Opinion

SATURDAY, FEBRUARY 16, 2019

RESILIENCE AND PERSISTENCE

Rahul Gandhi, president of the Congress

The aim of terrorism is to divide this country and we are not going to be divided for even one second, no matter how hard people try

Weak demand, keen competition hit earnings

IT firms are a saving grace, else, the December 2018 quarter would have been a washout for India Inc

AS THE HEADLINE numbers show, it has been a disastrous earnings season, leaving India Inc in deep distress. Profits for a universe of 1,995 companies fell 30% y-o-y in the December 2018 quarter although revenues were up a decent 19% y-o-y. The simple fact is raw material costs and other expenses remain elevated but not too many companies are able to pass these on to consumers or end users because demand is so muted and the competition intense. The shortage of liquidity since September appears to have pushed up the cost of finance hurting the demand for consumer durables, while subdued investments in projects by the private sector and sluggish construction have left the demand for materials such as cement weak.

The telecom sector, in particular, has been badly bruised by the heightened competition after Reliance Jio entered the market in September 2016. But even rivals Bajaj Auto and Hero MotoCorp have been compelled to get into a price war to protect market share. The abundance of capacity in the cement sector, at a time when there is little activity in real estate, has left realisations of players like Ultratech weak. In the absence of adequate pricing power, profit margins are getting squeezed. For instance, gross margins at Mahindra & Mahindra (M&M) fell 160 basis points y-o-y due to raw material cost pressures even as inventories remained high. At Ultratech, standalone revenues were a good 16% y-o-y higher but net profits were up just 7% y-o-y, due to higher-than-expected costs.

In some sectors of the economy, recent policy changes have impacted demand adversely. For example, the changes in the axle load norms have hurt the demand for trucks of a certain size; Ashok Leyland reported a 12% y-o-y drop in revenues in Q3FY19, with volumes falling and the company not able to command pricing power. Again, the more expensive insurance policies have stymied demand for both cars and two-wheelers. In fact, the automobile sector is yet to recover from what was a very dull festive season; dealers confirm demand for cars, UVs and two-wheelers is still lacklustre and that inventories are at levels that are much higher than those typically seen at this time. Auto major M&M reported a very weak set of numbers for the December 2018 quarter with operating profit margins falling 150 basis points y-o-y.

To be sure, there were some bright spots; Larsen & Toubro delivered a splendid set of numbers, posting a 24% increase in revenues and a 27% increase in ebitda on the back of some strong project execution. While the fall in order inflows was a slight disappointment, the backlog is healthy. But core sector players, such as power generator Tata Power, are grappling with several problems and the company reported a 68% drop in consolidated profits hurt by the weak performance of its coal and infrastructure companies even as losses at its Mundra UMPP remained high. Amongst the consumer pack, Asian Paints was able to cash in on the festive season as was TVS Motors. However, management commentary has been very circumspect given how difficult it is to pass on costs to consumers. Even heavyweights such as Hindustan Unilever are not able to price products as they would like to. Had it not been for the IT firms, which are doing well in challenging conditions, the season would have been a complete washout.

Where are the edu reforms?

Many hyped announcements, no real action

FROM THE CENTRAL Advisory Board of Education (in 2005) to industry (the 2003 Ambani-Birla report on education) and the NITI Aayog (in 2017), many have argued for granting greater autonomy to higher education institutes and universities, especially the top-rung ones. So, a HRD ministry committee arguing for greater autonomy for IITs may seem like another iteration of the same logic. But, given how the government has been pussyfooting on higher education autonomy so far, every such recommendation should serve as a reminder of how urgently this reform is needed. The IIM example should serve as a strong example of the government's reluctance to give up control. Though the government passed the IIM Act in 2017 to give the premier management education institutions unprecedented autonomy, it never freed them of the shackle of reservations. And, as reported by *Mint* last year, the government is not truly ready to relinquish control of the IIMs. After seemingly having removed the government fetters on academic, administrative and financial matters, the government last year reportedly wanted to amend the 2017 Act to force the IIMs to implement virtual fee caps—ironically, "without flouting the autonomous spirit of the IIM Act". And, this was despite the IIM Act itself having provisions placing reasonable restrictions on the IIMs' use of surplus revenue. The government also wanted the IIMs to increase their intake, which, surely would have come at the cost of student-quality that is maintained through the rigorous admission procedure. This shows the government, despite all the right noises it has made on autonomy, is only too willing to burden higher education institutions—when it should be funding the creation of more IIM-like institutions, it would rather have the existing institutions dilute their standards.

It is not just autonomy for higher-ed institutions that is the problem. In fact, very few of the big education reforms the Centre has announced have materialised. The New Education Policy—that is expected to outline the overall reforms vision for the education sector—is now stale business. Two committees have submitted reports, and yet none have seen the light of day. A truncated version of the first was released by the government before it was junked altogether. The second one was submitted in October last year, and yet the draft remains to be tabled. Similarly, the Higher Education Commission of India (HECI), that was supposed to replace the inefficient UGC regime, is nowhere on the horizon. The government had announced the Diksha initiative to facilitate the training of untrained school teachers; but, as an analysis of Budget numbers over the Modi years, published in *IndiaSpend*, pointed out recently, the allocation for teachers' training is a fraction of what it was a few years ago. The Higher Education Funding Agency, that was supposed to finance infrastructure development—from an overall corpus of ₹1 lakh crore—at "all educational institutions under higher education, school education and institutions under ministry of health which is referred by the concerned ministry" under RISE 2022 had managed to approve projects worth only ₹10,000 crore by November last year, and that too only exclusively to top-billed institutions. It is futile to expect this inertia to change this late into the term of the present government. The next government will need to hit the ground running on education reforms; else, it will only mean squandered potential and productivity.

FlaggingMisuse

The campaign to hoist BJP flags on the houses of govt-scheme beneficiaries is unethical and, indeed, unacceptable

THE BJP'S HIMACHAL Pradesh unit, as per a report in *The Indian Express*, wants beneficiaries of Central and state government welfare schemes in the state to fly flags of the party atop their houses. As per the report, party workers will be expected to approach each of the 8.5 lakh such households in the state and try and convince them to support the BJP—and proclaim the same from rooftops—in the run up to the general elections this year. This is envisaged to be part of the the party's nation-wide campaign *Mera Parivar, Bhajapa Parivar* (my family, a BJP family). As part of this campaign, five crore BJP workers in the country will also fly party-flags atop their houses. But, the problem is, while the party can ask its workers to fly its flag, coaxing government-scheme beneficiaries to do this is unethical, and downright unacceptable. Coaxing beneficiaries to consider their entitlement as a party's largesse is political sleaze of the worst kind. Government funds belong to the people, and government programmes are mere channels through which these funds are deployed for the people's benefit.

Public funds are not to be leveraged to consolidate votes. It is an elected government's solemn responsibility to benefit citizens, irrespective of their political allegiance, while not shoring up its vote-bank among the electorate. The usage of public funds to further the political goals of a party is gross misuse of them, and the Election Commission should make sure that this doesn't happen. Politicising government schemes in the manner that the Himachal BJP has reportedly proposed sets a precedent for parties and future governments to colour entitlements of the people as party largesse, and that is a rabbit-hole no party would want to go down.

RATE TRANSMISSION

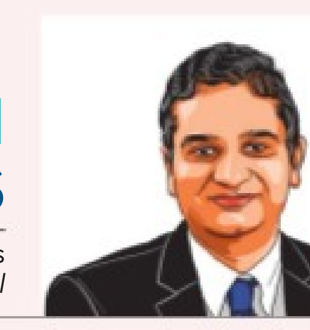
LOWER RATES DO NOT LEAD TO HIGHER INVESTMENT. THIS IS DEPENDENT ON THE STATE OF THE BANKING SYSTEM AND OPPORTUNITIES FOR GROWTH

Analysing the impact of lowering of the repo rate

MADAN SABNAVIS

Chief economist, CARE Ratings

Views are personal



WITH RBI SIGNALLING a change in stance to the lowering of rates and some banks decreasing their lending rates, there is a positive sentiment in the market. Interest rates were hiked twice during 2018 which had put industry on the back foot as procuring funds became expensive. Banks as well as borrowers have always been talking of interest rates to be lowered and hence should be satisfied that there can be more rate cuts to come in the coming months if inflation remains range-bound. How exactly does this translate into higher investment growth?

Theoretically, lower interest costs provide an incentive to companies to invest which in turn helps to foster growth. It also brings down the interest cost for companies which helps in stabilising profits. This will vary across industries as the interest-to-turnover ratio averages around 2-3% for non-financial companies and could stretch to around 10% for capital intensive industries. This looks logical.

The attached graphic juxtaposes the movement in weighted average lending rates of banks (WALR) on new loans given for the last five years along with growth in credit to various sectors to ascertain if there are any connections. Interest rates have actually come down by 210 bps since 2013-14, with the fall being 220 bps by 2017-18 before the repo rate was increased by RBI. Therefore, there has been a tendency for banks to lower rates continuously over this time period. As of March 2014, the repo rate was 8% after which it has come down without any upward revision to 6% by March 2018. In a way, it can be concluded that the transmission has been quite efficient as lending rates on new loans have come down in a commensurate manner. This is significant because, often, it has been argued that banks have not been proactive in terms of lowering their lending rates when RBI takes such an action.

Now, the pattern of growth in bank credit is quite interesting. The rate of growth has actually been declining or unchanged in 3 of the 4 years leading to 2017-18. Secondly, the rate of growth in credit-to-industry, which is what one can relate directly with investment, has been coming down and turned negative in 2016-17, before recovering with an anaemic 0.7% growth in 2017-18. This sector constitutes around a third of total credit and is hence quite dominant. Typically, the lowering of cost of capital should have led to higher credit flow to this sector.

Thirdly, growth in credit-to-agriculture has been buoyant in 4 of the five years which, again, is driven more by statute as it comes under priority sector lending. Fourthly, retail loans have been growing at the highest rates, which is positive for the household sector and has supported both the housing and auto sectors. Also, in the last couple of years, there has been a tendency for even PSBs to concentrate more on retail loans and hence build up a better portfolio given that NPAs tend to be lower in this segment.

Fifthly, the service sector has witnessed a mixed growth pattern and declined to 5.7% in 2014-15 before recovering in the next two years and then slowing down, again, in 2017-18. Here, NBFCs and trade are the two leading sectors which account for around half of credit to the services segment. Lastly, in 2018-19, growth in credit has picked up across all the sectors which is contrary to what conventional wisdom would support as this was a period when interest rates increased.

What this data indicates is that merely lowering rates does not lead to higher growth in credit across the sectors. It is most effective for the home segment which is also preferred by banks. In case of industry, a lot would depend on the state of capacity utilisation and investment opportunities that are there. Lowering interest rates works in case there is appetite for investment. In FY19, for example, RBI data shows that capacity utilisation rates have been improving and was at 74.8% in September from 73.8% in June. Therefore, some industries were in a position to scale up by borrowing more even though interest rates had increased. In the preceding years, this rate has hovered between 70-72%, which in turn proved to be a deterrent even though the cost of borrowing had come down.

The services sector needs further probing. NBFCs are re-lenders as they borrow money from banks and use the same for onward lending. Here they would tend to switch across different sources like corporate debt and CPs. Lower interest rates, for example, tend to feed into the market-driven instruments at a faster pace thus making such switches attractive. Interestingly, the weighted average 10-years GSec yield had come down from 8.54% in 2013-14 to 6.89% in 2017-18, which is a drop of 165 bps. Corporate bond yields for AAA-rated paper came down from 8.92% to 7.57%, which is a drop of 145 bps while that of AA paper was around 75-80 bps.

Another issue which becomes important is the willingness of banks to lend. Here, the reference is to the NPA issue where the overhang has made banks cautious on the lending side. This has tended to be concentrated in sectors like power, steel, telecom, etc., where the demand for fresh funds has also been subdued as companies try and sort out the resolution issues.

The fallout of the declining interest rates scenario has also meant that it has had an impact on growth in term deposits. The chart below shows how the growth rate has been coming down quite sharply over the years, from a range of 17% to a low single-digit rate in the last 3 years. Now this is a concern for two reasons. Firstly, from the point of view of banks, this is something which can pressurise liquidity, which, in turn, will call for affirmative action from the central bank in the form of support from OMO and term repos. Secondly, at the broader level, this has an impact on financial savings. The overall savings as per CSO is down from 33.1% in FY13 to 30.1% in FY18 which is a concern. Further, within financial savings, migration to the capital market through the mutual funds route or direct equity has also increased the risk taken by households which can be volatile depending on market conditions.

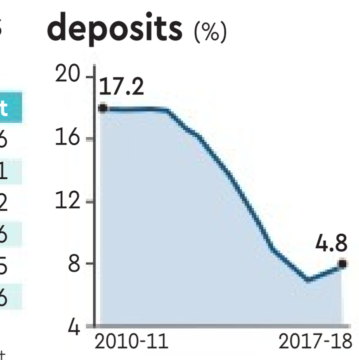
The issue of low interest rates is often looked at from the point of view of borrowers. While lower rates do cause cost of funds to come down, it is not necessary that it will lead to higher investment. This depends on the state of the banking system as well as opportunities for growth. Continuous reduction in rates also flags the possibility of banks finding it harder to garner deposits, which is also the case today where RBI intervention has been almost relentless. Therefore, there are trade-offs to be chosen as savers, too, would have their preferences.

Growth in credit to various sectors and weighted average lending rate of all banks on new loans (%)

	Total	Agriculture	Industry	Services	Personal	Interest
2013-14	13.6	12.9	12.8	16.1	12.5	11.66
2014-15	8.6	15.0	5.6	5.7	15.5	11.41
2015-16	9.1	15.3	2.7	9.1	19.4	10.72
2016-17	8.4	12.4	-1.9	16.9	16.4	10.16
2017-18	8.4	3.8	0.7	13.8	17.8	9.45
2017-18*	2.2	0.6	-1.7	0.5	10.8	9.56
2018-19*	6.6	5.0	1.9	8.9	10.0	

Source: RBI, *growth in Dec over March while WALR is for April-Sept.

Growth in term deposits (%)



The GST math conundrum

Even if there is no further rate rationalisation or relaxation in compliance requirements during FY20, the budgeted growth target of almost 20% for GST collections can be described as ambitious

BELA SHETH MAO

Partner, Deloitte India

BASED ON THE Interim Budget, the aggregate GST collection (Centre and states) for FY20 would be ₹13.71 lakh crore, which is almost a 20% growth over revised estimates for FY19. The budgeted aggregate GST collections for FY19 was ₹13.47 lakh crore which has been revised to ₹11.47 lakh crore (based on figures from the receipt budget of the Interim Budget). The average monthly collection in the first year of GST was ₹90,000 crore and for the second year, FY19 till January, it is ₹97,000 crore, which is below the estimated monthly average requirement of ₹1 lakh crore. The monthly GST target for FY20, translates to ₹1.25 lakh crore. The Interim Budget has set a very steep target for GST.

The Interim Budget did not provide a clear roadmap on how this boost in GST collections would happen. The assumption could be that, with the introduction of other fiscal measures, economic activity will pick up and will lead to higher GST collections. GST collections show an upward swing of 8% in FY19, a year in which there were two rounds of rate rationalisation and the recent announcements of raising exemption and composition scheme limits. The impact of the latter on GST collection will only be known from February 2019 onwards. The government has consistently maintained they would look at further rate rationalisations and hence this is also a real possibility. A group of ministers is currently reviewing the taxation of the real estate sector. Even if there is no further rate rationalisation or relaxation in compliance requirements during FY20, the growth target of almost 20% can be described as ambitious.

Anti–evasion measures like e–way bills and tax deducted at source/tax collected at source have been introduced in FY19. These measures have, to some extent, contributed to the upswing in GST collections. E-ways bills are still unable to curb evasion and technology intervention, such as the mandatory RFID tag introduced by UP, may assist in better tracking of movement of goods.

There are two other anti-evasion measures which have not been implemented and can assist in improving GST collections. The first is the reverse charge mechanism (RCM) for purchases from unregistered dealers and the other, the back bone of the GST law, is the input tax credit (ITC) matching mechanism which is, for now, not functional on GSTN. The RCM is significant, considering the doubling of the exemption limits in most states. The lack of a functional ITC matching mechanism has, as per media reports, led to a number of cases of fraudulent ITC credit claims, some of which have been detected over the past couple of months. The new compliance process, which is to be implemented from April 2019, may address the ITC matching requirement. All these anti-evasion measures, along with a pickup in economic activity, may help in realising the goal of 20% growth in GST collections.

An improvement in GST collections is required not only to meet the budget estimates but also to enable a more uniform GST implementation across all goods and services. Though GST has brought in the concept of 'one nation, one tax', for most goods and services, there is a large portion of the economy that is still outside of the purview of GST. Crude oil, natural gas, petrol, diesel and aviation turbine fuel are still outside the ambit of GST. This exclusion continues to create distortions in the tax value chain as taxes on these products are not creditable under the GST law. The key reason for keeping the 5 petro products outside of GST are revenue concerns and hence an upswing in GST collections will enable these 5 petro products to be included within the GST law.

Another concern, and one which we have seen playing out in the past, is that very high revenue estimates can give rise to an aggressive tax regime in order to meet the collection targets. Such actions may lead to temporary gains but, in the long-term, do have an adverse impact on compliance and collections. Another major fallout of lower collections is the delay in processing and payment of refunds which is a key concern today and can get aggravated in the future. Hence, the need for a roadmap and timely interventions, to achieve the budget estimate, is even more imperative and urgent.

LETTERS TO THE EDITOR

Fidayeen attack

The attack on a CRPF convoy by a Jaish-e-Mohammed (JeM) 'fidayeen' bomber near Awantipora on the Srinagar-Jammu Highway that left 44 jawans martyred and scores of others seriously injured are reminiscent of the dark days of the militancy in the valley. The blast which blew the bus to smithereens is the first of its kind in Kashmir and the worst-ever in terms of casualties. While our hearts go out to the gallant soldiers who lost their lives and limbs, it is obvious that our intelligence and security personnel need to pull up their socks and be more vigilant

— Ravi Chander, Bengaluru

Courting controversy

Considering and quantifying in money terms, the huge dilutions of securities made in finalising the murky Rafale deal and the major unprecedented concessions made to the French, like the waiver of a government guarantee and accepting of a letter of comfort which has no legal binding on the French supplier and the French government, the 2.86% gain in price boasted by the CAG is minuscule. The CAG should have placed in its report what the actual cost of the Jets would have been if such dilutions and concessions were not conceded. That the government preferred to table the CAG report only on the last day of the Parliament session certainly courts further controversy

— Tharcius S Fernando, Chennai

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Chairman of the Board: Viveck Goenka, Managing Editor: Sunil Jain, Deputy Managing Editor : Shobhana Subramanian* (*Responsible for selection of News under the PRB Act)

The setting up of income-earning criteria of ₹8 lakh per year as the eligibility for the proposed reservation is a serious issue. This high limit will bring almost the entire general category households under the reservation ambit and would also cost more to the system and households for generating/getting EWS cards

The floating of the reservation card

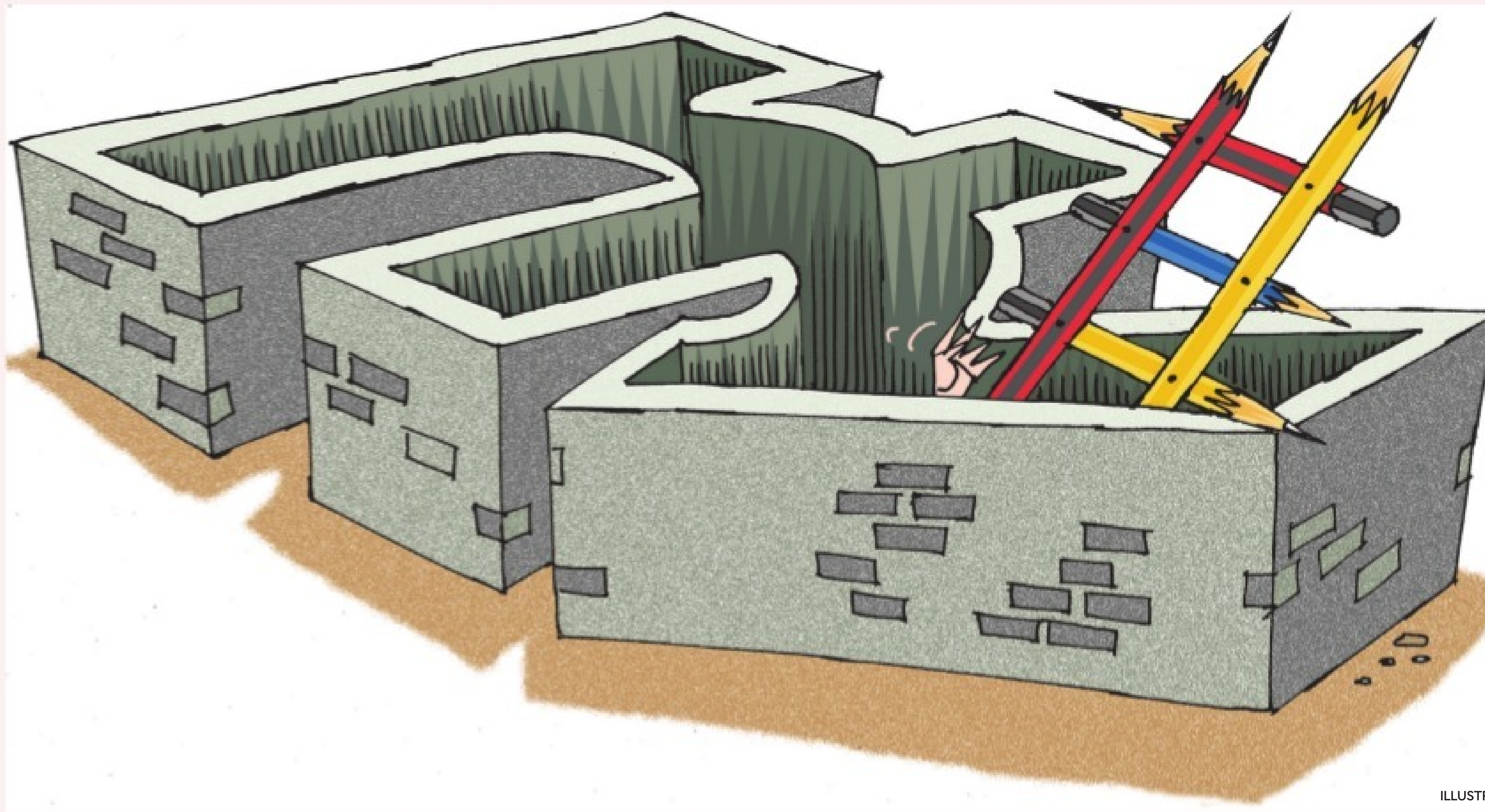

ILLUSTRATION: ROHNIT PHORE

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THE ACT OF providing 10% reservation to the economically weaker sections in the general category is historic, in the sense it was passed in both houses of Parliament without any opposition. The entire Opposition acquiesced either for the fear of being dubbed anti-poor in the forthcoming general elections, or they believe the economic parameter matters for addressing backwardness through reservation. The legal experts, on the other side, refer it a 'cynical fraud on the Constitution'. This is because the genesis of reservation in India addresses the caste- and occupational-based historical discrimination/injustice faced by some communities or groups rather than economic backwardness.

Social exclusion has been the central rationale for reservations in India until now. On this basis, the reservation was first given to the scheduled castes (SC) and scheduled tribes (ST); it was then extended to other backward classes (OBC) in the 1990s (after 1989) under Articles 15 and 16 of the Constitution. In several judgments, notably *Indra Sawhney 1992*, the Supreme Court reaffirmed the principle that "no classification could be made for reservations by relying exclusively on economic criteria" and reservation cannot exceed more than 50%. The recent Constitutional (124th Amendment) Bill 2019 deals with the new classification called 'economically weaker sections' of citizens. On the above two grounds, it may get struck in the court or the court might take a holistic view via referring Article 46 under the Directive Principles of State Policy, which speaks about promoting, with special care, the educational and economic interest of the weaker sections of the people. How it would be conceived, one has to see in the times to come.

But in the current dynamic world, it is true that the economy is progressing in such ways that is generating glaring economic inequalities. The Oxfam inequality report 2019 highlights that the wealth of the nine richest Indian individuals is equivalent to the bottom 50% of the country. The inequalities are not only deep-rooted, but are also growing at faster rates over the period across castes. The mobility of economically backward people to a better-off state is largely dormant. The caste of the poor generally does not help them get out of poverty or from accessing basic amenities. The economically weaker sections of citizens have largely remained excluded from attending (or retention in) the higher educational institutions and employment on account of their financial incapacity to compete with the persons who are economically more privileged.

Our estimates from the India Human Development Survey (IHDS) 2012 show unequal opportunity in employment and education across castes and classes—unequal opportunities due to both social and economic reasons. Brahmins/forward castes, no doubt, have more than twice salaried employment and higher educational attainment than the group currently having reservation on social background. But when we classify all social categories by their levels of income, we observe a similar pattern in employment and educational attainment at different levels of income across social categories. A low-income-household person has 4-5 percentage points less salaried employment and higher educational attainment than the one from high-income households across all forward and backward castes. Reservation can be an effective affirmative action to address unequal opportunities across different classes in the society only if the real needy poor are targeted for its benefit.

No exclusion at all

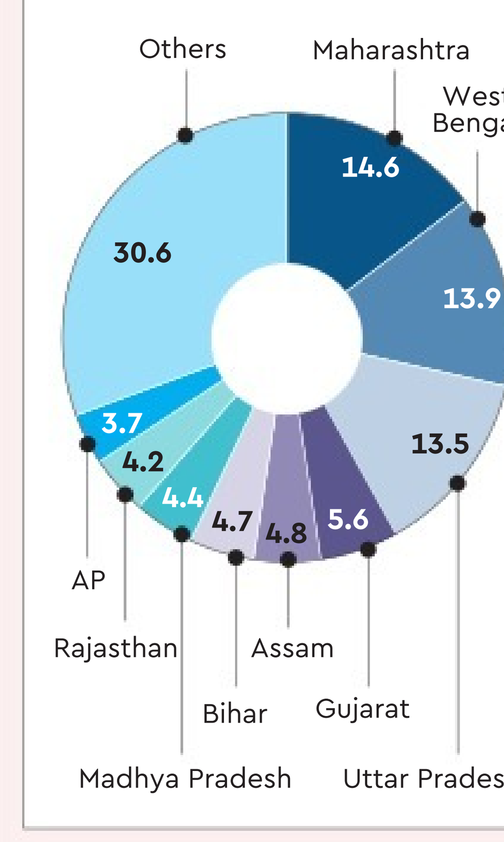
Given such evidences, the setting up of income-earning criteria of ₹8 lakh per year as the eligibility for the proposed reservation is a serious issue. Such a cut-off has been used for creamy layer among the OBCs—the income cut-off was initially kept at ₹1 lakh per year in 1993, which was raised to ₹2.5 lakh in 2004, ₹4.5 lakh in 2008, ₹6 lakh in 2013, and ₹8 lakh in 2017. It's important to note that this cut-off is used for extremely well-off households, while it will decide the level of poverty in the current Act—which is a contradiction. This high limit will bring almost the entire general category households under the reservation ambit and would also cost more to the system and households for generating/getting EWS (economically weaker section) cards. As per estimates from IHDS 2012, the entire forward castes come under 10% quota, except for only 2.28% forward castes that have more than ₹8 lakh income. This consists of 6.9 crore households (1.2 crore brahmins, 5.37 crore other forward castes, and 0.37 crore from others) and 32.3 crore persons (5.9 crore brahmins, 24.9 crore other forward castes, and 1.5 crore from others). The general category population constitutes around 27.3% share in India's total estimated (121 crore) population in 2012. The size of population/households would be a little more if one extrapolates it with the current population level.

The major worry here is that the high limit will lead to unequal opportunity between households having low income (say, ₹1 lakh or less) and those earning ₹8 lakh. The experience from earlier affirmative actions reveals that high-income households received highest benefits in both education/employment as compared to low-income ones. The deserving poor receive the minimal benefit. The income criteria, thus, needs to be rationalised and fixed carefully, otherwise the proposed 10% quota will fail to address the problem of unequal opportunities.

The intended beneficiaries at aggregate level as well as those aged 16-40 (who are potential job- and admission-seekers in higher educational institution through reservation) are expected to be high from West Bengal, Uttar Pradesh and Maharashtra (around 40%), as per estimates from IHDS data—if population growth rate remains the same across states. The intended households benefiting from this quota would be almost 13% from metropolitans, 29% from urban, 25% from developed villages and 33% from less developed villages.

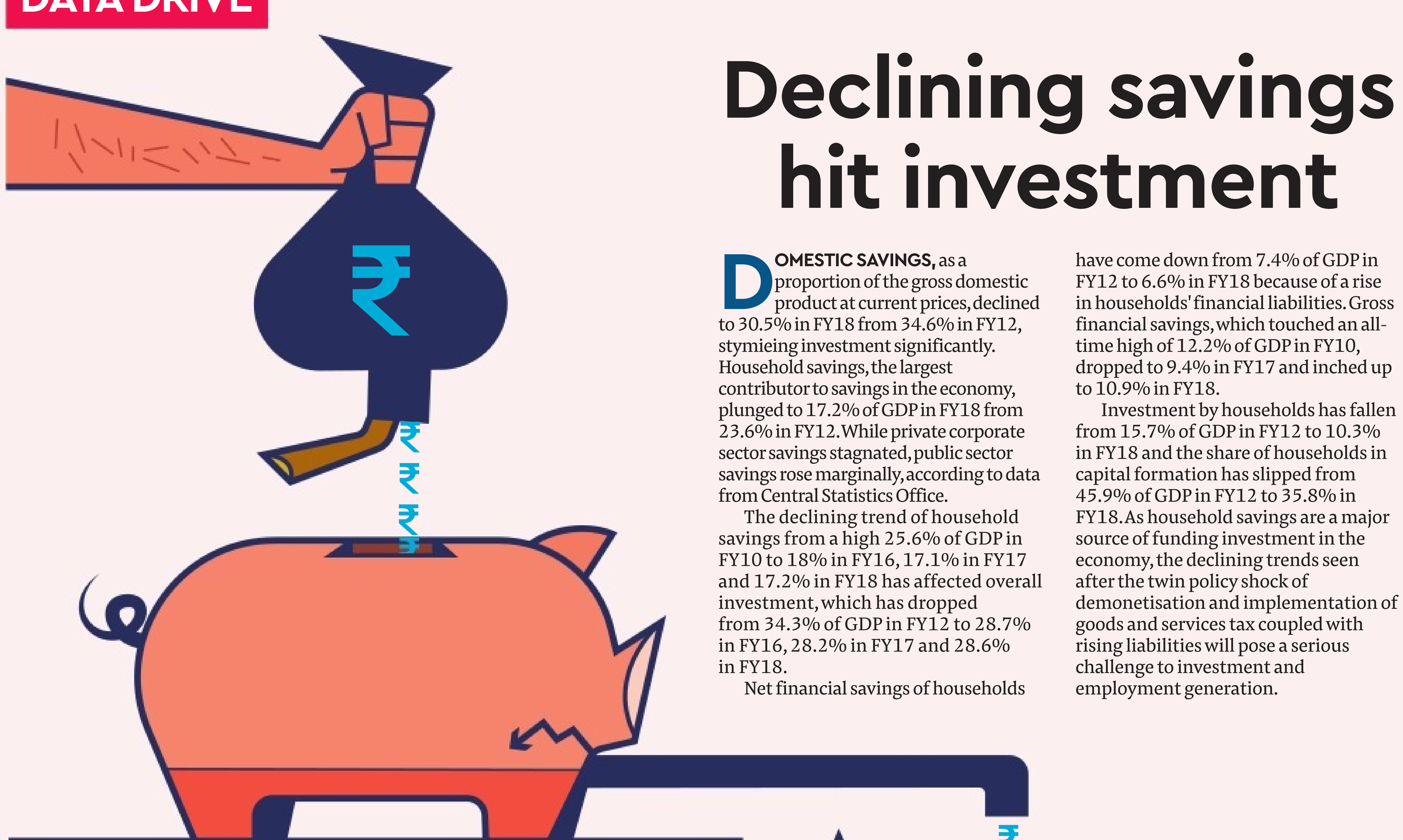
Of the total intended beneficiaries, almost 70% are aged 18 years or more—the potential voters. But whether all of them will consider it a progressive move is difficult to say, as a majority of job opportunities in the emerging market economy are in the private sector, rather than in public. Another important aspect is that, until now, 50% seats in jobs in open category were open to everyone including STs, SCs and OBCs. Since the new Act will now reduce the 10% job/education opportunities for these groups, how their voting pattern behaves is difficult to predict. The floating of the reservation card may not be a win-win situation in the forthcoming general elections, but it would generate enough debate around the existing affirmative action in India.

Distribution of persons age 16-40 (potential beneficiaries of 10% quota) across states



DATA DRIVE

Declining savings hit investment



DOMESTIC SAVINGS, as a proportion of the gross domestic product at current prices, declined to 30.5% in FY18 from 34.6% in FY12, stymieing investment significantly. Household savings, the largest contributor to savings in the economy, plunged to 17.2% of GDP in FY18 from 23.6% in FY12. While private corporate sector savings stagnated, public sector savings rose marginally, according to data from Central Statistics Office.

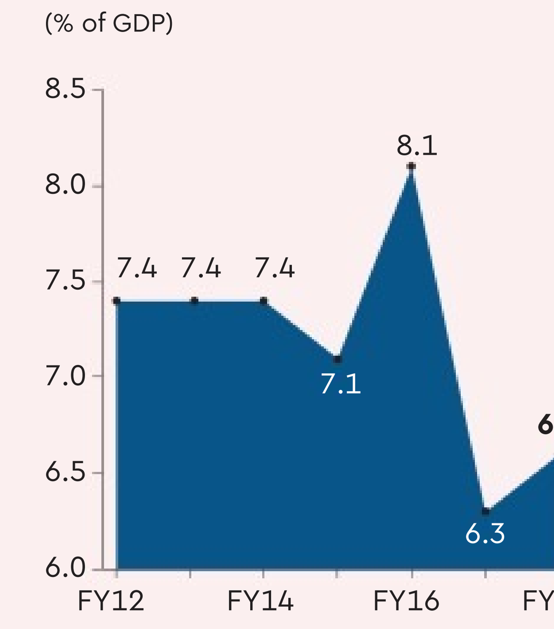
The declining trend of household savings from a high 25.6% of GDP in FY10 to 18% in FY16, 17.1% in FY17 and 17.2% in FY18 has affected overall investment, which has dropped from 34.3% of GDP in FY12 to 28.7% in FY16, 28.2% in FY17 and 28.6% in FY18.

Net financial savings of households have come down from 7.4% of GDP in FY12 to 6.6% in FY18 because of a rise in households' financial liabilities. Gross financial savings, which touched an all-time high of 12.2% of GDP in FY10, dropped to 9.4% in FY17 and inched up to 10.9% in FY18.

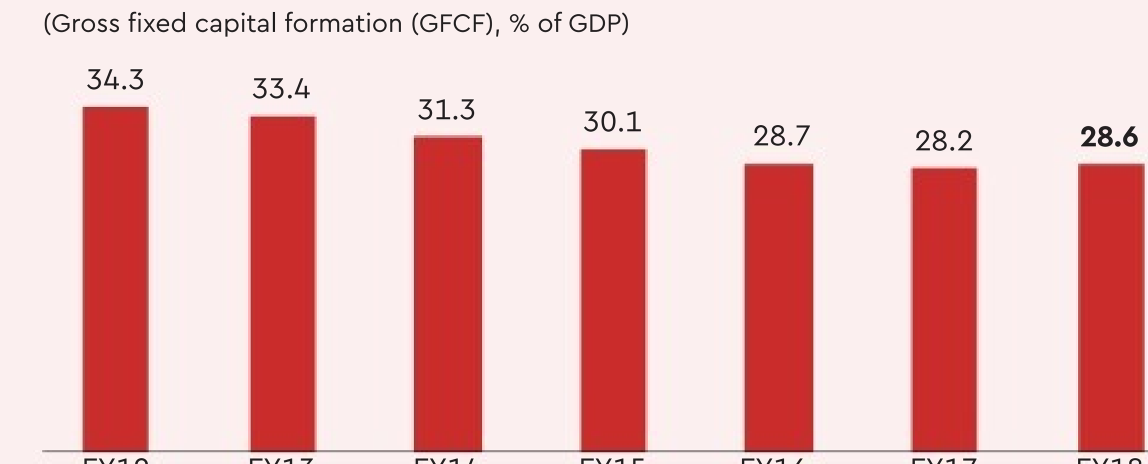
Investment by households has fallen from 15.7% of GDP in FY12 to 10.3% in FY18 and the share of households in capital formation has slipped from 45.9% of GDP in FY12 to 35.8% in FY18. As household savings are a major source of funding investment in the economy, the declining trends seen after the twin policy shock of demonetisation and implementation of goods and services tax coupled with rising liabilities will pose a serious challenge to investment and employment generation.

Negligible rise in gross financial savings of households
(% of GDP)

Net financial savings drop because of rising liabilities
(% of GDP)



Falling domestic savings hit investment
(Gross fixed capital formation (GFCF), % of GDP)



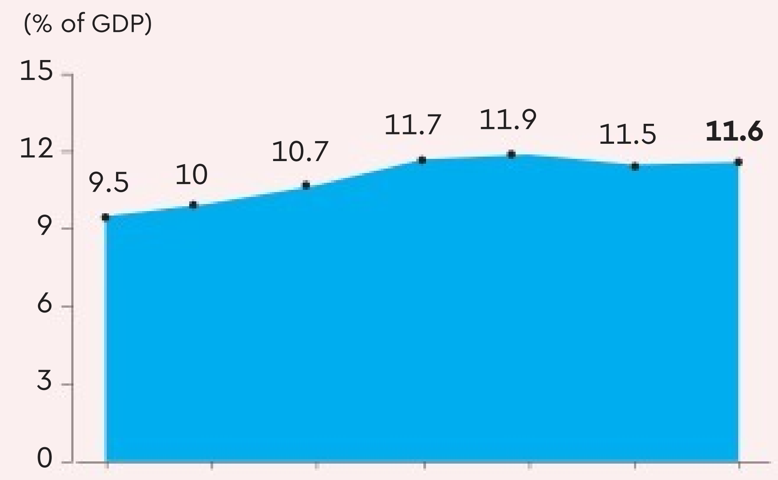
Investment by households drops the most
(% of GDP)

ILLUSTRATION: SHYAM KUMAR PRASAD

Domestic savings decline
(Gross domestic savings, % of GDP)

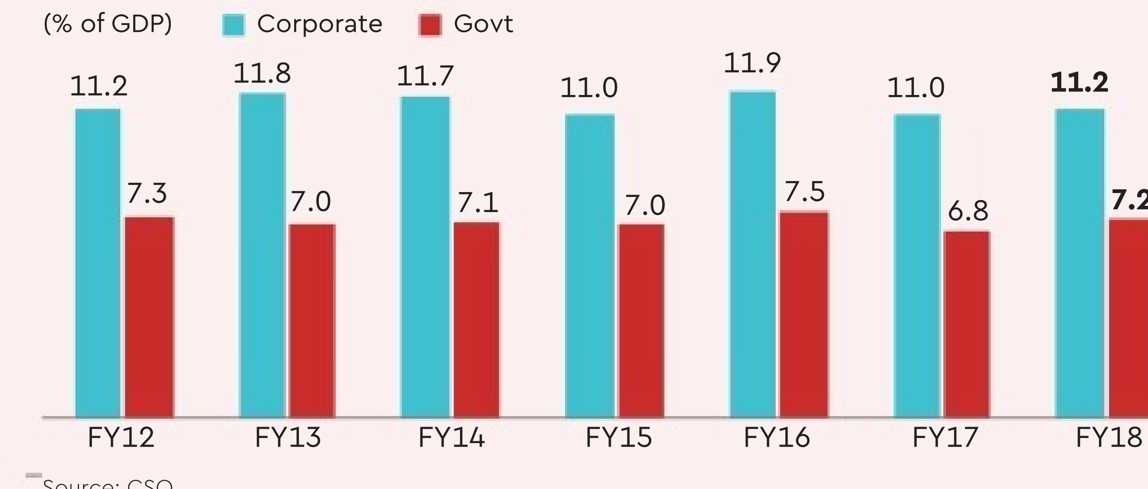
Household savings take a hit
(% of GDP)

Private corporate savings stagnate
(% of GDP)



Public sector savings rise marginally
(% of GDP)

Corporate, government investment remain stagnant
(% of GDP) Corporate Govt



Source: CSO