Total installed capacity - 11,102 MW
- GSDP at current price (2015-16) - USD75 billion
- Per capita income - USD2,785.41<sup>41</sup>

### Major achievements<sup>42</sup>



39. Directorate of Economics & Statistics of Haryana  
40. Economic Survey of Haryana 2016-17

41. Haryana, Statement, Ministry of Statistics and Programme Implementation, 2017  
42. Economic Survey of Haryana 2016-17

- Haryana has jumped to 6th position from 14th position in one year in "Ease of Doing Business" out of 32 States/UTs of India in 2016 (Ranked Number 1 in Ease of Doing Business in North India)
- No. 1 exporter of Basmati rice (accounts for more than 60 per cent of country's export)
- Second highest per capita milk availability after Punjab
- Second highest contributor of food-grains to the central pool
- 17 per cent average GSDP growth achieved in last decade (2006-2016)
- Haryana ranks 4th in cropping intensity<sup>43</sup>



## Any reforms/plans in place



### Labour reforms

- Single Integrated Return: Haryana has mandated the online filing of single integrated return under all applicable labour laws
- Self-certification scheme: To liberalise the enforcement of labour laws, the government has formulated 'Self-Certification Scheme' for the factories, shops and commercial establishments in the state aiming to curtail visits of government officials for inspection
- Registration of shops within one day: Eliminated the requirement of inspection prior to registration under the Shops and Establishment Act and registration is granted within one day from the date of application



### Environment reforms

- Auto-renewal of CTE and CTO - The Haryana Pollution Control Board has a provision for granting auto-renewal of consent to establish and consent to operate based on self-certification/third party certification



### Utility reforms

- Electricity Connection- Self-certification for applying for load under 11KW<sup>44</sup> and reduced the number of documents required for obtaining the electricity connection to only two i.e. proof of ownership/occupancy and authorisation document (in case of firm/company)
- Online water applications with No inspection of water meter- All concerned departments have mandated that there shall not be a requirement of meter testing as the already tested water meters are being provided by emplaned vendors thus removing the physical touch point

43. State of Indian Agriculture 2015-16, Ministry of Agriculture & Farmers Welfare

44. Government of Haryana – accessed on 16 January 2018



### Inspection reforms

- Central Inspection System- CIS – Haryana Enterprise Promotion Centre has institutionalised the CIS with an aim to achieve the objective of simplifying business regulations and bring in transparency and accountability in compliance inspections. Under this reform a CIS has been developed to ensure timely and synchronised inspections between Department of Boilers, Haryana State Pollution Control Board and Department of Labour
- No inspection will be carried out on any factory premises without prior approval of Head of the department (HoD)



### Feedback reform for improved service delivery

- Strengthening of Rapid Assessment System for obtaining real time feedback from the end users. Govt. of Haryana has developed a Feedback Portal (RAS) to capture the real-time results of services offered to investors- this acts as performance baseline of investor perception. RAS will help in continual improvement to achieve balanced between adoption of online services by investors and departments



### Real time department performance dashboard

- Administrative reform- Real time dashboard: Haryana has also adopted a transparent policy to make the dashboard of services publicly available



## Case study

### Haryana Enterprise Promotion Centre - HEPC<sup>45</sup>

- To attract and facilitate new investments in the state, Govt of Haryana has set up the HEPC in 2016

### Invest Haryana – Single roof solution with statutory backing

More than 70 business services are completely online and mandatorily given through invest haryana portal.

Invest Haryana team commits to give all **business clearances within 30 days**.

### Investor key concerns

- Multiple offices and multiple touch points
- Multiple document submission
- A single window leading to multiple doors/offices/processes
- No defined timelines and delay in approvals etc.

### Investor wish list

- Minimum touch points
- Transparent processes
- Simplified and hassle free procedures
- Time bound approvals
- Optimum cost of doing business



#### Transparency

Status of application is publicly viewable to all investors and general public including media



#### Time bound clearances

Clearances/services granted in maximum of 30 days plus 15 days, in case additional information is required from investor



#### Deemed clearance

Deemed clearance is provided after the completion of 45 days from the date of online application on investharyana portal



#### No physical touch point

- Online Composite Application Form (CAF)
- All interface is through online portals – no manual interface



#### All under one roof

More than 20 nodal officers from various departments are permanently seated to ensure timely clearance of services



#### Speedy clearances

Average time for some key services vital for setting up of industry is 25 days

45. About Us, HEPC, accessed on 15 January 2017

## Future plans

### Reforms in pipeline:

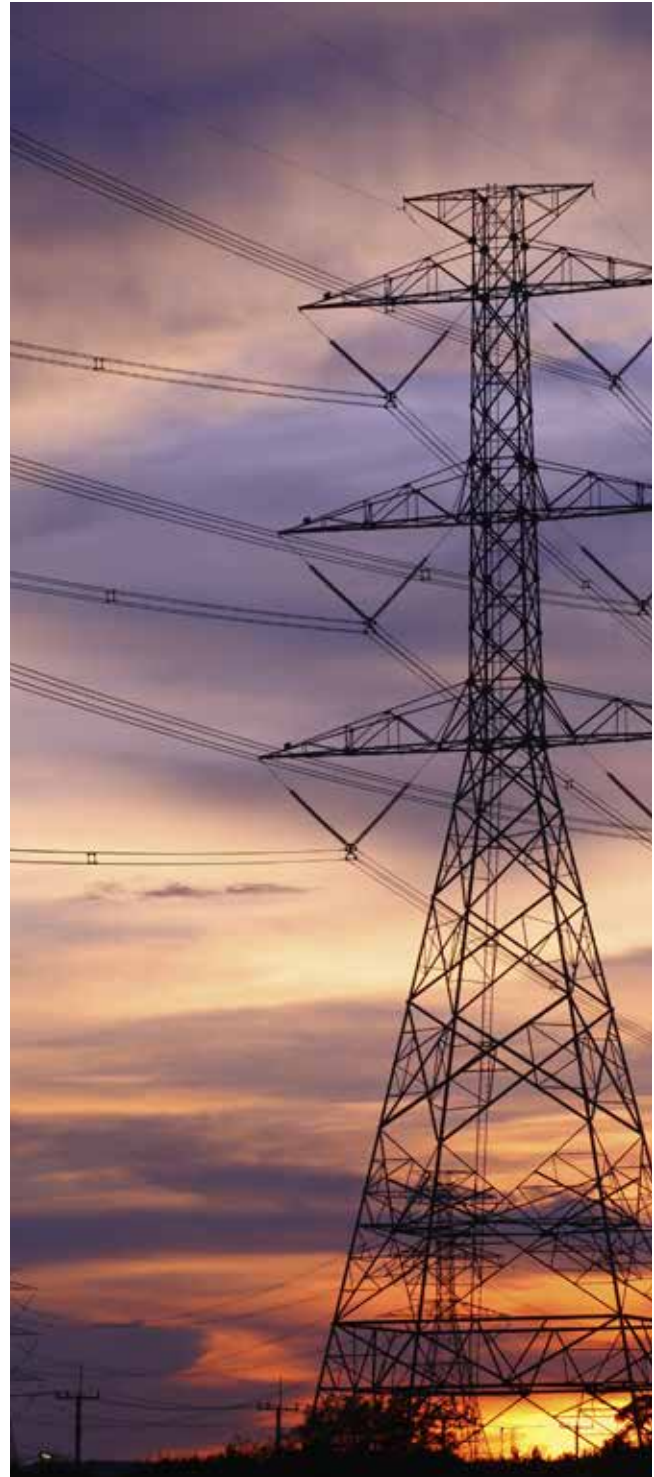
- Self-certification of factory building plan under the Factories Act, 1948
- Green (industrial sectors having pollution index score of 21 to 40) and Orange (industrial sectors having pollution index score of 41 to 59) industry to get clearance of CTE along with CTO
- Permission of Change of Land Use (CLU) on agriculture land to food processing units

### Investment Opportunities:

- Kundli Manesar Palwal – KMP Global Corridor<sup>46</sup>: Kundli-Manesar-Palwal expressway is 135.65 km long, aiming to decongest traffic entering Delhi. KMP Global Corridor to be developed on either side of the expressway with 1 KM area with an investment potential of close to USD50 billion. First phase of the KMP expressway covering 52.3 km (Palwal – Manesar) is already functional. Development projects such as Metro Corridor along KMP, Metro Rail Cluster, Auto Cluster, FTWZ cum Warehousing Cluster, Agri-Business Cluster, Techno - City etc. have been identified on KMP node.
- Integrated Aviation Hub<sup>47</sup> proposed to be developed around the existing Civil Airstrip at Hisar (165 kms from Delhi). The proposed project components domestic airport, MRO/FBO, global training centre for pilots, engineers and ground handling staff, aerospace university, aerospace and defence manufacturing park, residential and commercial development etc. under this project are to be developed.
- Global City at Gurgaon<sup>48</sup> to be developed over an area of 1,000 acres in Gurgaon district with an investment potential of USD15 billion and to be positioned as a sub-node within the DMIC sub-region of Haryana. Feasibility study and master planning of the city is being undertaken by AECOM.
- Integrated Multi Modal Logistics Hub<sup>49</sup> to be developed as the largest logistics hub in North India over 1,200 acres at Nangal Chaudhary, Narnaul with a proposed investment of USD1 billion. It has the potential to reduce the goods movement time from 14 days to 14 hours.

## Key institutions/departments driving the reform

- Department of Industries & Commerce



46. Haryana to develop area along KMP Expressway, The Times of India, 31 May 2016

47. Haryana announces integrated aviation hub at Hisar, creating lucrative opportunities for private participation, Business Line, 6 March 2017

48. Haryana government to auction part of Global City land, The Times of India, 12 November 2017

49. Haryana to be logistics hub for North India, Foreign Investors on India, 27 May 2017

## Jharkhand

### State overview

Jharkhand has significant tribal population (26.3 per cent)<sup>50</sup> and magnificent forest cover (28.82 per cent of total state area)<sup>51</sup>.

Some key facts about the state:<sup>52</sup>

- Jharkhand was formed on 15th November 2000 with division of earlier Bihar.
- Jharkhand's GSDP accounted for 1.67 per cent of India's GDP in 2016-17.
- Jharkhand has large reserves of mineral resources. The state is a key producer of coal, copper ore and mica.
- Jharkhand has emerged as the 3rd best state in the country in 'Swachh Survekshan 2017'.

### Major achievements<sup>53</sup>

Gol has proposed setting up of 5 Special Tourism Zones (STZ) in India collaborating with the state governments. Jharkhand, with its appropriate site setting and connectivity, provides a viable destination for the STZ. The state has earmarked 120 acres for development of tourism and 200 acres for an international film city near Patratu in Ramgarh. With such organic growth in tourism, Jharkhand provides immense opportunity to be considered as one of the STZs. STZs will be developed over the area of at least 300 acres. Government of Jharkhand (GoJ) has started working on the proposal for the same.

### Key reforms/plans in place

- Implementation of State Tourism Policy published in 2015<sup>54</sup>
- Single window clearance policy to boost investment in tourism sector
- Implementation of 'Jharkhand Tourism Home Stay Scheme'
- Commissioning of 'Jharkhand Tourism Development Council' for project implementation
- Short term training, in the field of tourism and hospitality sector, is being provided under 'Employment from Skill' (Hunar se Rojgar)

- Promotion of PPP to mobilise more private investment in the sector
- 'Baba Baidyanath Dham – Basukinath Shrine Area Development Authority Act 2015' act has been enacted for development, regulation and management of shrine areas of Baba Baidyanath Dham and Basukinath Dham.



51. Government of Jharkhand, accessed of 15 January 2017

52. Government of Jharkhand, accessed of 15 January 2017

53. Government of Jharkhand, accessed of 15 January 2017

54. Government of Jharkhand, accessed of 15 January 2017

## Case study: Patratu Lakeside Resort<sup>55</sup>

Patratu Reservoir is situated at a distance of approximately 35 kms from the state capital Ranchi. The place is well connected through an all-weather road from Ranchi and Ramgarh and has good railway and air connectivity through Ranchi airport. Given the scenic beauty, availability of land and suitable distance from major cities of Ranchi and Ramgarh, the state government has envisaged a tremendous potential for development of this destination as a tourist hub for water sports, adventure and other allied activities.

It was observed that for the optimum development of destination under the PPP mode, a significant amount of investment is required (approx. USD30.92 million). However, the site lacked the basic amenities and the footfall was marginal. Therefore, to increase private investor's confidence and project viability, it was considered mandatory to increase the footfall.

It was decided that the project development would be carried out in three phases. In phase 1, the state government decided to invest a significant amount (nearly one third of expected total investment) in the development of basic amenities and a few attraction points such as promenade, children park etc., in order to increase footfall. Once the project viability improves for private investment, phase 2 and phase 3 development will be carried out in PPP mode.

Major reforms which have improved the administrative and project implementation efficiency are as following;

- Single Window Clearance
- Locals in the region have been engaged and provided with short term training in hospitality sector which will not only create employment opportunity for them in the project but also their participation will make them own the project itself.
- JTDC served its purpose by bringing various stakeholders on the same platform and expedited redressal of their concerns
- Promotion of PPP mode investment in the state

## Future plans

- Patratu Lakeside Resort will see phase 2 and phase 3 developments on PPP mode with an investment of approx. USD21.64 million.<sup>56</sup>
- Bada Talab, Ranchi will be developed as a tourism hub on PPP mode.
- Population of the state is nearly 33 million out of which only approximately 24 per cent is urban. This is below the national average of 31.16 per cent.<sup>57</sup> This reflects that the state has tremendous scope for urbanisation and infrastructure development.



55. Department of Tourism, Govt. of Jharkhand – accessed on 16 January 2018

56. Department of Tourism, Govt. of Jharkhand – accessed on 16 January 2018

57. Ministry Of Human Resource Development, Jharkhand Economic Survey

## Karnataka

### State overview<sup>58,59,60</sup>

Karnataka is popularly hailed as 'India's Silicon valley'

- 192,000 sq. Km. geographical area, 30 administrative districts, 176 taluks.
- Population – 61.1 million (50.7 per cent male; 49.3 per cent female). Population density – 319 per sq. kms
- Literacy – 75.6 per cent (male – 82.5 per cent; female – 68.1 per cent)
- GSDP at current prices in 2016-17: USD174.7 billion. 7.6 per cent of India's GDP
- Per capita income at current prices: USD2,472
- 4th highest FDI in the country
- Cumulative investments of about USD22.4 billion till March 2017

### Major achievements<sup>61,62,63</sup>

Leading state in the country to have

- Universal Health Coverage for all citizens of the state
- Industrial park dedicated solely for women

- Dedicated aerospace policy
- Exclusive aerospace parks in the state
- Startup and innovation policy
- Electric Vehicle Policy 2017
- Bengaluru is one of the preferred locations for technology/innovation centers in the world.
  - 4th largest global tech cluster
  - 4th largest skilled workforce in the country
- Largest aerospace hub: 40 per cent of India's aircrafts and spacecrafts manufactured
- Largest biotech hub: 28 per cent of India's biotech companies (226 out of 800) in Karnataka
- Largest exporter of software: 40 per cent of the country's software from the state
- Largest number of startups: 36 per cent (5 out of 8) of India's Unicorns are from Karnataka
- Largest number of R&D centers: 44 per cent (361 centers) of India's total number of R&D centers are in Karnataka
- Largest producer of coffee - 71 per cent - national output



### Top 10 locations in February 2017

1. Silicon Valley
2. London
3. Paris
4. Singapore
5. **Bengaluru**
6. Tokyo
7. Shanghai
8. Berlin
9. Munich
10. Boston

Source: Capgemini Consulting and Altimeter Analysis

58. About Karnataka: Information On Tourism Industry, Exports, Economy & Geography, IBEF November 2017

59. Government of Karnataka, accessed on 15 January 2017

60. Invest Karnataka, Karnataka at a Glance, accessed on 16 January 2018

61. Government of Karnataka, accessed on 15 January 2017

62. Invest Karnataka, Karnataka at a Glance, accessed on 16 January 2018

63. Economic Survey of Karnataka 2016-17



## Key sector scenario<sup>64,65</sup>

### Innovation, Transformation and Technology

- The state is India's largest software exporter, with electronics and computer software exports totaling to USD31.42 billion during 2016-17 (up to September 2016).
- The state government has formulated a new Karnataka Startup Policy for assessing the progress of startup companies during 2015-16.
- The state consists of over 300 biotech companies and has more than 6,800 scientists involved in biotech research.
- More than 60 per cent of the biotechnology companies in India have a base in Bengaluru and the state drives 50 per cent of the total revenues in India's biotechnology sector.

### Tourism

- The sector contributes 14.8 per cent to the GSDP of Karnataka; plans are afoot to expand to 20 per cent by 2025.
- The state government announced the launch of a new policy on tourism for the period 2015-2020 for strengthening and boosting private investments across the tourism sector.
- Karnataka is India's most preferred destination for advanced medical care, and is referred to as the medical tourism hub of India.

### Automobile and engineering

- Karnataka is the 4th largest state in automotive production.
- Contributes 8.5 per cent to the overall automobile sector of the country.
- Provides employment to more than 55,000 workers.
- The engineering segment is the fastest growing sector of the state, with a CAGR of 14.22 per cent between 2010-11 and 2015-16.

### Aerospace and defence

- Karnataka attracts 65 per cent of aerospace investments in the country.
- In 2016, Karnataka approved amendments to the Karnataka Aerospace Policy 2013-23 to provide special incentives for development of MRO sector.

- Of all aircraft and helicopters available with the nation's Defense Services, 67 per cent originates from Karnataka.

### Pharma and healthcare

- State's pharmaceutical industry generated USD1,237 million in revenue contributing 8 per cent to the country's total revenues.
- Global healthcare company GlaxoSmithKline Ltd is investing USD154.6 million in a new state-of-the-art pharmaceutical unit in Karnataka.
- As of 4 October 2017, the state has 12,568 active health institutions out of the total 12,990 health institutions in the state.

### Food processing

- The state consists of seven food parks, a spice park and a seafood park.
- Food processing sector in the state has witnessed a steady growth. The export of agriculture and processed food in the state grew at a CAGR of 22.96 per cent between 2010-11 and 2015-16.

### Textiles

- Karnataka is a major apparel sourcing destination for the global market. The state accounts for 20 per cent of the national garment production.
- The Textile Policy offers various incentives for investments in the textile sector
- In 2016-17 (up to September 2016) 32.50 million meters of handloom textiles was produced in Karnataka.

- Karnataka is at the forefront of developing National Investment and Manufacturing Zones (NIMZs) to promote world-class manufacturing activities.
- Bengaluru ranked best place to live and work for expats in India
- Best labour relations in the country

64. Government of Karnataka, accessed on 15 January 2017

65. Economic Survey of Karnataka 2016-17

### MSME Contribution in Industrial Growth

- 4 million people employed in 2017-18
- 0.6 million MSME units registered in the state
- 54,000 women MSME units

### IIP growth rates (Manufacturing) 2015-2016 (Base Year 2004-05)

- Karnataka > **2.34**
- National > **2.0**

### Karnataka Industrial Policy 2014-19 – Key highlights and achievements

During 2014-17, 1823 projects have been approved by the State Level Single Window Clearance Committee/State High Level Clearance Committee, with an investment of USD516 million investment, generating employment to 0.898 million persons.

Efforts towards development of Industrial Corridors:

- Chennai-Bangalore-Chitradurga Industrial Corridor (CBCIC) and Bangalore-Mumbai Economic Corridor (BMEC)
- Tumkur Industrial Node
- Machine Tool Park
- Japanese Industrial Township at Vasanth Narasapura

Government is establishing six exclusive women industrial parks in the state

### Key sector initiatives and policies

- Karnataka 'Elevate 100' Scheme for Start-ups
- Karnataka New-Age Incubation Network (NAIN) programme
- Incentives for MSMEs involved in the manufacturing of electric vehicle and its components
- GoK offers 5 per cent extra investment subsidy for women entrepreneurs

"Invest Karnataka Forum" established on par with Economic Development Board of Singapore to promote "Brand Karnataka" globally and to attract investments to the state.

Information Wizard-a detailed "Guide to Investors on setting up of Industrial Enterprise" providing holistic information on infrastructure, registrations, approvals, etc. on single window portal.



# Maharashtra

## State overview<sup>66</sup>

- Maharashtra's gross state domestic product (GSDP) accounted for 12.98 per cent of India's gross domestic product (GDP) in 2015-16, the highest among all states.
- Maharashtra is the third largest state in India with an area of about 0.31 million sq. km
- With a population of 112 million, it is the second most populous state in the country.
- Among the top industrialised states with about 45.2 per cent urban population.
- Focus on education with about 45 universities and 4,500+ colleges



**3rd** largest state in India in geographical area



**Top contributing state to GDP** of India



One of the **most** industrialised state in India



**45.2 per cent** urban population



**112 million** population – second most populous state

## Infrastructure plans in Maharashtra

Maharashtra government has been working towards upgradation and expansion of infrastructure. The public infrastructure led growth model has proven successful in Maharashtra and this year alone the state will begin work on more than USD1 trillion worth of infrastructure projects

- Maharashtra alone accounts for 51 per cent (USD20 billion) of Indian infrastructure investments in Mega Projects (above USD30 million) in bidding stage for 2017-18.
- Large projects have been undertaken to boost the connectivity and allow global linkages to the demand market. To name a few, key projects include:
  - Maharashtra Prosperity Corridor (Samruddhi Corridor) which will be a 700km Greenfield Limited-Access Super Communication Expressway with 24 proposed nodes to be developed as Smart Cities<sup>67</sup>
  - The Mumbai Trans Harbor Link (MTHL) which will become the longest sea bridge in India and provide seamless access to the Mumbai's satellite city, Navi Mumbai
  - The metro rail projects in Maharashtra which have been undertaken are one of the largest urban mobility projects in the country and will enable a shift from private to public transport to the tune of 35 per cent
  - The Navi Mumbai International Airport (NAINA), the second international airport for the Mumbai Metropolitan Region<sup>68</sup>
  - Delhi Mumbai Industrial Corridor (DMIC) of which 10 per cent comes in Maharashtra and covers eight districts and develops two smart Industrial nodes in an area of 4,024 hectares
  - Mumbai Coastal Road: An eight-lane, 29-kilometre road along Mumbai's coast, running through reclaimed land, an undersea tunnel, elevated roads and bridges will connect Nariman Point on the southern edge to the city's northern suburb of Kandivali.

66. Maharashtra, IBEF, July 2017

67. The highway to growth, The Indian Express, 17 September 2016

68. Navi Mumbai International Airport to be fully functional by 2019, Maharashtra governor tells Assembly, First Post, 9 March 2016

## Reforms in Maharashtra<sup>69</sup>

Maharashtra government is also focused on bringing about a number of reforms to address the challenges presented by the Indian landscape. Some of the reforms include:



### Dealing with construction permits

- Procedures reduced from 42 to 8
- Time for all approvals during construction cycle reduced from 164 to less than 60 days
- Cost reduced from 25.9 per cent to 23.3 per cent



### Paying taxes

- Single Window Portal enabling single application, payment, tracking and monitoring platform for investors to switching to one GST from multiple tax regimes



### Getting electricity

- Getting a new electricity connection cheaper by 83 per cent
- Number of procedures for new electricity connection reduced from 5 to 3
- Number of days for obtaining a new electricity connection reduced from 53 to 45 days



### Registering property

- Quality of land administration index increased from 7.5 to 9
- Stamp duty and registration fees can be paid online
- Total time of all procedures for registering property has been reduced from 45.5 days to 22.5 days
- Affidavit and notary fees for mutation is abolished, reducing the cost to INR 5



### Labour reforms

- All inspections for registration of shops and establishment have been abolished and also granting is done within a day
- Filing of single integrated return and applicable payments through online system under all labour laws
- All the licenses pertaining to factories are now given for a period of 10 years, this has greatly helped the investor's community since the number of inspection has reduced

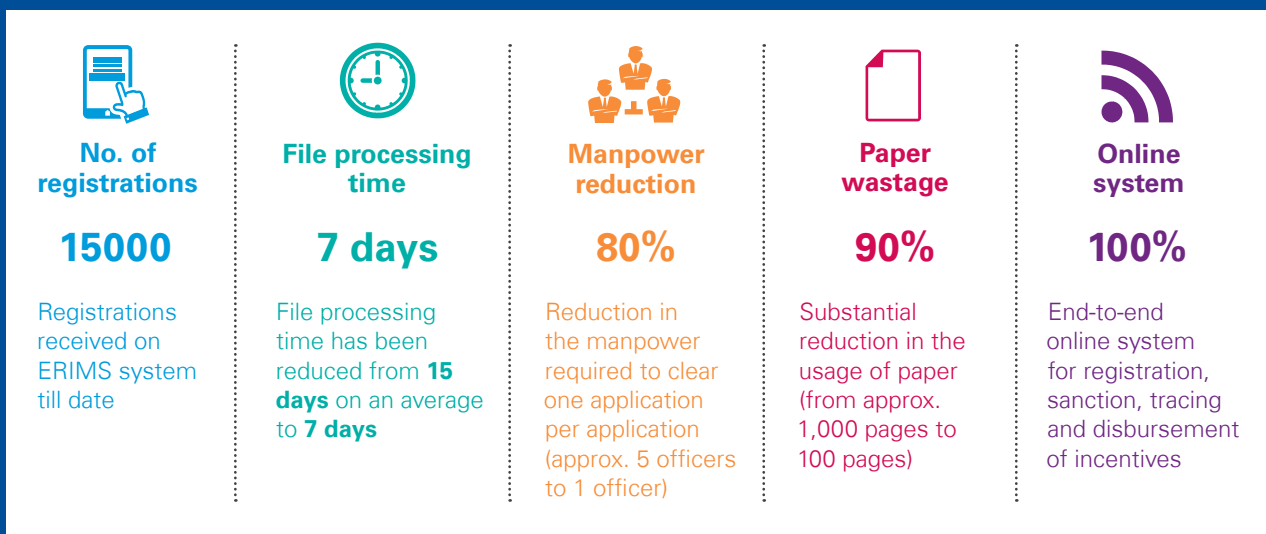
69. Government of Maharashtra, accessed on 15 January 2015

## Case study

### Entrepreneurs Registration and Incentive Management System (ERIMS)<sup>70</sup> for MSME

#### Key features

- End-to-end online system for registration, sanction, tracking, and disbursement of incentives directly into the beneficiary bank accounts
- No physical touch point
- Investor can apply from anywhere and anytime (24 x 7)
- Facilitates efficient and transparent transaction between Government and MSME sector
- The incentive schemes are Stamp Duty Exemption Certificate, Package Scheme of Incentives and Industrial Promotional Subsidy
- Approximately 7,000 industries avail incentives online every year



## Future plans

Government of Maharashtra aims to become a USD1 trillion economy. With this objective, it is planning several initiatives as follows:<sup>71,72</sup>

- Defence and Aerospace policy shall aim to attract investments worth USD5 billion and create 100,000 jobs in the next 5 years. To this effect the state has announced that the defence industry will be declared as essential services under the Maharashtra Essential Services and Maintenance Act to circumvent red tape. The state shall also set up a dedicated, first of its kind Defence Venture Capital fund of USD154.6 million to provide comfort to investors and kick start their projects.
- Development of Smart Cities in Maharashtra: 10 cities from Maharashtra among 100 odd cities across the nation, have already been selected by the central government to be developed as smart cities and the work has commenced in this regime
- Adoption of green energy and reducing the state's carbon footprint. Government of Maharashtra has recently implemented a pilot project in Nagpur to understand the Electric Vehicle (EV) ecosystem and are closely learning from its progress so that they can roll out similar EV projects soon in other urban parts of the state.
- Maharashtra government plans to develop its ambitious International Financial Services Centre (IFSC) as a financial technology (fintech) hub in Mumbai BKC.

70. Entrepreneurs Registration and Incentives Management System (ERIMS), Government of Maharashtra, accessed on 15 January 2017

71. Progressive Maharashtra, 2017/FICCI September 18, 2017

72. Government of Maharashtra, accessed on 15 January 2017

## Northeast states

With “Act East policy” gaining strength through several bilateral arrangements, rapid urbanisation taking place, infrastructure and connectivity improvement, growing consumerism and consumption and revised border trade policy allowing trade in several new generation items, the NE is poised to become India’s gateway to East Asia and ASEAN.

### Overview

- Eight states, area of 262,230 sq.km., 2,000 km. of international borders with Nepal, Bhutan, China, Myanmar and Bangladesh
- Population – 45.4 million (51 per cent male; 49 per cent female). Population density – 173 per sq.kms<sup>72</sup>
- Literacy rate in the NE states 84.78 per cent (male) and 76.40 per cent (female) is higher than that of National score 82.14 per cent (male) and 65.46 per cent (female)<sup>73</sup>
- Per capita income in Arunachal Pradesh (USD798/-), Sikkim (USD757/-), Mizoram (USD711/-), Meghalaya (USD659/-) and Tripura (USD553/-) shows better results than the national figure for 2009-10 - USD521/-<sup>74</sup>

### Current status and potential sectors:

- Meghalaya (9.7 per cent), Arunachal Pradesh (8.9 per cent) and Tripura recorded the highest growth rates in GSDP in 2013-14<sup>75</sup>
- At a CAGR of 33.91 per cent, the secondary sector grew fastest during 2004-05 to 2015-16, driven by manufacturing, construction and electricity, gas and water supply. In 2015-16, secondary sector contributed 67.73 per cent to Sikkim’s GSDP.<sup>76</sup>
- The region has hydropower potential estimated at nearly 50,000 MW, natural gas reserves of 190 billion cubic meters, coal reserves of over 900 million tonnes and oil reserves of over 500 million tonnes.<sup>77</sup>

72. 2011 Census

73. Ministry of development of Northeast region - accessed on 10 Jan 2018

74. Ministry of development of Northeast region - accessed on 10 Jan 2018

75. India’s fastest-growing state: Meghalaya (and other North-East surprises), Business Standard, 1 Feb 2016

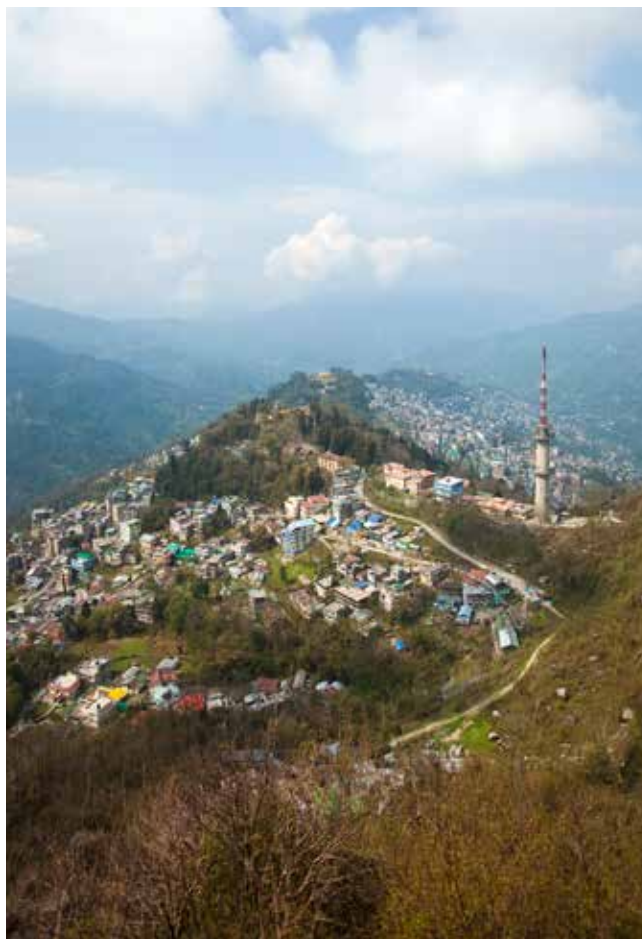
76. Advanced Estimates provided by Directorate of Economics and Statistics of Sikkim, Government of Sikkim

77. FICCI Northeast Council note - - accessed on 10 Jan 2018

### Major achievements

Rapid development of Infrastructure in the North-East –

- The North-Eastern Council (NEC) is funding upgradation of infrastructure in 12 operational airports.
- 19 new airports, 7 heliports to be added
- 92 new routes in north east under UDAAN
- North East Road Sector Development Scheme has been launched to drive strategic projects for roads and bridges. These projects include Doimukh-Harmuti; Tura-Mankachar and Wokha-Merapani-Golaghat of 85 kilometres and will be led by the National Highway and Infrastructure Development Corporation (NHIDCL).
- North East Special Infrastructure Development Scheme (NESIDS) from 2017-18 with 100 per cent funding from the central government to fill the gaps in creation of infrastructure in specified sectors till March 2020.



## Key reforms/plans in place:

To improve economic conditions and create a business friendly ecosystem that attracts investment, the central and state governments have formulated several policies and schemes in the area of infrastructure improvement, agricultural development, rural and urban development and good governance.

- All-round development of north-east India under Act East Policy
- Resurgent Assam based on six pillared strategy
  - Reforms in, public financial management,
  - Boost the public infrastructure
  - Farmer-Youth-Women, Divyang Welfare,
  - Rural development and employment generation
  - Financial inclusion and
  - Cultural and economic renaissance
- CM Adarsh Gram Yojna, CM Krishi Rinn Yojna in Arunachal Pradesh
- Sikkim Green Mission, Sikkim Healthy Mission, Sikkim Dairy Mission
- Sikkim HRD Mission, Sikkim Forestry and Environment Mission
- Manipur IT Policy 2015, Manipur Tourism Policy 2104
- The Industrial and Investment Policy of Manipur, 2017
- IT/ITeS Policy and Road Map 2017, Tripura
- CM Online Service, Mizoram



## Case study: Reforms in public financial management, Assam

To augment the economy and kick start the engine of economic growth, Government of Assam has implemented many reforms in the area of public financial management.<sup>78</sup>

- Assam became the first state in the country to ratify the GST Constitutional Amendment Bill
- Assam Bureau of Investment Promotion (ABIP) set up for overall supervision and administration of the speedy processing of applications and issue of various clearances for setting up industrial or service undertakings in Assam
- New Assam Treasury Rules, 2017 have replaced archaic Assam Treasury Rules, 1937.
- Process of installation of CCTVs in major Treasuries is in progress. SMS alert to Drawing and disbursing office (DDOs) and payees on clearance of bill by Treasuries has been activated.
- E-Kuber platform of RBI was started on a pilot basis in two treasuries
- Delegated Financial Powers Rules updated in 2016
- ASPIRe (Assam State Public Finance Institutional Reforms), which will cover all aspects of financial management including strengthening the systems of taxation, excise departments and budgetary controls with treasury management, soon to be launched
- Cash and Debt Management cell to be set up so that cash flow to the department can become more proactive and cheaper options for borrowings can be tapped
- A committee under the Additional Chief Secretary is considering the matter of draft Assam Public Accountability Bill.

78. Assam Budget Speech, Centre for Budget and Governance Accountability

## Future plans – North East: ‘Ashta Lakshmi’ of India

Northeast aspires to become ‘Ashta Lakshmi’ of India. Railways, highways, airways, waterways and i-ways are the ‘Panch Tatvas’ essential for ensuring balanced development. Government is working towards ensuring welfare of the people in the Northeast through consolidating efforts from all quarters.

- Focus on enhancing agricultural productivity for an evergreen revolution
- Focus on making organic and sustainable farming central to North East’s agricultural growth
- Action to remove administrative, infrastructural as well as security impediments in region’s progress
- To provide more opportunities of livelihood, entrepreneurship, venture funds, start-ups and skill development
- Dispel the misperception about the north-eastern regions being “disturbed areas”.

## Key institutions/departments driving the reform:

- Office of the Chief Ministers of North-eastern States
- Ministry for Development of North-eastern region
- International Financial Institutions like World Bank, ADB etc.







# Mega infrastructure development plans



Infrastructure development has been the focus for the government and has achieved significant progress. The Indian government is currently focused on reducing the cost of logistics, provide multimodal and efficient transport, last-mile connectivity and improve existing supply chain infrastructure in the country. To achieve these objectives, the government outlined initiatives such as Sagarmala, set infrastructure augmentation targets in railways and roads and introduced various policy measures to simplify regulatory environment and attract private and foreign investments.

### Sagarmala

The Sagarmala project was launched, with an aim to promote port infrastructure spanning the 7,500km coastline of India<sup>01</sup>. The programme's objective is to modernise port infrastructure, establish port-based connectivity, promote port-linked industrialisation and develop coastal communities.

### Roads

To develop and modernise the road network in India, to improve connectivity, reduce cost of logistics and travel time. At present, the road network in India stands at about 3.3 million kilometre, with state and national highways comprising nearly 8 per cent of the network, district roads 12 per cent and rural roads 80 per cent<sup>02</sup>. The government plans to expand the national highway road length to 2 million kilometre by 2019.<sup>03</sup>

### Railways

The Indian Railways plans to achieve a myriad objectives, such as improving the operational efficiency, achieving a higher CAPEX, reviving freight business, improving passenger services, developing infrastructure and garnering additional revenues. The Indian Railways is expected to execute projects worth USD127.8 billion by 2030, to expand and build rail infrastructure across the country.<sup>04</sup>

### Renewable energy

Given India's commitment towards tackling climate change by reducing dependency on coal as a source of energy, the government has laid out ambitious targets in the short- and medium-term for power generation using RE sources.

Several incentives offered by the Ministry of New and Renewable Energy (MNRE) in the form of Generation-Based Incentives (GBIs), subsidies, finance, Viability Gap Funding (VGF), etc., are aimed at developing an enabling market for renewable energy production and consumption in India.

Government's focus on increasing country's renewable energy capacity could result in increased traction from private and foreign players in the renewable energy sector.



01. Sagarmala: Concept and implementation towards Blue Revolution", PIB, 25 March 2015  
 02. NHAI Website", accessed on 17 April 2017  
 03. Roads ministry targets laying over 40 km of roads every day in 2016-17", The Economic Times, 21 April 2016  
 04. How Suresh Prabhu Wants To Reinvent Indian Railways", Swarajya Mag, 26 April 2016  
 05. How Suresh Prabhu Wants To Reinvent Indian Railways", Swarajya Mag, 26 April 2016

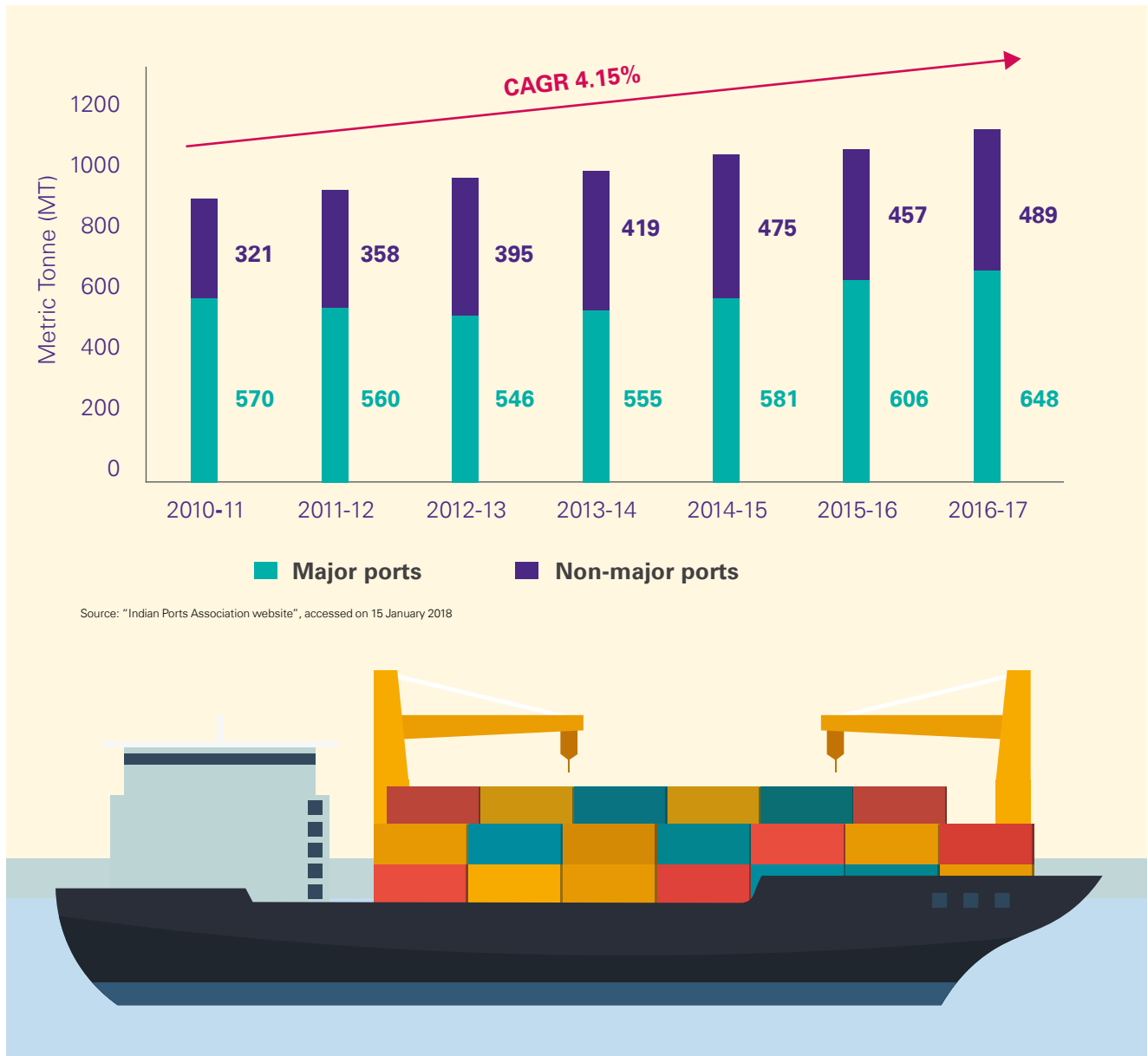
# Ports and Maritime sector in India

## Overview

The Ministry of Shipping has embarked on an ambitious journey to promote port-led development in the country by harnessing India’s 7,500 km long coastline. India has 12 major ports and more than 200 non-major ports which cater to the sea-borne trade in India which has grown from 891 MT in FY11

to 1,137 MT in FY17 at an annual growth rate of 4.15 per cent<sup>05</sup>. While major ports conventionally handled majority of the traffic, non-major ports are gradually but consistently handling more and more traffic as well as adding capacity.

### Seaborne trade in India

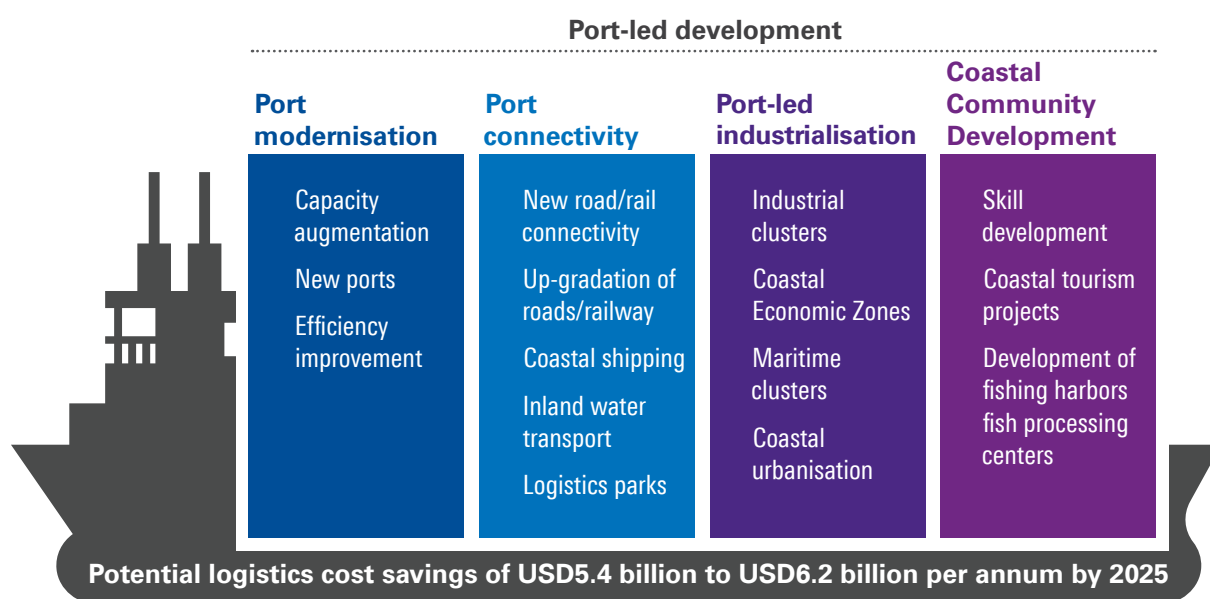


05. Indian Ports Association



## Major achievements

- The Sagarmala Programme:** The Sagarmala Programme is the flagship programme of the Ministry of Shipping to promote port-led development in the country. The main vision of the Sagarmala Programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment. The programme is based on four objectives of port modernisation, port connectivity enhancement, port-led industrialisation and coastal community development. Overall the programme is overseeing the development and implementation of more than 400 projects across the coastal districts in India with an expected investment of over USD123 billion over the next 20 years<sup>06</sup>. The National Perspective Plan was released in April 2016 which provides the road-map of the Sagarmala Programme.



Source: Sagarmala National Perspective Plan, 2016

- Enablers for port-led development:** To realise the objectives of port-led development, two new companies have been incorporated. The Indian Port Rail Company Limited (IPRCL) has been incorporated to develop and execute last mile rail connectivity projects to ports. The Sagarmala Development Company Limited has been setup to develop projects, provide financial support to viable and residual projects aligned to the objectives of Sagarmala Programme in the form of equity support. The concept of Coastal Economic Zones (CEZs) has been introduced to promote port-proximate manufacturing clusters which aim to increase the competitiveness of India's exports. 14 such CEZs have been conceptualised and master plans are being prepared for these<sup>07</sup>. A committee headed by the CEO of NITI Aayog has proposed a package comprising incentives in the form of budgetary support linked to the tax paid by the units in the CEZs and the employment generated in these units. Besides these incentives, the package also proposes budgetary allocation of a maximum of USD463.8 million for each of the two CEZs being proposed to be developed initially towards capital expenditure to develop world class infrastructure in these CEZs<sup>08</sup>. Further, a skill gap assessment has been carried out by the Ministry of Shipping across 21 coastal districts and action plan has been prepared which has been shared with the Ministry of Skill Development and Entrepreneurship and Ministry of Rural Development for incorporation into their programmes. Fishing harbours are being created at eight locations across four coastal states to provide livelihood to the fishermen community<sup>09</sup>.

06. Sagarmala National Perspective Plan, 2016

07. "Port-led Industrialization", Sagarmala website, accessed on 15 January 2018

08. Coastal units may get budgetary sops for creating 10,000 jobs, The Times of India, 28 December 2017

09. Ministry of Shipping, Government of India

- **Efficiency at ports:** The port capacities across 12 major ports have been re-visited and a re-rating exercise has been carried out. The revision of the port capacities estimation methodology has led to increase in the declared port capacities by 27 per cent during 2015-16<sup>10</sup>. In addition to this, 116 initiatives have been launched across the major ports to enhance port capacity by improvement in operational efficiencies<sup>10</sup>.
- **Environmental impact:** Ro-Pax and Ro-Ro ferry services have been introduced in the coastal districts to reduce traffic congestion on roads due to vehicles and provide an alternative, faster and cleaner mode of transportation for passengers in these areas.



## Key reforms/plans in place

- **Waterfront and Associated Land Policy (July 2016)** - Port Dependent Industries (PDI) will be granted concessions for setting up dedicated facilities in major ports for import/export, storage of cargo before transportation to their destination, for a maximum period of 30 years. Provisions have been made for the allocation of waterfront and land to port based industries including Central/State PSUs on a captive basis.
- **Berthing Policy (August 2016)** - Aims to reduce berthing time and overall turn-around time of ships, standardise anchorage charges etc. across major ports.
- **Merchant Shipping Bill (November 2016)** - proposes separate rules for coastal vessels to develop and promote coastal shipping, introduction of welfare measures for seafarers etc.
- **Major Ports Bill (December 2016)** - advocates greater autonomy for port authorities, giving them power to lease land for port-related use for up to 40 years and for non-port related use up to 20 years and the Centre's approval will be needed only for longer leases. Port Authority will be given powers to fix tariff, which will act as a reference tariff for purposes of bidding for PPP projects. PPP operators will be free to fix tariff based on market conditions.
- **New Stevedoring and Shore Handling Policy (July 2016)** - Each port to fix a cargo-wise royalty on per-ton basis to be charged from stevedores and shore-handling agents, bringing revenue to the port.
- **Model Concession Agreement (MCA) for PPP projects in major ports (January 2018)** - The Union Cabinet approved the amendments to the MCA for PPP projects in major ports which are aimed at making the port projects investor-friendly and the investment climate in the port sector, more attractive. The constitution of a Society for Affordable Redressal of Disputes – Ports (SAROD – Ports) is a key amendment proposed. The key amendments among others include, replacement of revenue share model with a royalty paid by the concessionaire on the cargo handled, an exit option for concessionaires after completion of two years of commercial operations, reduction of the land rent and introduction of a 'Complaint Portal' for port users.

<sup>10</sup>. Major Ports Register 6.79 Per cent Growth in Traffic over last year, Outperform Private Ports for Second Consecutive Year", PIB, 12 April 2017



## Case Study – Coastal Berth Scheme<sup>11</sup>

- Need for scheme: Although traffic on account of export and import trade has been growing at India's ports, the movement of domestic freight is still dominated by road and railways. Coastal shipping offers a much cheaper and cleaner mode of transportation and yet only 6 per cent of the entire freight movement takes place by coastal and inland waterways. The Ministry of Shipping aims to double this share from the current approx. 6 per cent to 12 per cent by 2025. In order to promote coastal shipping in India, dedicated infrastructure needs to be created at ports to cater to coastal traffic.
- Provisions of the Coastal Berth Scheme: The coastal berth scheme provides financial aid in the form of budgetary grant to projects such as creation of jetties and berths for coastal cargo, construction of breakwater and capital dredging and other projects up to 50 per cent of the project cost subject to an upper limit to assist ports in creating infrastructure necessary for promoting coastal traffic.
- Benefits of Coastal Berth Scheme: Coastal shipping of freight is up to 80 per cent cheaper than the per-ton-km costs of transportation by road or railway<sup>12</sup>. This is also a cleaner and less polluting mode of transport compared to road and railway. The scheme has helped ports create dedicated infrastructure for handling of coastal cargo.



## Future plans

- While port capacities and infrastructure upgradation will play a vital role in the port-led development, the next steps require focus on generating sufficient traffic to be handled at these ports.
- Promoting the development of CEZs along India's coastline will help generate traffic at the ports in the form of raw materials and finished products.
- Further, the movement of freight by coastal shipping needs to be incentivised through further policy measures.



## Key institutions/departments driving the reform

- Ministry of Shipping, Government of India

11. Ministry of Shipping, Government of India

12. Sagarmala National Perspective Plan, 2016

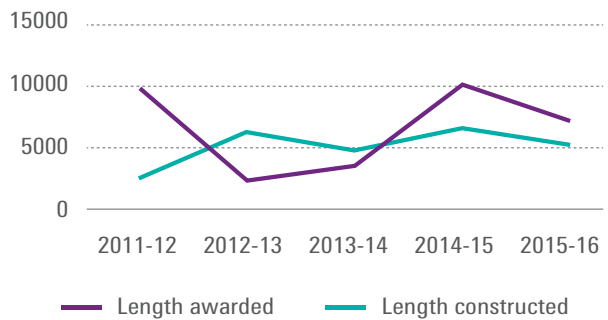
# Roads



## Overview

- The national highways under NHA has over 1,15,000 kms of network as on June 2017, with the objective of increasing to 2,00,000 kms<sup>13</sup>
- Increase the focus on PPP projects rather than EPC
- Focus on reducing the stressed assets build-up in the roads sector by innovative models for attracting private investment
- Innovative ways of financing projects through various options such as Bonds, InVITs, etc.

### Length of roads (kms)



\*2015-16 till Dec 2015  
Source: MoRTH



## Major achievements

- The Hybrid Annuity Model (HAM) has been approved by the Cabinet Committee on Economic Affairs (CCEA). As per the model, 40 per cent of the project cost is to be provided by the Government as 'construction support' to the private developer during the construction period and the balance 60 per cent will be paid as annuity payments over the operations period along with interest on outstanding amount.
- 36 NH projects with aggregate length of around 2,000 km and involving cost of around USD5.1 billion have been already awarded through this model<sup>14</sup>.
- A new model has been developed by MoRTH with the approval of the CCEA in August 2016 called Toll operate Transfer (ToT). As per the model, the right of collection of toll fees for operational public funded NH projects is to be assigned for a pre-determined concession period (30 years) to concessionaires against upfront payment of a lump-sum amount.
- Initially, 75 public funded NH projects with aggregate length of around 4,500 km and annual toll revenue collection of around USD417 million have been identified for the model<sup>15</sup>.
- During 2016-17, a total of 47,447 km (almost 130 km a day) of roads were constructed under the Pradhan Mantri Gram Sadak Yojana (PMGSY); thereby connecting 11,641 habitations. This is the highest ever in the last seven years.<sup>16</sup>

13. "National Highways strength to be raised to 2 lakh km: Nitin Gadkari", The Economic Times, 9 February 2016

14. "Govt approves hybrid annuity model for highway projects", The Hindu, 27 January 2016

15. "Building Safe Highways", PIB, 27 December 2016

16. Sustainable rural development - 3 years Initiatives & Achievements, Ministry of rural development





## Key reforms/plans in place

- Road infrastructure has been a key government priority; road sector received strong budgetary support over the years
- 100 per cent FDI is allowed under automatic route subject to applicable laws and regulations<sup>17</sup>
- Focusing on financing issues through rupee denominated bonds (masala bonds) and InViTs
- Increasing more PPP participation through innovative models such as HAM and ToT.



## Case study – Bharatmala<sup>18</sup>

- Focus on Bharatmala on the lines of Sagarmala in the ports and shipping sector
- Prime focus is on optimising efficiency of the movement of goods and people across the country.
- Under Bharatmala the focus would be on 50 new national corridors from six corridors
- Increasing freight on national highways from 40 per cent to 70-80 per cent
- From connecting 300 Districts to connecting 550 districts in the country through NH linkages
- Improvement in efficiency of existing corridors through development of Multimodal Logistics Parks and elimination of choke points.
- Enhanced focus on improving connectivity in North East and leveraging synergies with Inland Waterways.



## Future plans

- The government has given a massive push to infrastructure by allocating about USD92.3 billion for infrastructure in the Union Budget 2018-19<sup>19</sup>
- Under Bharatmala, development of 34,800 kms in Phase- I would be the primary target. Phase I includes development of 10,000 kms of balance road works under National Highway Development Project (NHDP), at a total estimated cost of USD82.7 billion and is expected to be completed by 2022<sup>18</sup>.
- The Government has proposed to upgrade 2 lane national highways into four lane national highways for which USD64.9 billion have been allocated<sup>20</sup>.



## Key institutions/departments driving the reform

- Ministry of Roads Transport and Highways
- National Highways Association of India
- State Road Transport Undertakings/Authorities
- State PWDs

17. "Guidelines for Investment in Road Sector", Government of India, accessed on 15 January 2018  
 18. "BharatMala Prayojna", PIB, accessed on 15 January 2018

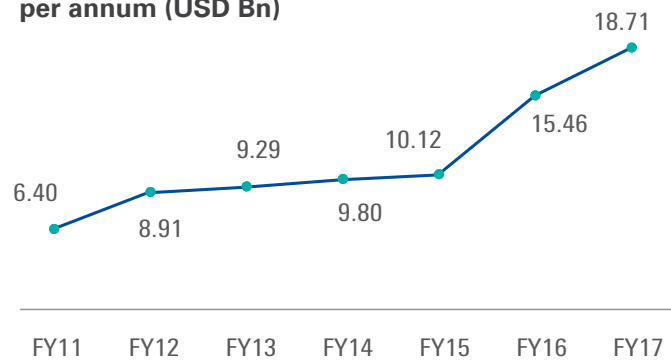
19. India Budget 2018-19, India Budget website, 1 February 2018  
 20. "Proposal to upgrade 22,000 km of NH at the cost of 4 lakh cr", The Indian Express, 3 October 2015

# Railways

## Overview

Indian Railways (IR) owns the third<sup>21</sup> largest rail network in the world at a route length<sup>22</sup> of 66,687 km, 7,216 railway stations and 19,000 trains per day<sup>23</sup>. During FY2016, the rail network accounted for carrying more than 1.1 billion tonnes of freight traffic and more than 8 billion passengers. IR employs more than 1.3 million people and is presently on an aggressive expansion phase. It is currently undertaking its largest budgeted annual capital expenditure<sup>23</sup> of USD18.71 billion, which is a part of its envisaged USD131.41 billion expenditure planned from 2014-2019<sup>24</sup>.

**Budgeted capital expenditure per annum (USD Bn)**



Source: "Railway Expenditure", India Budget, 1 February 2017



## Major achievements

- Safety:** To ensure a dedicated focus on safety enhancement, IR has established a non-lapsable safety fund (Rashtriya Rail Sanraksha Kosh) of USD15.46 billion<sup>25</sup> for a five year period.
- Planning:** In order to fast-track strategic initiatives and appreciating the need for faster decision making, IR has delegated relevant powers to the Divisional and Zonal heads of IR to ensure quicker project turn-around time.
- Organisation:** Since IR is the only rail-based transport infrastructure owner and operator in India, protection of customer interests becomes paramount. IR has initiated the process for setting-up the Railway Development Authority (RDA) which will determine and monitor tariffs as well as performance standards. It will act as a dispute adjudicator and will also ensure a level playing field for private investments in railways.
- Financing:** To mitigate the risk of shortage of funds for the planned expenditure, IR has secured assured investments to the tune of USD23.19 billion<sup>26</sup> at attractive terms from a leading state insurer.
- Revenue:** IR generated a revenue of USD25.35 billion in FY 16 and is experimenting with state-of-the-art methods for enhancing revenue. It has already undertaken pilots for Dynamic Passenger Fares and has assigned commodity-focused Key Customer Managers for enhancing freight revenues. It is further exploring innovative methods to increase non-fare revenues (already resulted in a 72 per cent<sup>27</sup> YoY growth) via monetisation of soft assets, out-of-home advertisements, branding of trains etc.
- Customer experience:** IR aspires to be the preferred choice of transportation and aims to redefine customer experience in the segment.

21. Indian Railways – Environment Sustainability Annual Report 2015-16

22. Indian Railways – Statistical Summary 15-16

23. White Paper on Indian Railways, 2015

24. Indian Railways – Two year performance report, 2016

25. Fund Deployment Framework for Rashtriya Rail Sanraksha Kosh, Niti Aayog

26. LIC to invest Rs 1.5 lakh crore in Indian Railways over 5 years, Business Standard, 12 March 2015

27. Railways posts 5% increase in passenger revenue; non-fare revenue up by 72%, Business Standard, 18 April 2017

IR has successfully implemented social-media based complaint redressal forums for real-time feedback and incident reporting. E.g. a leading social media platform handles of IR address almost 3,000 complaints per day<sup>28</sup> with an average turn-around-time of less than 30 mins. To make the customer experience more

streamlined, IR is also pushing towards cashless and digital transactions and is in the process of installing 10,000 point of sale<sup>29</sup> machines at relevant locations. Notably, IR has already initiated a station re-development plan for 400 stations to improve passenger experience as well as generate additional revenues.



## Key reforms/plans in place

- **Mission Zero Accidents:** IR targets to have zero accidents on its network and is implementing a set of programmes which can ensure to meet this target. These include 'Elimination of all unmanned level crossings' as well as 'Commissioning of the Train Collision Avoidance System (TCAS) on the entire High Density Network' in the next three years.
- **Mission Raftaar:** IR aims to increase the speed of trains upto 160 kmph on Delhi-Mumbai as well as Delhi-Howrah routes (with the envisaged costs of USD1.55 billion<sup>30</sup> and USD927.6 million respectively for the two routes). This will involve the removal of all permanent speed restrictions and line-crossings along the routes and deployment of upgraded rolling stock and Signal & Telecom (S&T) equipment among other interventions.
- **Mission 41k:** IR plans to save USD6.34 billion<sup>31</sup> over the next ten years in energy costs. A critical element for achieving this will be the complete electrification of the IR network (currently ~53 per cent of track is pending electrification). Ministry of Railways has planned to electrify 37,844 route kms of balance broad guage routes by the year 2021-22<sup>32</sup>. This mission will also require the use of alternate sources of energy like solar and wind as well as purchase of conventional energy via open access.
- **High Speed Railway project:** A project offering opportunities for investment will be the USD16.7 billion<sup>33</sup> High Speed Rail (HSR) line from Mumbai to Ahmedabad. The foundation stone for the HSR line has been laid and construction is expected to be completed by 2022.



28. Railways act upon 3,000 tweet complaints daily, Business Today, 8 June 2017

29. Initiatives for Cashless Transaction, Indian Railways, 2017

30. Indian Railways, Budget 2017-18, accessed on 16 January 2018

31. Minister of Railways Unveils Mission 41k, Indian Railways, 2017

32. Electrification of Railway Tracks, Ministry of railways, PIB, 5 January 2018

33. India's high speed rail kicks off, Inframation News, accessed on 16 January 2018



## Case Study – Rail Development Authority (RDA)

- Need for RDA:** Till date, IR itself discharges the varied roles of operations management, policy making as well as regulations related to rail transport. However, international examples of railway organisations in countries like the U.K., Germany etc. have proven that a better model for increasing accountability and transparency of the railway operator, while ensuring that the interests of the customers as well as rail stakeholders are protected is to have an independent regulator.
- Powers bestowed to RDA:** With the cabinet approval for setting RDA, the key responsibilities that will be in the scope of RDA include determining the tariffs, performance standards for railways sector in India as well as monitoring the same. It shall create a framework for non-discriminatory access to private operators and act as a dispute resolver.
- Potential benefits of RDA:** It is expected that the establishment of RDA will not only make rail operations more cost effective but will also drive the modal shift of traffic to rail and eventually increase revenues. Thus, the establishment of RDA will increase the top line as well as the bottom line while creating an environment that promotes investments in the sector.



# Renewable Energy

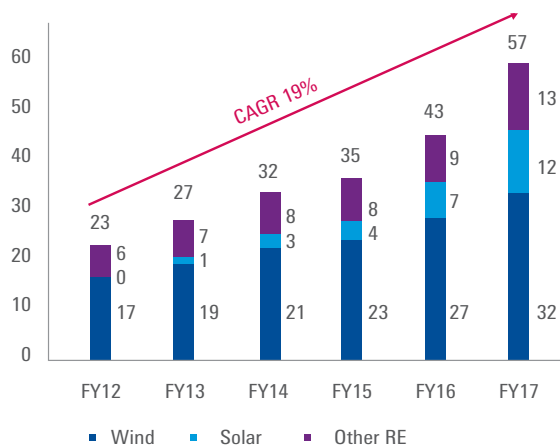
## Overview

India has set an ambitious target to develop 175 GW of renewable capacity including 100 GW of solar by the end of FY2022 to harness the RE potential and as a measure towards energy security and meeting climate goals. India has further committed to have 40 per cent of non-fossil fuel sources by 2030. In line with it, it is expected that in year 2030, RE capacity may reach ~300 GW<sup>34</sup>.

The annual capacity addition in the RE sector has increased from 200 – 300 MW in early 2000s to 3,000 – 7,000 MW in the last four years, with capacity addition driven increasingly by the solar sector. The installed capacity in the sector has been growing at a CAGR of 19 per cent in last six years i.e. FY2012 to FY2017, with capacity growing at 36 per cent in the last year alone.<sup>35</sup>

### Source-wise installed capacity in GW - Historical trends

**Cumulative Renewable Energy Installed Capacity (GW)**



Source: CEA, NIWE, MNRE and KPMG in India analysis based on inputs from sector experts

### Increasing competitiveness of solar power

Solar power influx is emerging as a key discontinuity in the global electricity supply scenario including India. Recent years have seen a steep acceleration in growth in the solar segment, with 67 per cent of the total solar installed capacity (at the end of FY2017) (approximately 8 GW) installed in the last two years itself, increasing its capacity share in the overall RE sector from ~0.2 per cent in FY2012 to approx. 21 per cent in FY2017.<sup>35</sup>

Reduction in generation cost is estimated to be the key driver for solar absorption. Solar tariffs have dropped 84 per cent<sup>36</sup> over last 6-7 years, to a new low of USD0.04 per unit in 2017<sup>37</sup>. With a steep reduction in tariffs, grid-based solar energy has become cheaper than conventional sources in most states.

### Changing dynamics in the wind sector

Today, India is 4th largest in wind installed capacity. Capacity addition in wind sub sector has been historically driven by fiscal incentives including accelerated depreciation (AD) and generation based incentives (GBI). However, the dynamics in the wind energy sector is changing with introduction of competitive bidding regime coupled with improving technological advancements. The lowest tariff discovered in a recent auction was USD0.04/unit.<sup>38</sup>

34. Electricity demand growth of ~6 percent CAGR (FY2016 – 2030) assumed;

35. Ministry of New and Renewable Energy

36. From Rs 14.90 per unit in 2010 to 2.44 in 2017

37. For Solar Park in Rajasthan the lowest tariff bid was INR 2.44 per unit.

38. "Wind power tariff falls to new low of Rs 2.64 per unit; Renew, Inox, Adani among winning firms", ET Energy World, 05 October 2017



## Key policy and regulatory enablers

- Ujwal Discom Assurance Yojana (UDAY):** Launched in November 2015, UDAY aims to improve the financial and operational health of the electricity distribution companies (DISCOMs). Till June 2017, 27 states/UTs have opted to join UDAY and signed MoUs with the Central Government<sup>39</sup>. The distribution sector being a key link in the power sector value chain, the improving health of DISCOMs could debottleneck the ability to cater to the underserved and unserved demand in India and result in overall increase in power demand including for RE. On the supply side, it could ease key challenges such as counterparty risks which could enhance participation and also facilitate better price discovery in DISCOM tenders for RE.
- Renewable Purchase Obligation (RPO):** To encourage adoption of RE, the legal framework mandates fulfilment of RPO by power utilities, captive and open access consumers. While states have set their own RPO targets, the central government has issued guidelines for states to achieve 17 per cent RPO by 2022<sup>40</sup>. While these guidelines are not mandatory for the states to follow, most states have been following a rapidly increasing trajectory for RPO targets.
- Net Metering Policy:** The net metering framework is instrumental in driving the rooftop segment in India by allowing consumers who produce electricity on their roof top to feed the excess back to the grid with different compensation/offsetting mechanism specified by various states. Most of the states have announced their net metering policy for rooftop solar. The GoI is making efforts to lay out effective guidelines to produce the desired results of the policy.
- Solar Park Policy:** The current MNRE policy of solar parks mandates the development of at least 50 solar parks in India with a cumulative capacity of 40 GW (500 MW + capacity for each park) to facilitate a faster scale up in the solar sector. The GoI will provide a financial assistance of USD1.25 billion<sup>41</sup>. The parks will be developed in collaboration with the state governments.
- Draft National Wind-Solar Hybrid Policy:** The policy aims to promote development of large grid connected wind-solar photovoltaic (PV) hybrid projects. Such projects will promote optimal and efficient utilisation of transmission infrastructure and land, reduce variability in renewable power generation, and achieve higher grid stability. The policy also aims to encourage technology advancements, and efficient operations of a wind-solar power plant.
- Repowering wind power projects:** Approved in 2016, the repowering policy aims to provide financial incentive and other support to developers on repowering of wind turbines of capacity less than 1 MW<sup>42</sup>.

39. "Mizoram becomes 27th State to join UDAY", PIB, 02 April 2017

40. "Ministry to tweak solar power purchase obligations", The Hindu Business Line, 14 April 2016

41. "Scheme for enhancement of capacity to 40GW Solar Parks", Ministry of New & Renewable Energy, 21 March 2017

42. "Policy for Repowering of the Wind Power Projects", Ministry of New & Renewable Energy, 5 August 2016





## Opportunities

Various ecosystem players may have several opportunities in areas mentioned below that may arise in order to respond to high RE scenario.

- **Inorganic growth in the sector:** There is a strong pipeline of upcoming capacities in RE (approx. 18 GW of grid scale solar and approx. 2-3 GW of annual capacity in wind).<sup>43</sup> The sector has also seen an increase in M&A activities. A large number of pure play solar developers are looking to monetise their holdings. In the wind sector, opportunities are mushrooming owing to the sale of assets by tax-equity investors or infrastructure conglomerates looking to refocus their businesses or private equity investors seeking to realise the value of their investments through suitable exit strategies including sale to strategic buyers.
- **Greater capital markets play:** The sector is seeing innovation in fund raising, with companies looking at instruments such as Masala bonds, Green bonds, InVits to attract different classes of investors and also investors from various geographies. Although initially such issuances have been limited to the largest developers in the segment or some of the largest financial institutions, the sector is now increasingly seeing traction with more and more players accessing capital markets for raising capital/seeking monetisation avenues.
- **Rooftop solar:** The sector is currently at a nascent but promising stage with around 1.4 GW of installed capacity. The sharp falling cost

curve has made rooftop solar more competitive as compared to grid power for most consumer categories. The industry anticipates that this segment will reach 40 GW by 2022 with a greater growth trajectory thereafter<sup>44, 45</sup>. While the market until now has primarily been captured by EPC players, going forward developers with strong go-to-market strategies offering attractive Opex/Power Purchase Agreement (PPA) based solutions to consumers are expected to capture a significant market share.

- **RE ancillary and new focus areas:**

- **Storage:** The intermittency and volatility due to RE in the grid is expected to rise and resultant technology solutions such as storage to address the issue will become important. The evolution of storage technologies will potentially transform the grid and could hasten the achievement of peak coal within the coming decade.

Along with storage, the government's efforts in the EV space need to be closely watched as this can give rise to considerable opportunities for EV manufacturers in the country. The GoI targets to replace 100 per cent of the petrol and diesel car fleet with the electric vehicles by 2030<sup>46</sup>. As the cost of energy storage decreases, it is estimated that cost per mile for EV will be comparable with that of conventional cars in early 2020s.

43. "Policy for Repowering of the Wind Power Projects", Ministry of New & Renewable Energy, 5 August 2016

44. "Why does the 2022 target for rooftop solar seem ambitious?", The Hindu, 27 August 2017

45. National Institute of Wind Energy

46. "Aiming all-electric car fleet in country by 2030: Piyush Goyal", Business Today, 16 November 2017





## Case Study: Rewa Ultra Mega Solar Park<sup>47</sup>

An ambitious 100 GW solar target was set by the Government in 2015. In order to accelerate the pace of development of solar capacities, the government announced a solar park scheme with an initial target for this format of development at 20 GW which was subsequently enhanced to 40 GW. Till date approximately 9 GW has been tendered<sup>48</sup>.

Solar parks offer a plug and play model where critical challenges such as land acquisition, approval processes etc. are addressed for solar project developers. Consequently, this format has led to considerable investor interest for development of solar projects including from many multinational companies. The increased competition aside from other factors such as scale benefits have resulted in discovery of considerably lower tariffs in solar parks compared to smaller tenders for stand-alone projects. Despite the successes witnessed, considerable implementation challenges still remain around issues such as timely land handover, off-taker risk (where state DISCOM is the counter party), concentration of capacities leading to dispatch risk on account of technical curtailment, etc.

Recognising investor concerns, a recent auction conducted by Rewa ultra mega solar park in Madhya Pradesh for a capacity of 750 MW introduced new structures and responsibilities frameworks to address key risks faced in solar parks. Other than addressing implementation challenges by robust project preparation and by ensuring that substantial land acquisition was in place before bids, efforts were made to bring in best practices in project structuring and preparing

bankable project agreements. Along with IFC which acted as a transaction advisor for Rewa following risk mitigation provisions were put in place:

- Off-take risk: The counterparty payment risk was mitigated through a three-tiered payment security structure.
- Deemed generation: There was a deemed generation provision in the PPA which provided for a mechanism for compensation to the generator in case of curtailment by the off-taker beyond a certain minimum time.
- Termination Risk: In case of authority event of default, the Rewa solar park PPAs had clear provisions for suitable termination compensation covering developers' equity as well as debt extended by the lenders.

Faster and higher adoption of RE would require first and foremost critical risks to be addressed so that there is adequate quantum of low cost capital available to this segment. Rewa Solar Park is one such example where implementation challenges and risks were mitigated effectively.

In conclusion, the Indian renewable energy industry has been a growing industry in recent years and offers opportunities for investors going forward. The Government's ambition is to reach 175 GW of capacity by 2022, almost thrice the current levels<sup>49</sup>. Falling technology costs and the government's commitment to the programme are expected to provide the desired traction towards achieving the ambitious targets.

47. "Rewa Ultra Mega Solar Park", RUMS website, accessed on 15 January 2018  
48. "Why does the 2022 target for rooftop solar seem ambitious?", The Hindu, 27 August 2017

49. "India committed to 175 GW renewable energy target, says environment ministry official", The Indian Express, 17 November 2017





# Agriculture and allied sectors



## Overview<sup>01</sup>

India ranks 1st in the global production of spices, pulses, milk, tea, cashew and jute. India ranks 2nd in global production of spices, pulses, milk, tea, cashew and jute.<sup>01</sup>

### Fruits and Vegetables (F&V)

With production at 259 million MT, India ranks as the second largest producer of F&V in the world - during 2016-17 India exported USD1.6 billion of fresh and USD1.1 billion of processed F&V.

### Milk

With output of around 163.7 million MT, India is the largest producer of milk globally and the production is expected to reach 180 million MT by 2020, while dairy development has projected demand to touch 200 million MT.

### Food grain

India is the second largest producer of food grains globally with the estimated production of 273 million

tonnes during 2016-17 while India's export of cereals stood at USD6 billion.

### Spices

India is one of the world's largest producers, consumers and exporters of spices. India's export of spices in 2016-17 stood at USD2.63 billion, a 12 per cent growth over the previous year.

### Fisheries

With a production of around 11.4 million MT, India is the second largest fish producer in the world. Marine food processing levels in India currently stand at 23 per cent while exports stand at USD4.7 billion.

### Meat

India produces around 7.4 MT of meat and around 83 billion eggs annually while its export of meat stands at USD4.1 billion.

## Key reforms/plans in place<sup>02</sup>

- 100 per cent FDI through the automatic route in food processing.
- 100 per cent FDI in retail marketing, including through e-commerce, of food products that are produced and/or manufactured in India.
- 100 per cent FDI in floriculture, horticulture, apiculture and cultivation of vegetables and mushrooms under controlled conditions; development and production of seeds and planting material, services related to agro and allied sectors.
- 100 per cent FDI in wholesale trading i.e. entities that sell goods to other retailers, industrial, commercial or business users, but not to end consumers.

## Incentives

- USD900 million for promoting post-harvest infrastructure and food processing<sup>03</sup>
- USD7 billion for improving irrigation<sup>04</sup>
- USD28 billion overall for agriculture in 2017-18, which is a 24 per cent jump over the previous year.<sup>05</sup>

01. Investor Portal website, CII, accessed on 15 January 2018

02. "Permitted FDI in India", Investor Portal website, accessed on 15 January 2018

03. "Govt to launch Rs. 6000-cr 'SAMPADA' scheme for food processing", The Hindu Business Line, 11 April 2017

04. "Govt to pump in Rs 50,000 crore over 5 years to boost irrigation facilities", Times of India, 2 July 2015

05. "India Budget 2017-18", India Budget website, 1 February 2017



## Future plans

- The government aims to attain overall empowerment of farmers by enhancing the agricultural production and income through climate resilience approach with improved market network for achieving sustainable livelihood.
- Ambitious growth plan – Increase average farmer household income from USD1505 in 2015-16 to USD 3420 by 2022-23, through following a multi-pronged approach to achieving growth in farmer income

### Infrastructure development

- Schemes for irrigation development
- Schemes for development of post-harvest infrastructure
- Development of farmer producer companies

**Doubling  
Farmer  
Income**

### Soft interventions

- Skill development of farmers
- Improvement of farming practices to improve yield
- Development of improved farm inputs

### Market and Risk

- Development of integrated national agri-markets (e-NAM)
- Crop insurance scheme
- Push to move from cash based to non-cash based transactions

### Other interventions

- Promoting FDI in marketing of food produced in India
- Promoting food processing
- Development of start-ups in agri space



## Key institutions/departments driving the reform

- Ministry of Agriculture, Government of India
- Ministry of Food Processing Industries
- Agriculture Ministries in various states (agriculture is a state subject)



# Tourism

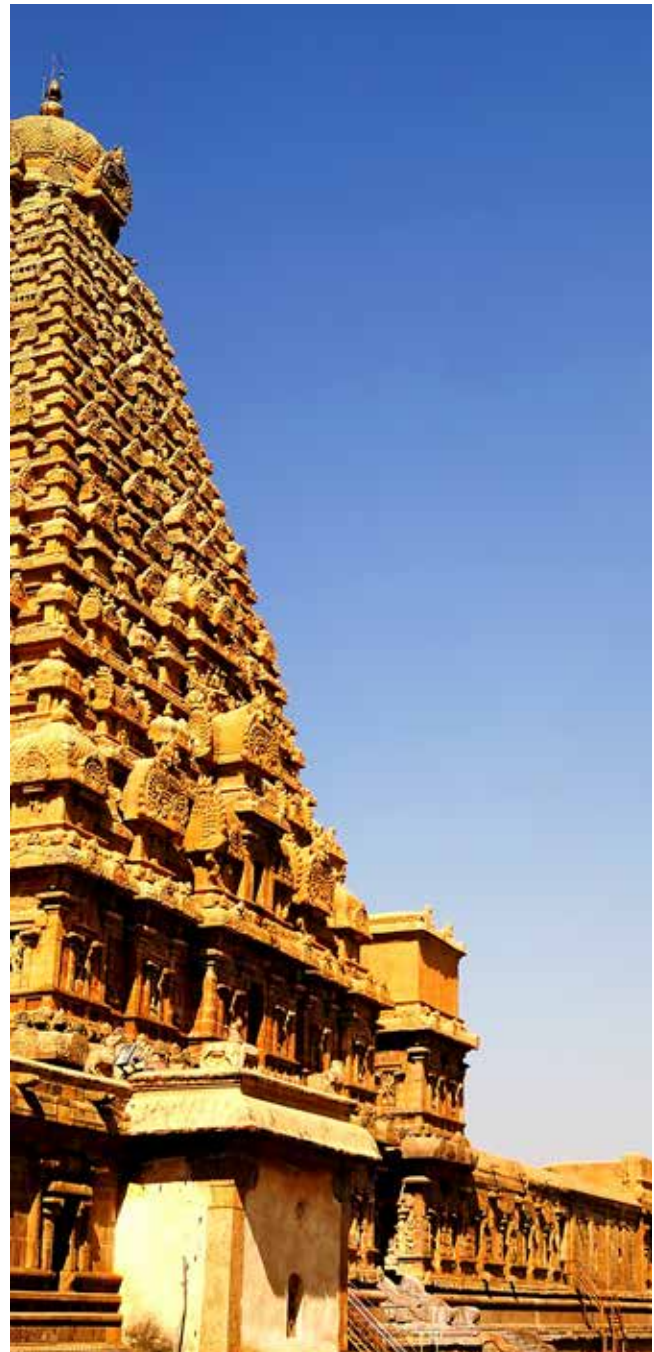


## Overview

The total contribution of travel and tourism in India for 2016 accounted for 9.6 per cent of the GDP and that is expected to grow at 6.7 per cent for 2017. Also, the sector is among the largest foreign exchange earners for the country.<sup>01</sup> During the period January to November 2017, the foreign exchange earnings, at USD24.87 billion, grew at 16.9 per cent y-o-y.<sup>02</sup> Also, with an increase in the per capita incomes, the domestic expenditure on tourism is also on the rise, growing at a CAGR of 13 per cent during 2008-16. With the growing demands, the government spends on the sector are also on the rise to fuel the supply ecosystem. Government's collective spending on travel and tourism sector on real prices, in 2016 stood at around USD2.27 billion and expected to increase to USD4.95 billion by 2027. The sector generates a significant amount of direct as well as indirect employment. The travel and tourism sector in India accounted for 9.3 per cent of the total employment opportunities generated in the country in 2016, providing employment to around 40.3 million people during the same year.<sup>01</sup>

- India's rank in the Travel & Tourism Competitiveness Index (TTCI), 2017 at 40th place has achieved considerable improvement of 25 places from 65th rank in 2013.<sup>02</sup>
- During the period January – November 2017, foreign tourists arrival numbers are on the rise
  - the Foreign Tourist Arrivals (FTAs) at 9 million witnessed a growth of 15.6 per cent
  - the foreign tourists arrived on e-Tourist Visa at 1.5 million registered a growth of 58.8 per cent
  - the foreign exchange earnings at USD24.87 billion witnessed a growth of 16.9 per cent<sup>02</sup>
- On account of the Visa on Arrival scheme, number of tourists grew at an average growth of 133.90 per cent over the period 2010–16.<sup>03, 04</sup>
- Medical tourism industry is expected to touch USD9 billion by 2020.<sup>05</sup>
- The travel and tourism sector in India accounted for 9.3 per cent of the total employment opportunities generated in the country in 2016, providing employment to around 40.3 million people during the same year.<sup>01</sup>

- In 2016, Government's collective spend on tourism and hospitality sector touched around USD2.4 billion.<sup>01</sup>
- Investment in travel and tourism in 2016 was USD35.33 billion, 5.7 per cent of the total investment (USD34.0 billion). It should rise by 5.7 per cent p.a. over the next ten years to USD61.8 billion in 2027, accounting for 5.7 per cent of the total.<sup>01</sup>



01. WTTC - Travel & tourism economic impact 2017 India

02. Press Information Bureau, Gol Ministry of Tourism, 28 Dec 2017

03. Ministry of Tourism

04. Latest Ministry of Tourism Government Annual Report 2016-17

05. India is now among fastest-growing medical tourism destinations, India Today, 13 Oct 2017



## Major achievements

- Tourism Infrastructure Developments
  - Over 50 per cent of the Ministry of Tourism's planned budget is allocated for infrastructure development projects.
  - 67 projects worth USD873 million have been sanctioned for theme based circuit development across the Indian states under Swadesh Darshan scheme<sup>06</sup>.
  - 21 projects worth USD91 million have been sanctioned for pilgrimage destination developments across the Indian states under PRASAD scheme<sup>06</sup>.
  - Launched "Adopt a Heritage" project for holistic development of tourism destinations<sup>06</sup>.
- FDIs are on the rise
  - FDI inflows in the Hotel and Tourism sector stood at USD10.6 billion from April 2000 to September 2017.<sup>07</sup>
- Niche tourism – focus segment
  - Cruise tourism - Government of India has estimated that India would emerge with a market size of 1.2 million cruise visitors by 2030-31.<sup>08</sup> The government is planning to set up five cruise terminals in the country.<sup>09</sup>
  - Adventure Tourism – Government instated a task force in October 2016 to resolve challenges and every state has a definite plan as part of their policy agenda.
  - Medical Tourism - Indian government has also released a fresh category of visa – the medical visa or M visa, to encourage medical tourism in India. Indian medical tourism is expected to reach USD9 billion by 2020<sup>10</sup>
  - Spiritual Tourism – Specific infrastructure development schemes have been identified like PRASAD and spiritual circuits in Swadesh Darshan.
- Promotions – A shift in the approach
  - Government launched "Incredible India 2.0" campaign" to penetrate into the prime existing international markets.<sup>11</sup>
  - Athiti-Devo Bhava project continues to focus on foreign tourists.
  - States proactively organising familiarisation trips e.g. Goa planning for such trips for international travelers to promote its tourism footprint.
  - An Incredible India Tourism Investors Summit was organised in 2016. As of 6 February 2017, the State Governments of Chattisgarh, Gujarat, Karnataka, Rajasthan and Uttarakhand have signed 86 MoUs worth more than USD1.78 billion for developing tourist places in their respective states.<sup>11</sup>
- Policy initiatives
  - Draft National Tourism Policy 2015 has laid down a roadmap for future developments.
  - Most of the state governments like Gujarat, Karnataka, AP, Maharashtra, Goa, Kerala etc. have tourism policies
  - The Ministry has set up special boards like Hospitality Development & Promotion Board, which will monitor and facilitate hotel project clearances/approvals etc.
  - Government has continued with high percentage of budget allocation for tourism infrastructure projects to improve upon tourist conveniences, ease of access, safety, cleanliness and experiential tourism.
  - Push for E-Tourist Visa as an efficient and effective tool.

06. Press Information Bureau, Gol Ministry of Tourism, 28 Dec 2017

07. Department of Industrial Policy and Promotion

08. Make In India Twitter on Cruise Tourism

09. Plans afoot for five cruise terminals worth Rs 1500cr: Nitin Gadkari, The Economic Times, 28 June 2017

10. India is now among fastest-growing medical tourism destinations, India Today, 13 Oct 2017

11. Press Information Bureau, Gol Ministry of Tourism, 28 Dec 2017





## Future plans

### Expected steps by the central government of India

- Central Financial Assistance to the state governments for large scale tourism infrastructure developments to continue in the near future.
- Creation of five STZs was announced in the Budget for 2017-18<sup>12</sup>
- Convergence of inter-ministerial schemes to become more prominent for multiplier effects like collaborations with railways, shipping, power, culture, ASI, urban development etc.
- Encourage private sector participation for developing way-side amenities along the circuits developed through the government's tourism infrastructure development programmes. e.g. NHAI is working in collaboration with Ministry of Tourism (MoT) for such developments along the national highways
- Government to set up five cruise terminals in the country.<sup>13</sup>

Most of the state governments are working towards developing a favourable climate for investments in the tourism sector. Following are few of the states with key policy initiatives:

### Gujarat Tourism Policy 2015-2020<sup>14</sup>

- Capital subsidies: An investment of over USD7.6 million for tourism units will get a subsidy of 15 per cent, up to a maximum of USD1.5 million.
- Stamp duty reimbursements: Tourism units will qualify for 100 per cent reimbursement of stamp duty and registration charges on sale/ lease/transfer of land for the first transaction only.
- Exemption from Luxury Tax and Entertainment Tax for eligible tourism units for five years from commencement of commercial operations or the date of completion of expansion.
- Complete exemption from Electricity Duty for five years for new tourism units only.

- As per the World Travel & Tourism Council, investments estimated to the tune of USD4 billion is likely to come into the state by 2025.<sup>14</sup>

### Karnataka Tourism Policy 2015-2020<sup>15</sup>

- An investment worth USD8.4 billion is estimated in the sector over the policy period, out of which 50 per cent is expected from the private sector.<sup>16</sup>
- Identification of tourism destinations: 319 destinations have been identified across the state for developing into tourist destinations.
- Focus on research and infrastructure: Focus more on research and infrastructural development instead of concessions and incentives.
- Mega projects worth more than USD7.8 million would be eligible for special incentives. 100 per cent exemption on entertainment tax for small and medium sized theme parks. Transfer of development rights also in the offing through Development Rights Certificate, for the development of heritage buildings.

### Goa Tourism

- The state of Goa introduced its Investment Policy in 2014 to promote tourism and other industries, with a focus on private or public-private investments.<sup>17</sup>
- Establishment of hotels: The government aims to grant permissions to hotels to build a cumulative additional capacity of around 8,000 beds in 5 years till 2019.<sup>17</sup>
- Increased focus on niche and boutique hotels: The government would encourage development of boutique and luxury hotels in the state. Investments in areas such as oceanariums, theme parks, shopping malls, entertainment centres, convention centres, water and adventure sports, marinas and hinterland river cruise, heritage tourism, etc. would be encouraged.

12. Annual Report 2016-17, Ministry of Tourism

13. Plans afoot for five cruise terminals worth Rs 1500cr: Nitin Gadkari, The Economic Times, 28 June 2017

14. Gujarat govt unveils new tourism policy, in a first tourism gets 'industry status', The Indian Express, September 2015.

15. Karnataka Tourism Policy 2015-2020', 17 July 2015

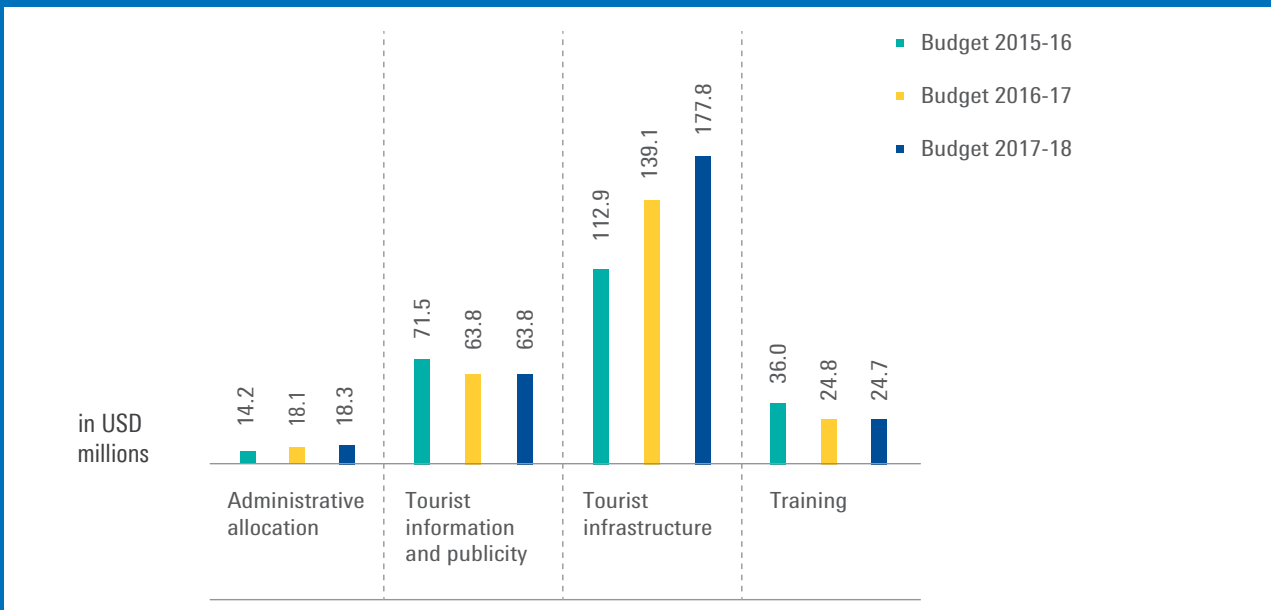
16. 'Karnataka's new tourism policy forges PPP push', Deccan Herald, 17 July 2015

17. 'Goa Investment Policy 2014', Directorate of Industries, Trade & Commerce, 18 June 2014.



## Case Study: Government's thrust on tourism infrastructure development

Tourism infrastructure development is key to harness the growth of earnings in tourism sector. The budgetary allocation for tourism infrastructure grew by 57 per cent since 2015-16.



Following flagship schemes on tourism infrastructure development were launched by Ministry of Tourism in 2014-15.

### Swadesh Darshan – Theme-based circuit developments:

- 13 themes have been proposed on the basis of varied cultural and geographical diversity of the country. E.g. Himalayan, Tribal, Coastal, Ecotourism, Spiritual, Heritage, Ramayana, Krishna, North East, Buddhist etc.
- The scheme entails pan India development covering most of the states.
- The developments have a huge potential to create direct and indirect jobs in the sector.
- Till December 2017, 67 projects had been sanctioned with a total outlay of USD873 million<sup>18, 19</sup>

### PRASAD:

- As per NSSO report FY 2014-15, nearly 59 per cent of the total domestic tourist visits (excluding social trips) in India are from the Religious and Pilgrimage tourism.
- Government launched this scheme to cover the infrastructure gaps prevailing at some of the most visited tourist places on pilgrimage destinations of all the faiths.
- The programme enables improved tourist conveniences, accessibility, security, cleanliness, experience and revitalise/preserve the soul of the pilgrimage/heritage destinations.
- Till December 2017, a total of 21 projects had been sanctioned with total project cost of USD91 million<sup>18</sup>

18. Press Information Bureau, Gol Ministry of Tourism, 28 Dec 2017

19. Scheme Guidelines for PRASHAD and Swadesh Darshan for Ministry of Tourism, Gol



## Future plans

### Medical Tourism

- India is a preferred destination for medical tourism because of its world-class hospitals and skilled medical professionals. Medical tourism earnings could exceed USD9 billion by 2020.<sup>20, 21</sup>
- In 2016, over 210,000 medical tourists arrived in India as compared to 134,000 in 2015.<sup>20</sup> According to a recent report, over 500,000 foreign patients seek treatment in India every year.<sup>22</sup>
- Market is responding well with tour operators aggressively tying up with prospective hospitals.

### Cruise Tourism

- Government intends to increase number of cruise tourists from 0.2 million to 4 million in the next 5 years with the number of ship visits to increase from 158 to 955 every year. Revenues expected to shoot up to USD54.9 million in 2022 from USD1.1 million in 2016.<sup>23</sup>
- Cruise network to be connected to ASEAN countries comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.<sup>24</sup>
- Government expects to create 0.25 million jobs at the 5 main ports of Mumbai, Goa, Mangaluru, Chennai and Kochi.<sup>23</sup>

### Rural Tourism

- Large population of India lives in rural set ups and has a wide variety of cultural ethos and experiences to share with the incoming tourists and at the same time benefit local community economically and socially.
- As per SEWA – Self help Women’s Association that has 2 million members in villages, local people have started sharing their homes under Bread & Breakfast (B&B) set ups with visitors. Tied with a leading online hospitality marketplace, technology in the form of mobile apps is adding to the success story.<sup>25</sup>

### Eco Tourism

- With unique offerings on bio-diversity and rich natural heritage, government is developing infrastructure in eco sensitive areas to push for alternative tourism offerings.

### STZs

- Government plans to develop five STZs in the country on a challenge mode based on PPP models<sup>26</sup>.



## Key institutions/departments driving the reform

- Ministry of Tourism, Government of India
- State Tourism Departments

20. Ministry of Tourism, BMI

21. India is now among fastest-growing medical tourism destinations, India Today, 13 Oct 2017

22. India is now among fastest-growing medical tourism destinations, India Today, 13 Oct 2017

23. India eyeing 40 lakh cruise tourists in 5 years: Gadkari, The Hindu, 9 Aug 2017

24. India to connect with Asean via cruise tourism, The Hans India, 11 Dec 2017

25. Rural women in India, elderly in Japan open their homes to Airbnb guests, The Economic Times, 8 Jan 2018

26. Annual Report 2016-17, Ministry of Tourism



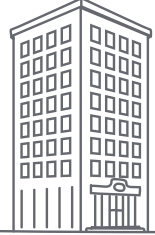
# The MSME sector



## Overview

Micro, Small and Medium Enterprises (MSMEs) in India have experienced several highs and lows in the past few years, but have been flourishing despite a challenging environment. The MSME sector is an essential partner for achieving socio-economic growth.

Indian MSMEs, with approximately 36 million units, contribute 8 per cent to national GDP, employ over 111 million people and manufacture over 6,000 products from traditional to high-tech items<sup>01, 02</sup>. For achieving higher growth and employment generation, GoI targets to enhance the contribution to 25 per cent of GDP<sup>03</sup>.

| Size of the enterprise                  |  |  |  |
|---|--|---|---|
|   | Micro  | Small   | Medium  |
| Manufacturing (Investment in machinery) | Upto USD0.03 Million   | Above USD0.03 Million upto USD0.80 Million  | Above USD0.80 Million upto USD1.50 Million  |
| Service (Investment in Equipment)       | Upto USD0.01 Million   | Above USD0.01 Million upto USD0.30 Million  | Above USD0.03 Million upto USD0.80 Million  |

Source: "Definitions of Micro, Small & Medium Enterprises", Ministry of MSME website, accessed on 15 January 2018

## Key reforms/plans in places

- The on-going 'Make in India' programme is poised to push manufacturing and attract foreign investment in the sector.
- The Ministry of MSME is implementing various schemes and programmes for promotion and overall development of the MSME sector. These include Prime Minister's Employment Generation Programme (PMEGP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme (CLCSS), National Manufacturing Competitiveness Programme, Micro & Small Enterprises - Cluster Development Programme (MSE-CDP), Marketing Development Assistance, International Cooperation Scheme, etc.
- Public Procurement Policy - Public Procurement Policy, MSE Order 2012 states that 20 per cent of total procurement of goods and services by Central Ministries, Departments and CPSEs shall be made from MSEs and 20 per cent of such procurement i.e. 4 per cent of total shall be made from MSEs owned by marginalised community members.
- The GoI launched the Mudra Bank in August 2015. Mudra Bank is providing access to finance to small businesses and manufacturing units thereby providing impetus to the growth of the sector. On 6 January 2016, the Union Cabinet had approved the creation of a Credit Guarantee Fund for MUDRA loans<sup>04, 05</sup>.
- Ministry of MSME has established a support system for MSMEs in various industry sectors by establishing technology centers in partnership with international Institutions of repute. These technology centers provide support to MSMEs by providing advisory support to industry, enhancing their access to latest technologies and hands-on training, skill development to youth and industrial workers to improve the technical knowledge of the workers - key to enhancing the manufacturing competence of the MSMEs, in addition to the employability and livelihood opportunities for them.

01. "MSME at a Glance 2016", Ministry of MSME, 2016

02. "111 Million Indian Workers as Data Rules Change", Bloomberg, 22 November 2017

03. "India keen to increase manufacturing sector's contribution to GDP to 25 per cent: Sitharaman", Electronics B2B, 17 April 2017

04. "Prime Minister to Launch Mudra Bank Tomorrow; 5.77 Crore Small Business Units to be Provided Access to Institutional Finance" PIB, 7 April 2015

05. "Cabinet approves creation of a Credit Guarantee Fund for MUDRA loans", PIB, 6 January 2016

- Union Budget 2018-19 has extended the reduction of corporate tax rate to 25 per cent to enterprises having turnover up to USD38.65 million<sup>06</sup>. Earlier, this rate was applicable to only enterprises with a turnover of USD7.5 million. MAT credit carry forward extended to 15 years from 10 years and abolishment of Foreign Investment Promotion Board (FIPB) by 2017-18<sup>06</sup>.
  - With an aim to bring MSMEs in to the formal sector, a simple Udyog Aadhaar Memorandum (UAM) registration has been launched to register existing MSMEs on the basis of Aadhaar - a unique identity and a digital platform to authenticate anytime, anywhere for all residents.
  - Implementation of the GST (Goods and Services Tax) is expected to benefit MSMEs not only with simpler tax structure but also with aspects such as improved technology adoption in order to comply with GST system. The 'One Nation, One tax' approach will make India an open market helping MSMEs explore new markets with no or low entry barriers and experience business expansion.
  - Government e-marketplace (GeM) - GeM is a completely paperless, cashless and system driven e-market place that enables procurement of all Government use goods and services online.
  - MSME samadhaan portal – An online monitoring system to track 'delayed payments' to MSMEs was launched on 30 October, 2017. The portal enables entrepreneurs to upload cases where there is delay in getting payments from PSUs or any other government department<sup>07</sup>.
- All these are levers that are aimed towards meeting the ambitious targets of increasing the share of manufacturing in GDP.



## Future plans

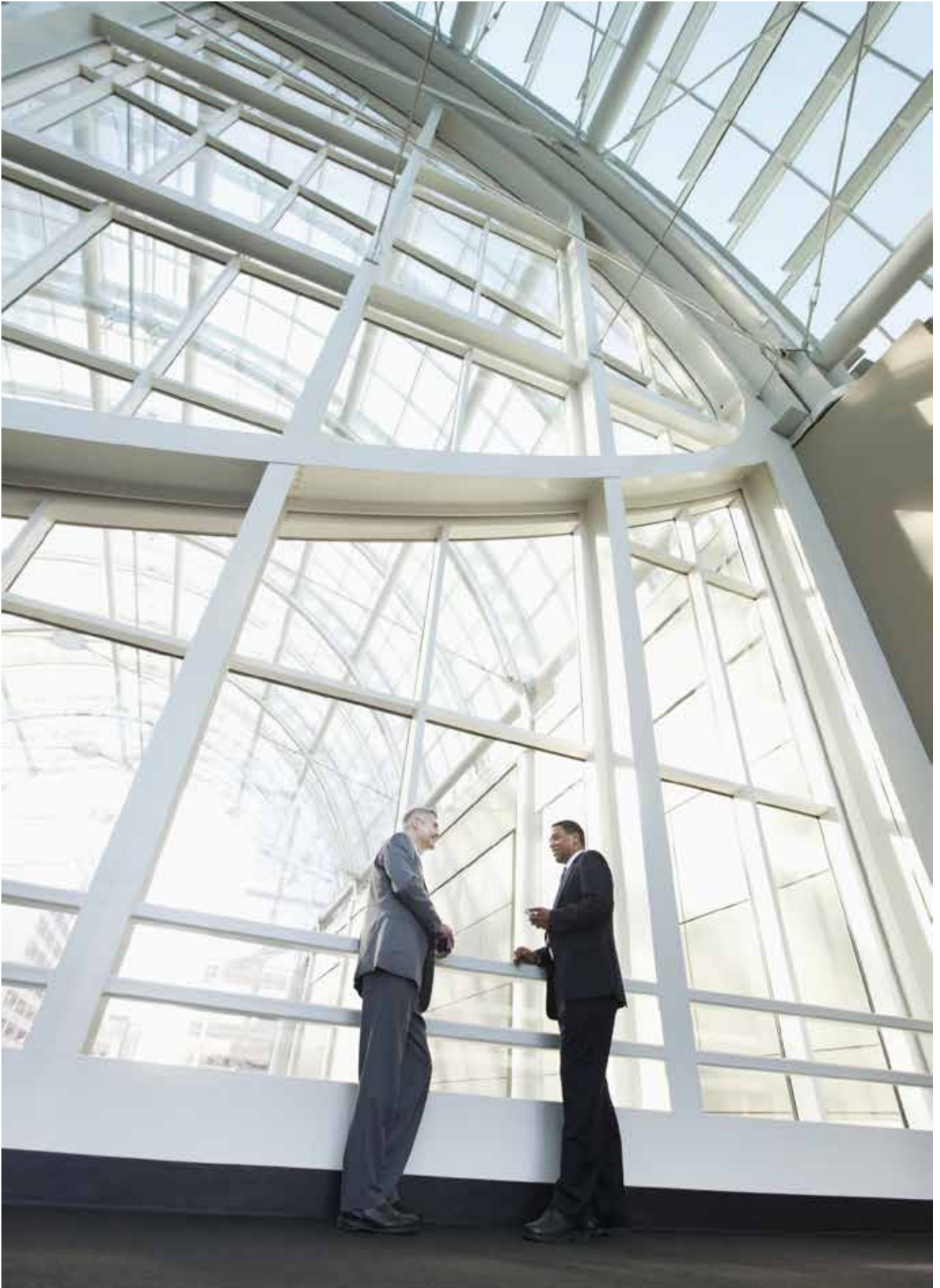
The manufacturing sector in India aims to reach USD1 trillion by 2025 and rank amongst the top three growth economies in the world.

Going forward, the focus shall be on strengthening MSMEs through regulatory reforms in Trade and Investment –

- Re-look the Indian trade and FDI regime to make it more responsive to the requirements of MSME's
- Collaborate with industry associations to carry out sectoral Global Value Chain (GVC) analysis and develop focused strategies for securing higher prominence for Indian/South Asian MSMEs in the value chain.
- Increasing the sectoral share of manufacturing in GDP to at least 25 per cent by 2022.
- Increasing the rate of job creation so as to create 100 million additional jobs by 2022
- Presence of large untapped market in India
- Identification of potential new sectors
- Realign investment promotion strategy being offered to provincial governments to focus on investments from emerging economies rather than from developed economies.

06. India Budget 2018-19, India Budget website, 1 February 2018

07. "Shri Giriraj Singh launches MSME Delayed Payment Portal – MSME Samadhaan", PIB, 30 October 2017

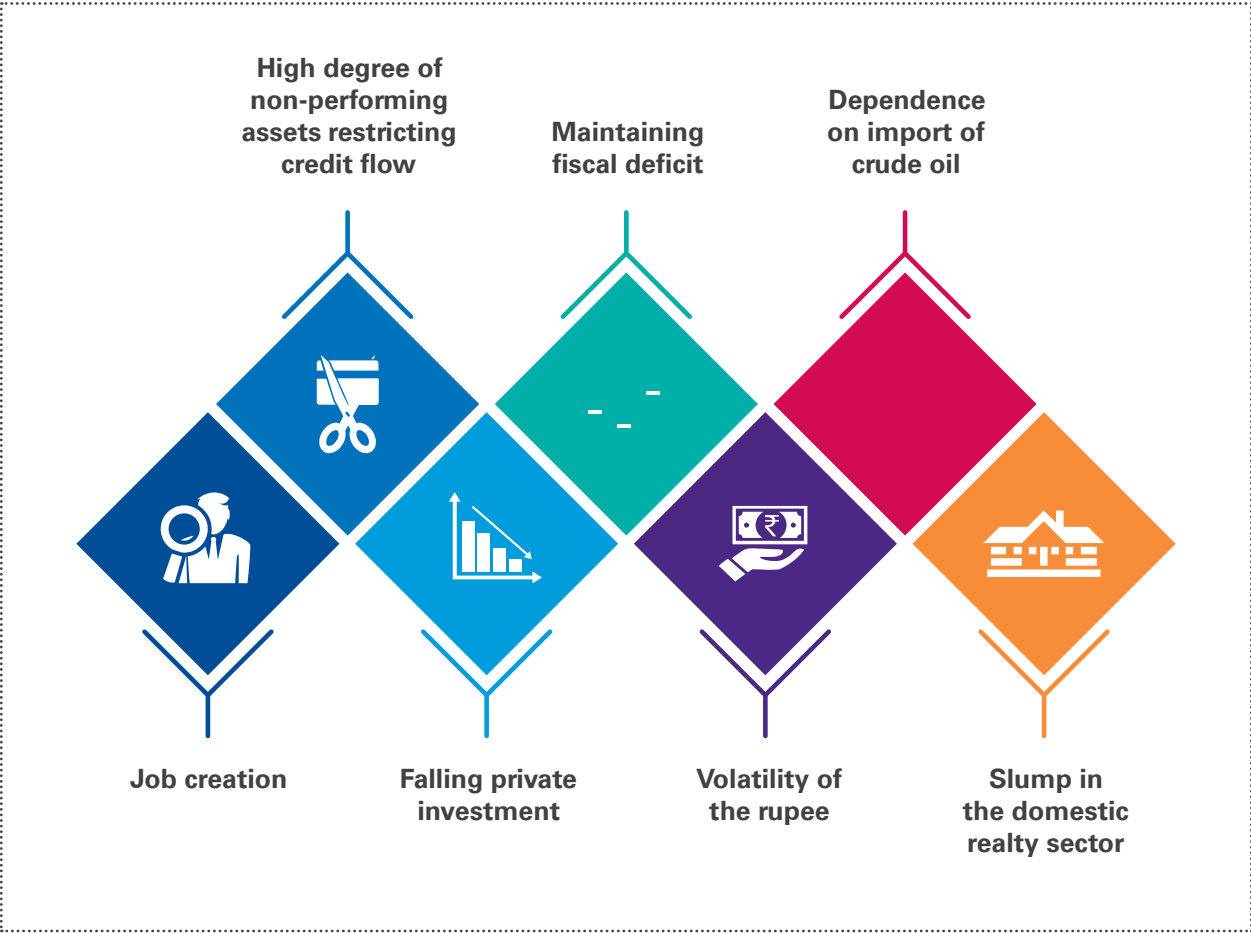


# The unfinished agenda



While the economy continues on a high-growth trajectory, it could face certain headwinds from domestic and global challenges. Stressed balance sheets of the bank, India's fiscal situation, subdued private investment scenario, employment generation

and a slowdown in the real-estate sector are among the major indigenous challenges for the economy. At the global level, key challenges include rising crude oil prices and volatility in the Indian rupee.



## NPA restricting credit flow



- India's NPAs crossed USD124 billion level as at June 2017
- At the end of FY18, banks would require USD51.2 billion for NPA provisioning
- This could dent their profitability and reduce the dividend payment to the GoI by public sector banks

- The recent policy measures such as consolidation of public sector banks, passing of IBC, Indradhanush scheme, corporate debt restructuring and announcement of USD32.6 billion bank recapitalisation scheme, would improve operational efficiencies, facilitate debt recovery and increase lending capacities of the banks
- As a next step, India could contemplate to create a National Asset Management Company (NAMC), along the lines of South Korea and Malaysia

The NAMC could take over stressed asset projects, which have the potential to become financially viable in the long term

Also, the NAMC could pool various NPAs, divide and categorise them according to their risk profiles and sell to private investors

Sources: "Bad loans of Indian banks cross Rs 8,00,000 cr: Banking mess explained in 7 charts", First Post, 17 August 2017; "Banks need to set aside Rs 3.3 lakh crore as NPA provisioning in FY18", The Economic Times, 12 October 2017; "Credit growth plunges to over 60-year low of 5.1 per cent in FY17", The Hindu Business line, 16 April 2017; "The NPA problem: Lessons from South Korea", Live Mint, 16 August 2017.

## Fiscal deficit



There is a moderate fiscal slippage in 2017-18, with the deficit target raised to 3.5 per cent

- Uncertainty over GST collections was largely attributable to the fiscal slippage
- Fiscal deficit target for FY19 was set at 3.3 per cent, higher than 3 per cent set before
- Rising oil prices may exert pressure on fiscal deficit

- GST revenue collections are likely to register robust growth in the next financial year. This, together with a strong rise in direct tax revenues, mostly driven by reform initiatives such as demonetisation implemented before, could enable the government to maintain fiscal consolidation.

Sources: "Fiscal deficit set to surpass target", DNA India, 1 December 2017; "India's April-August fiscal deficit touches 96.1 per cent of FY18 budget estimate", Business Today, 29 September 2017

## Dependence on the import of crude oil



- India imports more than 80 per cent of its crude oil requirements, which constitutes the majority of its USD150 billion annual energy import bill
- This is expected to rise to USD300 billion by 2030
- The recent uptick in crude oil prices could adversely impact India's trade and fiscal balance.

- The Government of India has undertaken several measures to reduce its dependency on imported crude oil, such as: setting a target of 10 per cent reduction of energy imports by FY22, by reviving sick oil wells – especially in Gujarat and Rajasthan and setting a renewable energy generation target of 175 gigawatts by the year 2022

Also, the country has made progress in renewable energy segment, as evident from the sharp fall in solar power tariff (to INR2.4 per unit) and the fact that it has the fourth largest installed wind power capacity. Further, the green energy corridor with ultra-high voltage direct current linking 1,800 kms, is expected to provide electricity to 80 million people

- Going forward, the Government of India intends to establish a policy framework to promote use of electric vehicles

Sources: "Rising oil prices can impact India's economic growth: Economic Survey 2017", Livemint, 1 February 2017; "Efforts on to reduce crude oil imports: Pradhan", The Hindu Business Line, 20 March 2017; "China, India plans for electric cars threaten to cut gasoline demand", Reuters, 12 May 2017.

## Falling private investment



- Gross Fixed Capital Formation (GFCF) rate has witnessed a steady decline from 34.3 per cent in FY12 to 27.1 per cent in FY17
- Also, demand for credit has declined, as food credit growth fell to USD6.2 billion in FY17, from above USD15.5 billion in FY16, with non-food credit growth being reduced to half of FY16 levels
- This reflects a decline in private and public investment in the economy, which is a key driver of GDP growth

- The Government of India has announced a USD32.6 billion infusion of capital into PSBs, which is expected to improve their capital base, thereby promoting lending to the corporate sector. This, in turn is expected to revive the private investment cycle in the economy

Also, the recent events- Global Entrepreneurship Summit 2017 and the Champions of change, were organised by the government, with a view to spur investment activity and boost entrepreneurship scenario in the country

- As a next step, the government, under the purview of Commerce and Industries ministry has formed a review committee to examine and bring down the regulatory issues faced by the industry, as these have been identified as a major reason for slowing of the investment cycle

Sources: "Time for course correction", The Hindu, 13 September 2017; "₹2.11 lakh crore for public sector banks to boost lending", 24 October 2017; "Govt to set up panel to ease regulatory hurdles", Business Standard, 27 September 2017; "Lack Of Private Sector Investment Cripples India's Growth", Business World, The Hindu, 27 July 2017.

## Volatility of the rupee



- Post declining 2.6 per cent in 2016, the rupee has gained significantly against the US dollar during 2017
- This has affected exports from the country, while a large part of the import portfolio has remained unhedged
- Appreciation of rupee against Chinese renminbi has led to a surge in cheaper imports impacting domestic manufacturers

Measures taken by the RBI and Indian government to reduce volatility in rupee include:

- RBI has built up a healthy corpus of almost USD400 billion forex reserves, via its pro foreign investment policies, which has enabled the RBI to intervene in currency markets at times of extreme volatility for the rupee against global currencies
- Export promotion measures provided by the government – especially to MSMEs across sectors has helped mitigate the impact of volatile rupee on these enterprises
- Some of the prominent government measures are:

Introduction of USD1.3 billion package to revive exports after GST

Self-assessment based duty free procurement of imports required for export is now allowed

Single window contact point for exporters and importers

Setting up of logistics division in commerce ministry for integrated solutions

Sources: "Why is there some worry about the rupee?", The Hindu, 12 August 2017: "3 years of Narendra Modi gov: Rupee rise defies conventional wisdom but don't rule out a reversal", First Post, 18 May 2017.

## Employment generation



- Productive employment has become a key concern for India, as 85 per cent of the labour force earns less than USD155.6 per month and only 9 per cent is deployed in organised sectors of the economy, as of FY16
- On an average, 6-8 million youth are expected to enter workforce over the next decade
- Unemployment in India is likely to reach 18 million in 2018

- The government is focusing on infrastructure development and has also undertaken various measures to foster job creation, such as 'Skill India' and 'Make in India'

The government allocated USD2.6 billion for 'Skill India' programme in the 2016-17 Union Budget

- Going forward, India could adopt a multi-disciplinary approach with the following elements:

Educate and train workforce in next generation technologies revolving around industry 4.0

Sources: "3 yrs of Modi gov: Question of jobs a major challenge confronting Centre", The Hindustan Times, 27 May 2017; "India's main challenge will be finding jobs amid automation", The Hindu, 3 October 2017; "Six steps to job creation", The Hindu, 14 October 2017

Increase public sector investments in sectors such as healthcare and judiciary

Rejig of cluster development programme to create additional MSME clusters

Announce more special packages for labour intensive sectors such as food processing, textiles, garments, etc.

Foster informal job creation across manufacturing and infrastructure sectors

## Slump in residential realty market



- Since FY14, the sale of residential units has been declining in India, on a y-o-y basis
- During H17, the total unsold residential inventory across India's top 8 cities was almost 0.6 million
- The weakened residential market is likely to impact the demand in the real estate sector and dent job creation opportunities

Sources: "India Real Estate", Knight Frank, 7 June 2017; "Real estate sector outlook negative for FY18: Ind-Ra", The Hindu Business line, 3 March 2017; "Residential real estate: An investible asset", KPMG, June 2017.

- The government of India has announced measures such as subsidies on home loan interest payments, increasing carpet area to avail interest payment subsidies and promoting affordable housing units to spur the interest among end consumers in the realty sector
  - Further, in the medium to long term, RERA is likely to benefit the buyers, by bringing greater transparency and ensuring timely delivery of projects
  - Going forward, with India's urban population expected to reach 530 million by 2030, the residential realty market could witness increased consumer demand
  - Also, India's mortgage to GDP ratio is 9 per cent - one of the lowest in the world
- Renewed focus in improving housing finance access in India, could also help increase the demand

In the short to medium term, these challenges could be addressed by the recent institutional reforms such as IBC, higher infrastructure investment outlay, bank

recapitalisation and policy reforms. Further, India could also adopt key learnings of developed countries, to mitigate these issues.

# Conclusion

The India growth story does not hesitate to adopt aggressive measures to bring about the necessary structural changes in the economy. This has been acknowledged at large with multilateral agencies turning optimistic about the country's growth prospects.

The macroeconomic fundamentals are stronger (lower fiscal deficit and retail inflation) and a much clearer and definitive fiscal structure is being prepared for India's future growth. India is on a much better footing than other emerging economies.

India's long-term growth potential stands undisputed and a host of reforms undertaken recently including GST, bankruptcy code, subsidy reforms backed by JAM trinity, transparent allocation of natural resources, to pick a few, have laid down a strong and firm foundation for the future of this high potential economy. With improved macroeconomic fundamentals and a stronger fiscal structure, the country is getting ready for future growth.

The mammoth and ambitious bank recapitalisation plan - Indradhanush 2.0 is set to have a multipronged impact on the financial as well as infrastructure sectors of the economy. It is expected to provide a much needed breather to the stressed capital positions of Indian banks and will spur investments especially in the infrastructure sector which will generate direct and indirect positive cascading effects for a lot of related sectors.

There is also a growing impetus to bring all the states together to work towards One India, a Connected India. Initiatives including Smart Cities and Swachh Bharat are expected to transform the optics as well as the socio-economic culture of the economy. This will further be backed by Bharat Mala and Setu Bharatam which are ambitioned to connect every corner of India and will bridge the urban-rural divide at a much faster pace. The nation is also getting digitally connected at an exponential rate. India has already become one of the largest internet markets

and is expected to record double digit growth in the years to come. The larger digital communities and stakeholders understand the huge potential of India's digitally connected future and are undertaking initiatives to increase the internet penetration in the economy. While, the transformation may not be instantaneously visible, it is likely to pave the way for the India of the future and will be key to sustainable growth for the next generation.

The nation has also embarked for an all-electric future and it has already set a definite time frame of having an all-electric vehicle nation by 2030<sup>01</sup>. This will not only make our air much cleaner but will also reduce India's dependence on oil imports.

India is set to have the world's largest workforce by 2027 with a billion people aged between 15 and 64<sup>02</sup>. The recent skilling initiatives adopted both at macro and micro levels will equip the young workforce of this economy with new age skills and knowledge to drive the next generation of this country.

In a nutshell, the nation has witnessed radical steps towards a giant leap into the future. Our expansive economic ecosystem is undergoing a paradigm shift. Reforms are being undertaken at all levels and efforts are being put in to ensure that the implementation of these reforms is seamless and is for the sustainable future of the nation. Feedback is being taken seriously from all facets of the society and efforts are being put in to ensure that the world's largest democracy effectively caters to the demands of the majority. Renewed investor confidence and expectations of continued progress on economic and institutional reforms will further unleash India's high growth potential.

01. "Aiming all-electric car fleet in country by 2030: Piyush Goyal", Business Today, 16 November 2017

02. "India workforce to be World's largest by 2027", Little India, 2 September 2017

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