

**Subject: Methodological Note on compilation of Index of Service Production in India for
Banking, Insurance, Education and Telecom**

BANKING SERVICES

Output Variable	Average amount (outstanding) of deposits and advances held by a bank during the period. For direct services (non-FISIM) output, income from commission, exchange and brokerage as available in balance sheets are used. Bank-wise imputed income (based on FISIM for deposits and advances) and direct services income (non-FISIM) for a financial year are added to derive the total income/output at current prices for that year. HM of the overall average lending rate and overall average deposit rate has been used as the reference rate, consistent with the use of HLDR as reference rate in compilation of FISIM in the new series of national accounts.
Weights	Shares of direct services and FISIM for deposits and loans in the total of these three elements in the base period
Deflator	GVA deflator for banking till the time Banking Service Price Index (BkSPI) is available.
Base year	2011-12
Disaggregation	Overall Banking Services
Data Source	Balance sheets of Scheduled Commercial Banks (SCBs), excluding Regional Rural Banks (RRBs) from Reserve Bank of India. Annual compilation on financial statements of RRBs (at aggregate level) from National Bank for Agricultural and Rural Development (NABARD)
Periodicity	Quarterly for SCBs and annual for SCBs and RRBs combined
Time period	Quarter 1 of 2012-13 to Quarter 4 of 2016-17
Deviation from international recommendation	No deviation from methodology recommended by Organisation for Economic Cooperation and Development (OECD)
Limitations	Data of co-operative banks and Non-Banking Financial Companies (NBFCs) have not been included. A separate index for NBFCs will be prepared.

INSURANCE SERVICES

Output Variable	Premium Income (P) + Investment Income (I) – Claims (C)
Weights	Weights for Life and General Insurance derived on basis of their contribution to GVA in National Accounts.
Deflator	GDP (non-financial) deflator till the time Insurance Service Price Indices are developed by the O/o Economic Adviser, DIPP
Base year	2011-12
Disaggregation	Index constructed separately for Life and General (Non-Life) Insurance
Data Source	Insurance Regulatory and Development Authority of India (IRDAI)
Periodicity	Quarterly
Time period	Quarter 1 of 2012-13 to Quarter 4 of 2017-18
Deviation from international recommendation	No deviation from methodology recommended by Organisation for Economic Cooperation and Development (OECD)
Limitations	--
Indices and Growth Rates	Based on the above methodology, the indices and growth rates worked out for Insurance Services are at Annexure V .

EDUCATION SERVICES

Output Variable	Student enrolment – Access index Student Pass-out – Quality index
Weights	Per student expenditure at each of these 7 levels is used as weights.
Base year	2014-15
Disaggregation	The indices have been worked out as per 7 categories (recommended by OECD) namely, Primary, Upper Primary, Secondary, Higher Secondary, Adult, Vocational and Higher education. Indices have been constructed at National and State level
Data Source	Pass-outs and enrolment at Primary, Upper primary, Secondary, Higher Secondary levels from NIEPA, at Adult and Higher Education levels from MHRD and at Vocational level from MSDE

Periodicity	Annual
Time period	2015-16
Deviation from international recommendation	Pass-outs and enrolment have been taken instead of pupil-hours recommended on account of data availability.
Limitations	Base year is separate from the other sectors. Will be graduated to 2017-18 in line with other sectors.

TELECOMMUNICATION SERVICES

Output Variable	Minutes of Usage
Weights	Share of Adjusted Gross Revenue (AGR) of a Circle in the all-India AGR
Base year	2011-12
Disaggregation	Index constructed at Telecom Circle level (22 overall)
Data Source	Performance indicator reports and financial reports of TRAI
Periodicity	Quarterly
Time period	Quarter 1 of 2012-13 to Quarter 4 of 2017-18
Deviation from international recommendation	‘Minutes of usage’ has been used instead of ‘Number of Calls made’ recommended in OECD manual
Limitations	Since telecom services are bundled, separate indices for voice and data could not be worked out.