Measures to Boost Economic Growth

14th September 2019
Ministry of Finance, Government of India
Contained Consumer Price Inflation

**Recent Trends of India’s CPI Inflation (%)**

- **Q1:18-19**: 6.3
- **Q2:18-19**: 6.0
- **Q3:18-19**: 5.9
- **Q4:18-19**: 5.2
- **Q1:19-20**: 4.3
- **JUL-19**: 4.5
- **AUG-19**: 4.2

**Recent Trends of India’s CPI Inflation (%)**

- **Q1:18-19**: 4.8
- **Q2:18-19**: 3.9
- **Q3:18-19**: 2.6
- **Q4:18-19**: 2.5
- **Q1:19-20**: 3.1
- **JUL-19**: 3.1
- **AUG-19**: 3.2

**Data Source:** MoSPI

**Note:** Core excludes food and fuel

**Data Source:** WEO, IMF
Industrial Production: Signs of Revival

Growth of Index of Industrial Production (%)

Production Growth of Core Industries(%)
Revival of Fixed Investment

Annual Fixed Investment Rate (as % of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>30.1</td>
</tr>
<tr>
<td>2015-16</td>
<td>28.7</td>
</tr>
<tr>
<td>2016-17</td>
<td>28.2</td>
</tr>
<tr>
<td>2017-18</td>
<td>28.6</td>
</tr>
<tr>
<td>2018-19</td>
<td>29.3</td>
</tr>
</tbody>
</table>

Quarter-wise Fixed Investment Rate (as % of GDP)

Data Source: MoSPI
Improving Fiscal Deficit & Contained CAD

Fiscal Deficit to GDP (%)

2014-15: 4.1
2015-16: 3.9
2016-17: 3.5
2017-18: 3.5
2018-19: 3.4

Data Source: Controller General of Accounts

Current Account Deficit to GDP (%)

Data Source: RBI
Robust FDI inflows and High Foreign Exchange Reserves

Gross FDI Inflows (US$ Billion)

<table>
<thead>
<tr>
<th>Year-1</th>
<th>Gross FDI Inflows (US$ Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>44.3</td>
</tr>
<tr>
<td>2015-16</td>
<td>55.6</td>
</tr>
<tr>
<td>2016-17</td>
<td>60.2</td>
</tr>
<tr>
<td>2017-18</td>
<td>61</td>
</tr>
<tr>
<td>2018-19</td>
<td>62</td>
</tr>
<tr>
<td>2019-20</td>
<td>27.3</td>
</tr>
</tbody>
</table>

Foreign Exchange Reserves (US$ billion)

Note: Gross FDI includes Equity, Reinvested earnings and other capital

Data Source: RBI
Follow up on Announcements made

• Announcements were made on 23rd August and 30th August regarding a series of measures to enhance economic growth

• I had reported implementation of 6 of the 32 announcements relating to banking made on 23.8.2019.

• Partial credit guarantee scheme for banks to buy assets of NBFCs has been implemented.

• Measures being taken to improve credit outflows from banks

• Transmission of interest rate cuts are being effected by banks
Follow up action: Faceless Assessment

• The E-assessment Scheme under section 143(3A) of the IT Act notified on 12.09.2019

• Salient Features
  • Removal of existing human interface in the assessment procedure
  • Assessment to be handled by specific functional units on the basis of automated allocation system
  • Assessment unit will be anonymous
  • All communication to be made exclusively in electronic mode
  • No personal appearance of any assessee
Follow up action:
Document Identification Number (DIN)

• Circular No.19/2019 issued on 14.08.2019
• Salient Features
  • All notices, summons, orders, communication to be issued only through systems
  • All documents to have unique DIN
  • Validation of Documents issued can be done on e-filing portal
  • Documents without DIN to be treated as non-est
Follow up action:

Compounding of Past Offences

• Circular No. 25/2019 issued on 09.09.2019

• Salient Features
  • Compounding application can be filed upto 31.12.2019 which were not filed within prescribed time schedule earlier
  • This will reduce the existing pendency of prosecution cases before the courts
Follow up action: Prosecution Easing Measures

- Circular No. 24/2019 issued on 09.09.2019
- Salient Features
  - Smaller taxpayers with minor procedural defaults will not be prosecuted
  - Prosecution to be launched only in deserving cases and to be commensurate to the degree of offence
  - For defaults below Rs. 25 lakhs, prosecution to be sanctioned only with the prior approval of Collegium of two CCIT/DGIT rank officers
Measures to Boost Exports
Export promotion: Steps taken so far

| Export promotion measures taken in last few years | • Interest Equalization Scheme (IES) on pre and post shipment rupee export credit introduced from 1.4.2015 providing interest equalisation at 3% to exporters on 416 lines and for all MSME exporters.  
• The IES rate increased to 5% for MSME exporters with effect from 2.11.2018 and merchant exporters were covered under the scheme with effect from 2.1.2019.  
• India’s rank in World Bank ‘Ease of doing business’ ranking improved from 142 in 2014 to 77 in 2018, with the sub-rank in ‘Trading across borders’ moving up from 122 to 80.  
• “Trade Infrastructure for Export Scheme (TIES)” launched with effect from 1st April 2017 to address the export infrastructure gaps in the country.  
• Comprehensive “Agriculture Export Policy” launched on 6th December, 2018 with an aim to double farmers’ income by 2022  
• “Transport and Marketing Assistance” (TMA) scheme launched in 05th March 2019 for mitigating disadvantage of higher cost of transportation for export of specified agriculture products.  
• Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) covering export of garments and made-ups notified on 7.3.2019 providing refund of duties/taxes at higher rates. |
## New Measures to Boost Exports

### Incentives and Taxation

| 1. Extend the scheme of Reimbursement of Taxes & Duties for Export promotion | • Scheme for *Remission of Duties or Taxes on Export Product (RoDTEP)* will replace MEIS.  
• Existing dispensation in textiles of MEIS + old ROSL will continue up to 31.12.2019  
• Textiles and all other sectors which currently enjoy incentives upto 2% over MEIS will transit into RODTEP from 1.1.2020  
• In effect, RODTEP will more than adequately incentivize exporters than existing schemes put together.  
• Revenue foregone projected at up to Rs. 50,000 crores |
|---|---|
| 2. Fully automated electronic refund route for Input Tax Credits (ITC) in GST | • **Fully electronic refund module** (FORM GSAT RFD-01) for quick and automated refund of ITC nearing completion and will be implemented by end September 2019.  
• This is expected to monitor and speed up ITC refunds. |
## New Measures to Boost Exports

### Export Finance

| 3. Expanding scope of Export Credit Insurance Scheme (ECIS) by ECGC | • Export Credit Guarantee Corporation (ECGC) will expand the scope of ECIS  
• Will offer *higher insurance cover* to banks lending working capital for exports.  
• *Premium incidence for MSMEs* will be moderated suitably.  
• It is expected that the initiative will cost about Rs 1700 cr per annum.  
• This will enable reduction in overall cost of export credit including interest rates, especially to MSMEs |
|---|---|
| 4. Revised Priority Sector Lending (PSL) norms for Export Credit | • *Priority Sector Lending (PSL) norms for Export credit* have been examined and enabling guidelines are under consideration of RBI  
• This will release an additional Rs. 36,000 crs. to Rs 68,000 crores as export credit under priority sector. |
| 5. Effective monitoring of Export Financing by Department of Commerce | • Data on Export Finance is regularly published by RBI  
• *Export Finance will be actively monitored by an Inter Ministerial Working Group in Department of Commerce, tracked through a dashboard, reviewed with institutions and active intervention carried out.* |
## New Measures to Boost Exports

### Export Facilitation

### 6. Leverage technology to reduce “Time to Export or Turn-around time”
- Technology will be further leveraged by timely completion of ongoing initiatives to further reduce "Time to export" - though seamless process digitization of all export clearances (port/airport/customs, etc) and elimination of offline/manual services
- An **action plan to reduce Time to export/turn-around time** in airports and ports benchmarked to international standards will be implemented by Dec 2019.
- Actual turnaround times will be **published in real time** for each port and airport to push them to improve performance
- An Inter-Ministerial Group will be made accountable for this.

### 7. Annual mega shopping festivals.
- **Annual mega shopping festivals** in India will be organized in 4 places across 2020 March in 4 themes (G&J, Handicrafts/Yoga/Tourism, Textiles and Leather)
# New Measures to Boost Exports

## Free Trade Agreements

| 8. Special FTA Utilisation Mission | • **FTA Utilisation Mission**, headed by a Senior officer in Department of Commerce, will be set up  
• To work exclusively with FIEO and export houses to utilise concessional tariffs in each FTA,  
• Enhance awareness of preferential duty benefits among MSMEs, disseminate and facilitate compliance requirements (Rules of Origin/ Certificate of Origin, etc.) under FTAs for importers and exporters,  
• Set goals for FTA utilization and put in place an effective FTA monitoring system. |
|----------------------------------|-------------------------------------------------------------------------------------------------|
| 9. Online “Origin Management System” | • **An Online “Origin Management System”** for exporters to enable them to obtain Certificates of Origin – CoO (under Rules of Origin) will be launched in the next few weeks by DGFT in collaboration with Exports Inspection Council.  
• This is expected to significantly improve ease of doing business for exporters. |
## New Measures to Boost Exports
### Engineering

| 10. Time bound adoption of mandatory Technical Standards | • Time bound adoption by Industry of all necessary mandatory technical standards and their effective enforcement to elevate the quality and performance ecosystem, enhance competitiveness and address the issue of sub-standard imports.  
• A **Working Group on Standards** will be set up in D/o Commerce to work with industry to lay down a roadmap for adoption of Standards, time lines and enforcement.  
• *This is expected to be a big boost in enabling Indian products overcome Non-tariff barriers in exports.* |
|---|---|
| 11. Affordable testing and certification infrastructure | • Affordable testing and certification infrastructure will be adequately expanded and developed in PPP mode to enable exporters to get all internationally accepted tests and certification done within India.  
• *This will reduce costs of adoption of standards and certification for Indian exporters to meet national standards of FTA partners* |
| 12. Enable handicrafts industry to effectively harness e-commerce for exports | • Special dispensation for facilitating and **on-boarding handicrafts artisans and handicap cooperatives directly on e-commerce portals** and enable seamless exports.  
• Mass enrolment of artisans across India with help of M/o Textile and organisations like TRIFED, CIE, etc. |
Measures to Boost Housing Sector
Steps taken so far

- **Affordable Housing** - **Additional deduction** up to Rs. 1.5 lakhs for interest paid on loans borrowed up to 31st March, 2020 for purchase of house valued up to Rs. 45 lakh.

- **Banks to launch Repo rate /external benchmark linked loan products**
  - Reduced EMI for housing loans by directly linking Repo rate to interest rates

- **Support to NBFCs/HFCs**
  - More credit support for purchase of houses, vehicles, consumption goods.
  - Additional liquidity support to HFCs Rs. 20,000 Cr by NHB thereby increasing it to Rs. 30,000 Cr.
  - Partial Credit Guarantee scheme for purchase of pooled assets of NBFCs/ HFCs upto Rs 1 lakh Cr - to be monitored at highest level in each bank

- Establish an organisation to provide Credit Enhancement for infrastructure and housing projects

- Requirement for creation of a Debenture Redemption Reserve (DRR) of outstanding debentures in respect of listed companies, NBFCs and for HFCs removed.

- **Pradhan Mantri Awas Yojana – Gramin** (PMAY-G) aims to achieve "Housing for All" by 2022: Eligible beneficiaries to be provided 1.95 crore houses with amenities like toilets, electricity and LPG connections during its second phase (2019-20 to 2021-22).
## New Measures to Boost Housing Sector

| 1. Relaxation of ECB guidelines for Affordable Housing | - ECB guidelines will be relaxed to facilitate financing of home buyers who are eligible under the PMAY, in consultation with RBI.  
- This is in addition to the existing norms for ECB for affordable housing. |
| 2. House Building Advance | - The interest rate on House Building Advance shall be lowered and linked with the 10 Year G Sec Yields.  
- Government servants contribute to a major component of demand for houses. This will encourage more government servants to buy new houses. |
### New Measures to Boost Housing Sector

| 3. Special Window for affordable and middle income Housing | - A Special Window to provide last mile funding for housing projects which are **non-NPA and non-NCLT** Projects and are Net worth positive in affordable and middle income category to be set up.  
- The objective is to focus on construction of unfinished units.  
- GOI on the lines of NIIF, can contribute to the fund while rest of the investors would be LIC and other institutions and Private capital from banks / sovereign funds / DFIs etc.  
- The Fund shall be set up as a Category - II AIF trust and would be professionally run with experts from Housing and Banking Sector.  
- Fund size: 10,000 crore to be contributed by GOI and roughly same amount from outside investors. |
THANK YOU