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CRISIL Insight

In fiscal correction quest, the best bet's GST

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In fiscal correction quest, the best bet's GST

Executive Summary

The BJP-led National Democratic Alliance won the 2014 election on two planks – reviving growth and lowering inflation. To achieve both simultaneously, the new government will have to boost expenditure in growth-critical areas such as infrastructure, and reduce unproductive spending such as subsidies. In other words, there is scope for expenditure switching but there is little room to lower overall expenditure. That being the case, to sustainably reduce fiscal deficit from current levels, the government will have to rely on raising revenues as a share of GDP.

To raise tax rates at this juncture is not prudent because it will severely hurt growth. Instead, the government has to implement structural tax reforms such as the goods and services tax (GST), which will lift tax revenues, lower the cost of doing business and boost growth.

How GST helps

The impact of GST on tax revenues will be two-fold. By eliminating the cascading effect of multiple central and state taxes, GST will reduce the cost of doing business and increase profitability, which, in turn, will attract investments and ultimately help GDP growth. Lower taxation and filing costs will also improve the price competitiveness of Indian goods abroad, boosting exports. Second, by simplifying the tax regime, GST can significantly improve tax compliance and increase tax revenues.

Fiscal deficit will remain high

However, implementation of GST in this financial year is unlikely. Therefore, we forecast fiscal deficit to stay high at 4.3% of GDP in the current year. That too, after assuming higher non-tax revenues and a significant increase in disinvestments as compared to last fiscal. This is because, sans GST, upside to tax revenues will be limited. Yet the government will have to accommodate large rollover of subsidies from the last fiscal – estimated at Rs 650 billion or 25% of the recognised subsidies in fiscal 2014 – as well as raise capital expenditure or spend productively to bolster growth.

If monsoons are below normal, GDP growth could slip to 5.5% in fiscal 2015 instead of our base case forecast of 6.0%. However, we do not expect this to materially change our forecast for fiscal deficit, as lower agriculture growth is unlikely to have a significant impact on tax collections. We also believe that any increase in expenditures due to relief packages etc will be rationalised with cutbacks or savings in spending elsewhere.

Partial GST rollout most likely

In the next financial year, GST implementation will facilitate a much-needed correction in the fiscal deficit. But despite its myriad advantages, we do not foresee a full-scale implementation of GST in its current form. Instead, we believe, the most likely outcome is a partial rollout of GST - one that excludes petroleum goods - given its large impact on state revenues. Even so, fiscal deficit is forecast to correct to 3.3% of GDP by 2017. On the downside, a failure to implement GST will crank up the fiscal deficit to 4-4.2% in 2016 and 2017.

Fiscal consolidation key for lowering India's debt ratio

Fiscal consolidation is also critical for lowering India's debt-to-GDP ratio. Central government's internal debt has stabilised at 48% of GDP in the last two years after declining steadily since fiscal 2005, when it peaked at 60% of GDP. Including external liabilities, the centre's debt burden is higher at 51% of GDP and the debt burden of centre+ states is even higher at 65% of GDP!

Furthermore, the declining trend of the centre's debt ratio post fiscal 2009 has been driven more by high inflation rather than lower fiscal deficit or faster GDP growth – as is desirable. Had inflation not risen so sharply, the central government's internal liabilities-to-GDP ratio would have started rising by now and stood at 55% in fiscal 2014 instead of 48%.

Going ahead, with inflation expected to moderate and upside to growth limited, a strong commitment to fiscal consolidation is an imperative to lower India's debt-to-GDP ratio. With a partial GST implementation, we forecast that India's debt-to-GDP ratio (internal liabilities as a % of GDP) will decline to 45% by fiscal 2017.

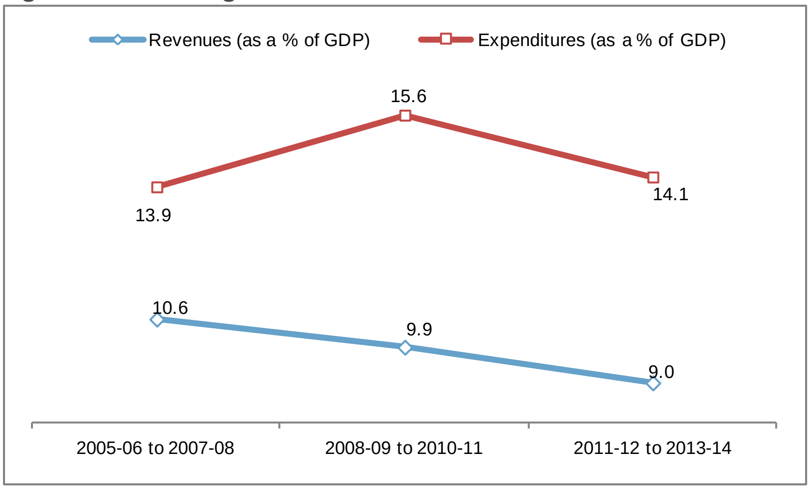
Fiscal deficit a nagging headache

India's fiscal deficit has hovered over 4.5% of GDP in the last three years –a glaring deviation from the target of 3% envisioned in the Fiscal Responsibility and Budget Management Act. Falling revenues in the post crisis years have made it harder for the government to lower fiscal deficit despite restraining expenditure. In the aftermath of the global financial crisis, expenditures had surged to 15.6% of GDP, but have since been cut back significantly to near pre-crisis levels - although the quality of expenditure compression is yet another question.

The share of revenues in GDP, however, continues to decline. In fiscal 2014, revenues stood at 9.3% of GDP, down from a peak of 11.7% in fiscal 2008. This decline is despite one-off gains from disinvestments and spectrum auctions, and structural tax reforms such as widening of the service tax net over the past few years. Had the share of revenues in GDP also held up at the pre-crisis level, the fiscal deficit would have been under 4% in each of the last three years.

Going ahead, the scope for further expenditure compression is very limited. For sustainable high growth, the government must infact increase investments in infrastructure, health and education, while reducing unproductive expenditure such as subsidies. In other words, while there is scope for expenditure switching, there is little room for reducing overall expenditures. The government must therefore rely on raising revenues to further reduce fiscal deficit while supporting growth. For this, structural tax reforms such as GST will be key.

Figure 1: Declining revenues must be reversed



Source: Budget Documents, CRISIL Research

How GST can help?

The impact of GST on tax collections will be two-fold.

First, GST will lift GDP growth and increase the tax revenues. By eliminating the cascading effect of multiple central and state taxes, GST will help reduce taxation and filing costs and boost business profitability - in turn attracting investments and lifting GDP growth. Lower costs will also boost the price competitiveness of India's manufacturing exports and lift export growth. According to a study by NCAER, a complete implementation of the GST could lift GDP growth by 0.9-1.7 percentage points for all future years.

Second, by simplifying the tax regime (removing double taxation), GST could significantly improve tax compliance and lift tax buoyancy, providing a further boost to tax collections.

Not just yet – Fiscal deficit to stay high this year

A full-scale implementation of GST as early as this year is unlikely. In addition, any boost to tax collections from an increase in tax rates or even a one-time tax surcharge like last fiscal, would not be not recommended as it could hurt an already fragile recovery. Under these circumstances, the immediate upside to growth in tax revenues in fiscal 2015 will be limited.

At the same time the government will also have to accommodate large roll-over of subsidies from last fiscal - estimated at Rs. 650 billion or 25% of subsidies actually recognised in last year's budget. Moreover, capital expenditures, which have been trimmed sharply in the past few years, will have to be raised gradually in order to revive the medium term growth potential of the economy.

Given these limitations, the government will have to rely on raising higher non-tax revenues and disinvestments as compared to last fiscal. Even after factoring these in, we forecast fiscal deficit to stay high at 4.3% of GDP in fiscal 2015. Efforts by the new government to improve tax collections without raising rates, but instead by widening tax coverage or improving compliance could create some upside to our forecast.

If monsoons are below normal - a likely scenario at this juncture - GDP growth could slip to 5.5% in fiscal 2015 as compared to our base case forecast of 6.0%. However, we do not expect this to materially change our forecast for fiscal deficit, as lower agriculture growth is unlikely to have a significant impact on tax collections. We also believe that any increase in expenditures due to relief packages etc will be rationalised with cutbacks or savings in spending elsewhere.

A partial GST is most likely

Table 1: Base case forecast with a partial GST by 2015

	2013-14 Actual	2014-15F Base case	2015-16F Base case	2016-17F Base case
GDP growth	4.7	6.0*	6.3	6.5
Revenue(As a % of GDP)	9.3	9.4	9.7	10.1
Expenditure(As a % of GDP)	13.8	13.7	13.5	13.4
Fiscal deficit (As a % of GDP)	4.5	4.3	3.8	3.3
Revenue deficit(As a % of GDP)	3.2	2.9	1.9	0.9

Note: *A below normal monsoon could lower GDP growth to 5.5%. We do not expect this to materially change our forecast of fiscal deficit.

Source: Budget documents, CRISIL Research

Beyond fiscal 2015, among other things, the speed of fiscal consolidation will depend on the timing and scale of GST that is implemented. Despite its advantages, we do not envision a full-scale implementation of a GST in its current form. The most likely outcome in our view is only a partial GST - one that excludes petroleum goods - given its large impact on state tax revenues. But even with this, India's fiscal deficit will correct to 3.3% of GDP by fiscal 2017 from a worrying average of 5.0% in the last three years.

A full-scale implementation of GST could have helped India reach a fiscal deficit of 3.0% GDP by fiscal 2017.

Sans GST, correction in fiscal deficit will at best be limited to 4.0-4.2% of GDP in fiscals 2016 and 2017 even after accounting for some reduction in unproductive spending such as subsidies.

Our base case forecast is based on the following assumptions:

- Implementation of a partial GST to begin by the beginning of 2015
- Continued recovery in GDP growth; growth to average 6.4% over the next two years (fiscals 2016 –2017),
- Efforts by the new government to improve tax compliance and widen coverage
- Reduction in unproductive spending such as subsidies to be offset by an increase in productive spending (capital expenditure) on infrastructure, health, education, etc for reviving the long-term growth potential of the economy, and
- Disinvestments and non-tax revenues to remain consistent with past five-year trends.

If the government does not raise productive spending as envisaged, or if there are disproportionate gains from disinvestments and spectrum sales in any given year, it could result in a faster consolidation than what is laid out in this report. However, such a correction will only be temporary. The government should instead aim for gradual and durable correction in the fiscal deficit over the medium term.

Without GST, claw-back will get tougher

Table 2: With and without GST in next two years

(2015-16 to 2016-17)	Average GDP growth (%)	Average tax buoyancy	Average Fiscal deficit (% of GDP)
Full GST	7.0	1.6	3.0-3.3
Base Case: Partial GST	6.4	1.4	3.5-3.6
No GST	5.7	1.0	4.0-4.2
Impact of GST	1.3*	0.6	0.7-1.2

Note: * Based on median estimate of impact of GST on GDP growth by NCAER

Source: Budget documents, Central Statistical Office (CSO), CRISIL Research

Failure to push through GST even in 2015 will make fiscal consolidation in the medium term more challenging. Tax revenues would be lower not just because weaker tax compliance but also because of slower GDP growth in the absence of GST. Notwithstanding a sharp reduction in capital expenditure, lower revenues in the absence of GST will raise fiscal deficit to an average 4-4.2% in fiscals 2016 and 2017. In other words, the scope for a correction in fiscal deficit in the coming years is very limited unless revenues are raised significantly through tax reforms.

In contrast, a full-scale implementation of GST could lift GDP growth to an average 7% in fiscals 2016-2017. The cumulative impact of higher growth and improved tax compliance in this scenario could lower fiscal deficit to 3.0-3.3% over the next two fiscals, assuming expenditures remain unchanged from the base-case scenario.

The word's consolidation

While it is true that the government must bring down fiscal deficit, the path to consolidation is a must-watch. The government must focus on achieving a durable and sustained correction in the fiscal deficit, achieved through tax reforms, rather than reduce productive spending - as was done in recent past.

In the last three years, the government has aggressively cut back on expenditures, particularly productive spending (Centre's plan + non plan capital expenditure + the revenue grants it gives for capital creation) in order to meet - even beat - its fiscal deficit targets. Between fiscal 2012 and 2014, as revenues fell short of budgeted levels, the government cumulatively cut its productive spending by over Rs. 1.9 trillion compared to budgeted levels. Moreover, most of this reduction took place in critical areas such as health, education, energy and industry (Table 3, Figure 2), as mentioned in our report '*Boosting productive spend, challenge for next government'* released in April 2014.

Table 3: Actual vs budgeted revenues and expenditure (Rs crore unless specified)

	2010-11	2011-12	2012-13	2013-14
Budgeted fiscal deficit (As a % of GDP)	5.5	4.6	5.1	4.8
Actual fiscal deficit (As a % of GDP)	4.8	5.7	4.9	4.5
Budgeted Revenue	727,341	844,912	977,335	1,122,798
Actual revenue	823,737	788,375	919,771	1,055,336
Shortfall in revenue (- indicates Actual > Budgeted)	-96,396	56,537	57,564	67,462
Budgeted expenditure	1,108,749	1,257,729	1,490,925	1,665,297
Actual Expenditure	1,197,328	1,304,366	1,410,367	1,563,485
Cut in expenditure (- indicates Actual > Budgeted)	-88,579	-46,637	80,558	101,812
Cut in productive expenditure	-62,750	16,258	87,117	94,607
Cut in other expenditure	-25,829	-62,895	-6,559	7,205

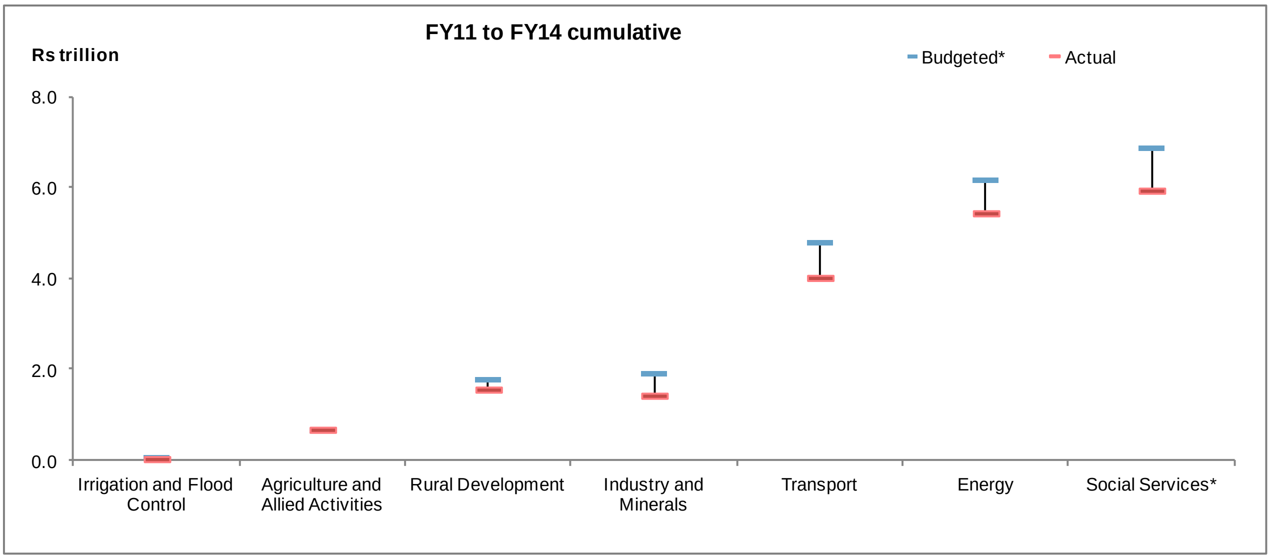
Source: Budget documents, CRISIL Research

A reduction in productive expenditure is undesirable from a growth perspective. Such consolidation has not only added to the already slowing GDP growth of the economy in the past few years, but is also likely to have an adverse impact on the long-term growth potential of the economy.

To create space for such productive spending, the government will have to reduce subsidies - mainly on fuels such as kerosene and liquefied petroleum gas - and gradually switch its expenditures toward health, education, infrastructure etc. Currently, subsidy spending is high and accounts for 80-90% of total productive spending by the government (Figure 3)

Expenditure switching will have to be supplemented with key tax reforms such as GST which will help raise tax revenues and fund the higher capital spending. In addition to GST, the government will also have to improve tax compliance and widen the tax base to raise revenues.

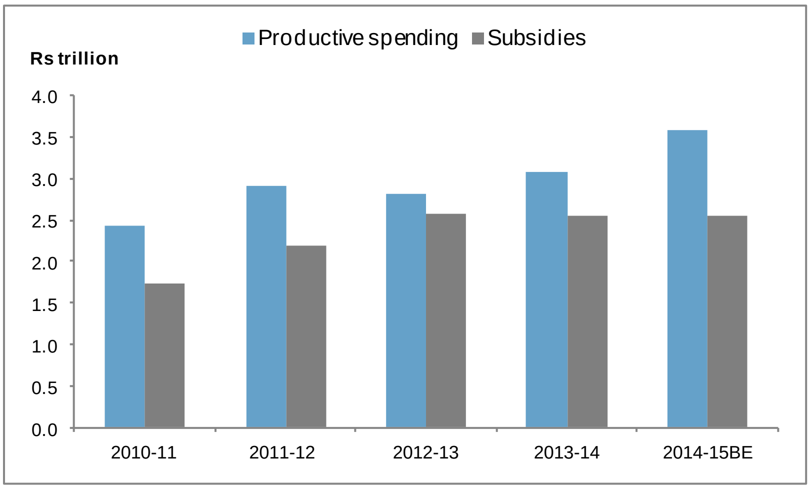
Figure 2: Sectors which saw expenditure cropping



Note: Data in the chart is for plan capital expenditure. Budgeted* - includes extra budgetary resources; Social services* includes health, education etc.

Source: Budget Documents, CRISIL Research

Figure 3: High level of spending on subsidies as compared to productive spending



Note: BE – Budgeted estimate

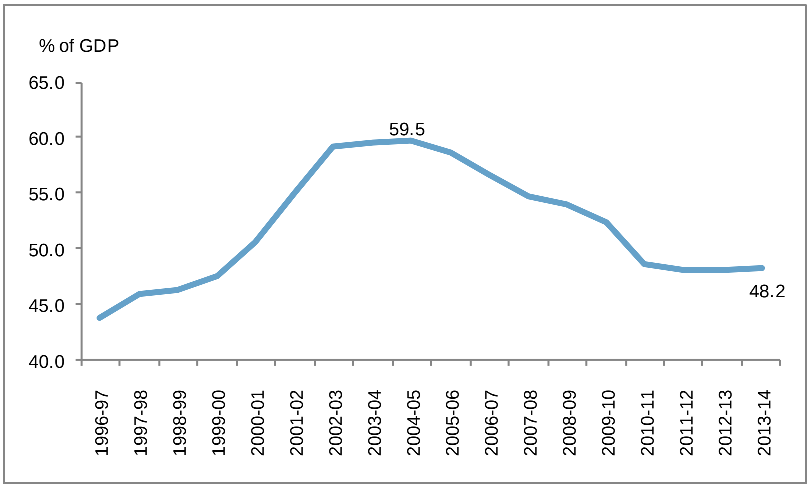
Source: Budget Documents, CRISIL Research

Debt burden to ease

Fiscal consolidation will also be critical for lowering India's debt-to-GDP ratio (also called debt ratio) - which after declining steadily since fiscal 2005 – has started stabilising at 48% in the last two years. Throughout this section, debt-ratio refers to only the internal liabilities of the central government as a share of GDP. Including external liabilities, the debt burden is even higher at 51% of GDP and including states (Centre plus States), the debt rises to 65% of GDP!

The declining trend of the centre's debt ratio from fiscal 2009 onwards, has been driven more by high inflation, rather than improving fundamentals such as higher GDP growth (in real terms) or lower fiscal deficit. Had inflation not risen so sharply, India's debt ratio would have started rising by now and stood at 55% of GDP in fiscal 2014 instead of 48.2% of GDP.

Figure 4: India's debt ratio (internal liabilities as a % of GDP)



Source: RBI, CSO, CRISIL Research

Going ahead, as inflation is expected to moderate and upside to growth will be limited, a strong commitment to fiscal consolidation will be necessary for lowering India's debt burden. We estimate that progress on fiscal consolidation, as envisaged in our base case scenario, will lower India's debt-to-GDP ratio to 45% of GDP by fiscal 2017.

Table 4: Debt ratio to decline by fiscal 2017

Year	2010-11	2011-12	2012-13	2013-14	By 2016-17
Interest rate (Weighted average borrowing cost)	7.92	8.52	8.36	8.41	8.4-8.5*
Debt ratio (Debt as a % of GDP)	48.6	48.1	48.1	48.2	45.0

Note: * Average borrowing costs for fiscals 2015 to 2017, Interest rate is the weighted average borrowing cost on dated securities of the central government. Debt ratio is the internal liabilities of the centre as a share of GDP.

Source: Reserve Bank of India (RBI), CSO, CRISIL Research

The decline will be led by a steady reduction in primary deficit to under 0.5% of GDP by fiscal 2017 from 1.2% currently, as revenues rise faster with higher GDP growth and partial implementation of GST. Commitment to fiscal consolidation and an expected moderation in inflation, albeit limited, will help to keep a cap on the borrowing cost of the government in the coming years. Faster rise in GDP driven by economic recovery, will further aid the decline in India's debt ratio (debt-to-GDP). In the base case, we expect nominal GDP to rise to

13.0-13.5 % during fiscals 2015-2017 from 12.3% in fiscal 2014 drive by higher real GDP growth rather than high inflation.

High inflation masked the debt trouble for so long

Fiscal consolidation will be key as inflation expected to moderate going ahead

The change in a country's debt ratio depends on its primary deficit (fiscal deficit prior to deducting interest payments), its current debt levels, and the differential between its interest cost and nominal GDP growth. Broadly, a low primary deficit and a large differential between nominal GDP growth and interest rates cause the debt ratio to decline (see Annexure 2 for simple debt dynamics identity).

However, if inflation is very high, that in itself can push up nominal GDP growth, driving down the debt ratio for the wrong reasons. This is exactly what has happened in the post crisis years.

During the high growth years 2005-2008, India’s primary balance (fiscal balance prior to deducting interest payments) was in surplus. The economy grew at an average 8.9% and its rising growth and improving finances fostered a sharp decline in average borrowing costs to 7.4% from 10.3% in the preceding eight years. Consequently, the differential between growth (in nominal terms) and interest rates rose sharply, and the debt ratio declined.

Table 5: Growth, interest cost and inflation trends

	Real GDP growth (%)	Nominal GDP growth (%)	Inflation (CPI based)*	Weighted average cost of borrowing	Primary Deficit (% of GDP)	Debt/GDP - start of period (%)	Debt/GDP - end of period (%)
1996-97 to 2003-04	6.1	11.1	6.1	10.3	1.00	43.8	59.5
2004-05 to 2007-08	8.9	15.1	5.3	7.4	-0.18	59.6	54.6
2008-09 to 2011-12	7.7	16.0	10.1	7.8	2.56	53.9	48.1
2012-13 to 2013-14	4.6	12.3	9.8	8.4	1.45	48.1	48.2

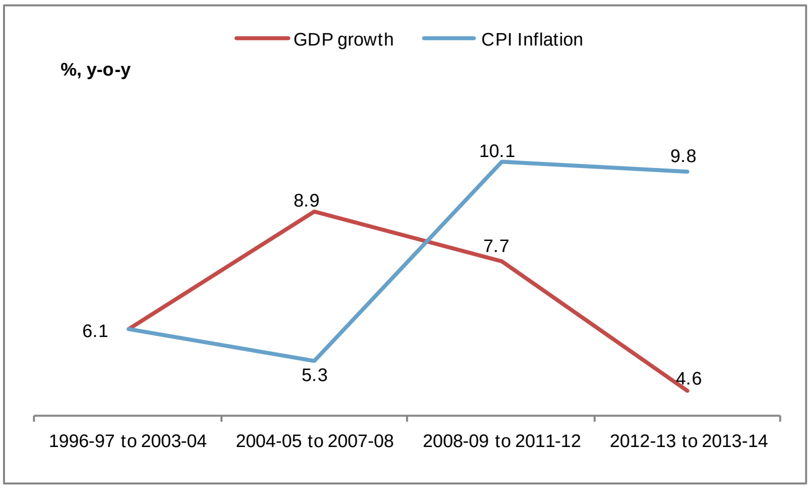
Note: * CPI IW has been used until fiscal 2012. CPI new for last two years

Source: Budget documents, RBI CSO, CRISIL Research

The situation, however, changed after the global financial crisis (fiscals 2009-2012). India’s debt-to-GDP ratio continued to decline, but not for the right reasons. While growth slowed down sharply and fiscal deficit widened, high inflation pushed up its nominal GDP growth and drove down the debt ratio.

During fiscals 2009-2012, GDP growth (in real terms) slowed down to 7.7% from close to 9% during the high growth period. Fiscal consolidation too got derailed. Huge stimulus by the government to prop up growth and falling revenues pushed India’s primary deficit up to an average of 2.6%. However, the differential between growth (nominal) and interest costs continued to widen to 8.1% from 7.7% as high inflation and fiscal stimulus pushed up the nominal GDP growth while interest costs hardly rose despite higher inflation. In fact, real interest cost [borrowing cost adjusted for consumer price index (CPI) inflation] for the government fell to negative 2.2% on average during fiscal 2009-2012 from positive 2.1% during the high growth years.

Figure 5: Growth and inflation dynamics



Source: RBI, CSO

One reason for the limited rise in nominal interest costs for the government could be requirements such as statutory liquidity ratio (SLR) - that makes it mandatory for financial institutions to invest a proportion of their liabilities (23% currently) into government bonds - thereby artificially suppressing the cost of borrowing for the government. Liquidity easing through open market operations (purchase of government bonds in this context) by the Reserve Bank of India and low credit demand in recent years also helped to keep interest costs low for the government.

Had inflation not risen so fast since fiscal 2009, India's debt ratio would have risen to 55% of GDP by fiscal 2014 instead of stabilizing at 48.2% of GDP.

In the last two years (fiscal 2013 and 2014), slowing GDP growth (in real terms) and rising borrowing costs have led to a narrowing of the differential between growth and interest rates to 3.9%. As a result, despite a moderate correction in primary deficit, the downward trend in India's debt ratio has stalled (Refer to Table 5).

Going ahead, with inflation set to moderate and growth likely to remain capped at 7%, the debt trajectory will depend largely on the new government's ability to lower its primary deficit. Fiscal consolidation will, therefore, be key for lowering India's debt ratio in the coming years.

Conclusion

The task of fiscal consolidation for this government will not be easy. There is very little scope to cut overall expenditure, as it has already been trimmed sharply in the last two years. The government must instead focus on switching expenditure from unproductive subsidies toward spending on sectors such as health, education and infrastructure. The only way to reduce fiscal deficit, therefore, is to raise revenues as a share of GDP. To do so, the government must implement structural tax reforms such as GST, improve tax compliance and widen the tax coverage.

The scope to lower fiscal deficit in fiscal 2015 is limited given large roll-over of subsidies from last fiscal and little possibility of implementation of GST within this year. Beyond that, however, implementation of GST could facilitate a much needed correction in fiscal deficit. In the base case, we believe that partial GST - one that excludes petroleum goods - is most likely. Even with this, fiscal deficit could correct to 3.3% of GDP by fiscal 2017. On the downside, a complete failure to implement GST would result in the fiscal deficit being higher at around 4-4.2% in fiscals 2016-2017.

Fiscal consolidation is also critical for lowering India's debt-to-GDP ratio, which has stabilised in the last two years, after declining steadily since fiscal 2005. From fiscal 2009, however, high inflation has been the primary driver of India's declining debt-to-GDP ratio. Had inflation not risen so sharply, India's debt ratio would have started rising by now. Going ahead, as inflation is expected to moderate and the upside to growth will be limited, a strong commitment to fiscal consolidation will be key to lowering India's debt-to-GDP ratio.

Annexure

Annexure 1

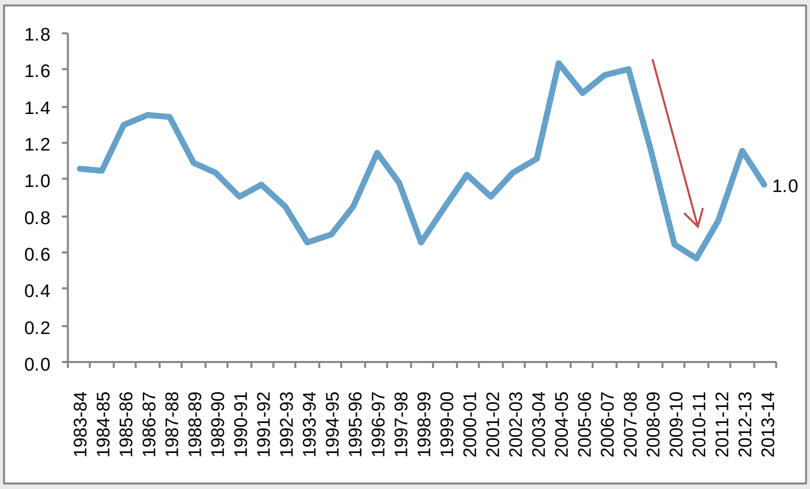
Tax buoyancy and GDP growth

Why revenues' share in GDP has fallen in recent years?

Revenues, as a share of GDP, have fallen sharply to 9.0% in the recent slowdown, from a peak of 11.7% in fiscal 2008. Slower growth in revenues, particularly tax collections, in a slowing economy is not unusual. However, in India's case, revenues have fallen much faster than GDP as the responsiveness of tax collections to increases in GDP and tax rates - what is technically called tax buoyancy - has deteriorated significantly in the recent slowdown.

Tax buoyancy is measured as the percentage increase in tax revenues for every 1% increase in GDP. As illustrated in the following chart, tax buoyancy fell sharply during the crisis years (fiscals 2009 and 2010) and has revived only partially since then despite rolling back the tax concessions that were administered during the crisis years. In fact, in fiscal 2014, the tax buoyancy fell to 0.8 despite a one-time tax surcharge on high income earners. In other words, a 1% increase in GDP is currently yielding less than 1% growth in tax revenues. Going ahead, in order to raise tax revenues as a share of GDP, it will be critical to lift tax buoyancy above 1.

Tax buoyancy – 3YMA



3YMA: 3-year moving average

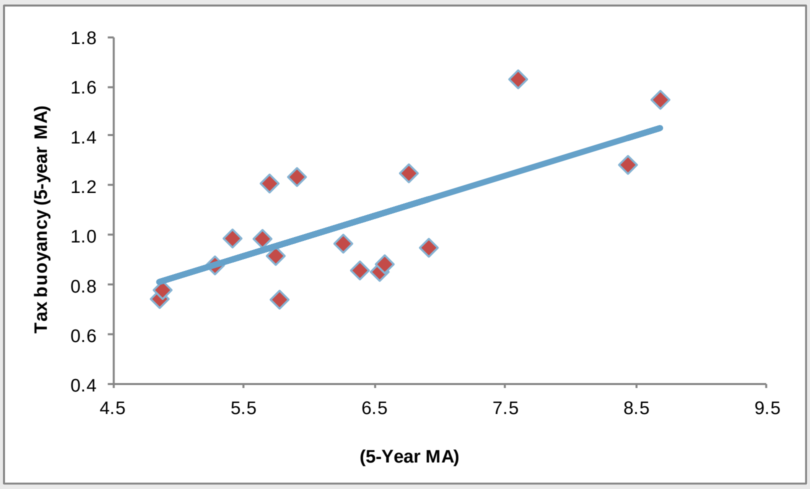
Source: Budget documents, CRISIL Research

Tax buoyancy rises with GDP growth

Historically, tax buoyancy has risen with higher GDP growth as corporate profits and individual incomes rise more than proportionately when the economy is growing fast. Also, it is easier to hike tax rates, introduce new taxes or expand the coverage during high growth years than during a slowdown, providing a further boost to tax collections. As the economy slows, governments tend to reduce tax rates - usually indirect taxes - in order to support growth. This has a contractionary impact on tax collections, and reduces tax buoyancy.

The figure below shows a positive linear relationship between tax buoyancy (five-year moving average) and GDP growth (five-year moving average) for fiscals 1992-2014. Although tax buoyancy rises with higher GDP growth, such improvements are mild. To structurally lift tax buoyancy above 1, tax reforms such as GST and measures to improve tax compliance and tax coverage will be keys.

Tax buoyancy rises with higher GDP growth



Source: Budget documents, CRISIL Research

Annexure 2

Simple debt dynamics identity

The behaviour of India's debt ratio can be explained by using the simple debt dynamics identity.

$$\Delta\left(\frac{Debt}{GDP}\right)_t = \left(\frac{PD}{GDP}\right)_t + \frac{Debt_{t-1}}{GDP_t} * (i - g)$$

$$\text{where PD} = \text{primary deficit}$$

$$\text{i} = \text{interest rate}$$

$$\text{g} = \text{growth in nominal GDP}$$

$$\left(\frac{PD}{GDP}\right)^{**} = -\frac{Debt_{t-1}}{GDP_t} * (i - g) \ \text{gives a stable debt/GDP ratio}$$

Debt dynamics identity

	Nominal GDP growth (%)	Weighted average cost of borrowing (%)	Actual Primary Deficit (% of GDP)	Primary deficit (% of GDP) required for stable Debt/GDP ratio (%)	Change in Debt/GDP ratio (%)
1996-97 to 2003-04	11.1	10.3	1.00	0.38	15.7
2004-05 to 2007-08	15.1	7.4	-0.18	3.94	-5.0
2008-09 to 2011-12	16.0	7.8	2.56	3.64	-5.8

Source: RBI, CSO, Budget documents, CRISIL Research

Between fiscals 1997-2004, high cost of borrowing and relatively weak GDP growth (average 6.1% in real terms) meant that primary deficit higher than 0.38% of GDP would cause the debt ratio to rise. As the actual primary deficit during these years was much higher, averaging 1.0% of GDP, India's debt ratio rose by 15.7% of GDP.

During fiscals 2005-2008, widening differential between interest rates and growth meant that India's debt ratio would continue to decline as long as the country's primary deficit was less than 3.9% of GDP. In contrast, during these years, India had a primary surplus of 0.18% of GDP as a result of its strong commitment to fiscal consolidation. Consequently, India's debt ratio declined sharply by fiscal 2008.

Between fiscal 2009 and 2012, India's primary deficit widened to 2.6% of GDP as a result of slowing revenues and fiscal stimulus administered by the government. However, the primary deficit was still lower than the threshold of 3.6% of GDP required for a stable debt ratio. Consequently, India's debt-to-GDP continued to decline.

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- Value more than Rs.53 trillion (USD 960 billion) of Indian debt securities, comprising outstanding securities
- Sole provider of fixed income and hybrid indices to mutual funds and insurance companies; we maintain12 standard indices and over 100 customised indices
- Ranking of Indian mutual fund schemes covering 70 per cent of assets under management and Rs.4.7 trillion (USD 85 billion) by value
- Retained by India's Employees' Provident Fund Organisation, the world's largest retirement scheme covering over 60 million individuals, for selecting fund managers and monitoring their performance

Equity and Company Research

- Largest independent equity research house in India, focusing on small and mid-cap companies; coverage exceeds 125 companies
- Released company reports on 1,442 companies listed and traded on the National Stock Exchange; a global first for any stock exchange
- First research house to release exchange-commissioned equity research reports in India
- Assigned the first IPO grade in India

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