

ECONOMIC SURVEY 2022-23



ECONOMIC SURVEY SUMMARY 2022-23

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NOTE:

Dear Students,

To further improve the understanding of the Economic Survey, following additions have been made with the goal of providing a more comprehensive and accessible understanding of the Economic Survey:



Know Your Economic Survey: It provides an overview of what the Economic Survey is and its importance. It provides strong foundation for further exploration of the Economic Survey.



Know the Term: This section clarifies important terms and concepts used in the Economic Survey to help understand the language and content.



What does the Budget Say?: This section analyses and explains the relationship between the Economic Survey and the Union Budget. This will help understand how the Survey provides a broader economic context for the Budget.



Quiz and Mains Questions: To enhance the learnings and understanding from each chapter, a Quiz & Mains Questions have been added at the end of the chapters. The answers to the MCQs are given at the end of the document.

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KNOW YOUR ECONOMIC SURVEY

₹ Know Your Economic Survey



WHAT IS ECONOMIC SURVEY?

It presents a **comprehensive analysis of India's growth trajectory** including the global optimism towards nation, focus on infrastructure, growth in agriculture, industries and emphasis on futuristic sectors.



Who Prepares It?

- ▶ Economic Division of the **Department of Economic Affairs (DEA), Ministry of Finance**
- ▶ Under the guidance of **Chief Economic Advisor (CEA)**



HOW IS ECONOMIC SURVEY RELATED TO THE BUDGET?

PRESENTATION & PREPARATION

- Released **a day before Budget** presentation.
- It **summarizes the annual economic development** in the country and sketches out **short- and medium-term prospects** of the economy.
- It is **presented** to the Parliament **ahead of the Budget for the ensuing year**.

POLICY PERSPECTIVE TO BUDGET

- As a **flagship document** of the Ministry of Finance, the Economic Survey provides detailed **statistical data covering all aspects of the economy**.
- It is the **authoritative guide to the Indian economy** and is usually seen to provide **policy perspective for the Union Budget**.

ECONOMIC LANDSCAPE

- The Economic Survey **brings out the economic trends** in the country which facilitates a better appreciation of the mobilization of resources and their allocation in the Budget.
- The Survey analyses the **trends in agricultural and industrial production, infrastructure, employment, money supply, trade, forex reserves and other relevant economic factors** which have a bearing on the Budget.



FOCUS OF ECONOMIC SURVEY 2021-22

Art and science of policy-making under conditions of extreme uncertainty

- It seeks to provide an **alternative mode to policy making- a shift from traditional Waterfall Approach to Agile Approach**.
- Traditional Waterfall Approach** includes an upfront analysis of the issue, detailed planning and finally meticulous implementation.
- The **Agile Approach** is based on feed-back loops, real-time monitoring of actual outcomes, flexible responses, safety-net buffers.

VS



FOCUS OF ECONOMIC SURVEY 2022-23

Resilience of Indian Economy, its growth magnets, and lagged growth returns of transformative reforms.

- It highlights that the **transformative reforms** undertaken by the government had **lagged growth returns due to temporary shocks** in the economy.
- However, in the present decade, the **presence of strong medium-term growth magnets** provides optimism and hope.
- Once these **global shocks** of the pandemic and the spike in commodity prices in 2022 **fade away**, the Indian economy is well placed to **grow faster in the coming decade**.



Why should you read it?

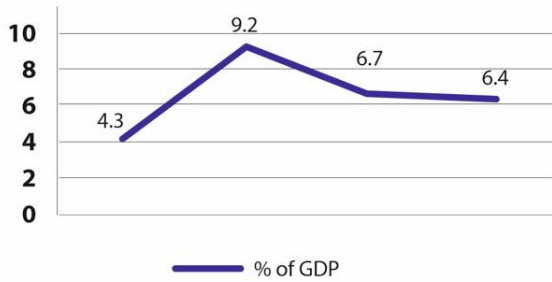


It provides a **holistic perspective of country's economic well-being**, and holds significance as it **acquaints citizens with the state of the economy** and informs them of key economic decisions of the government. It gives an **overview of major sectors of Indian economy**, their inter-linkages and growth drivers. In this manner, it provides topical and sectoral analysis along with a bird's eye view of the economy.

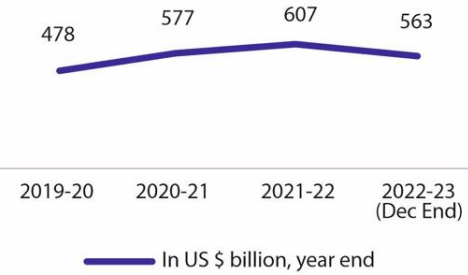


Snapshot of Indian Economy

Fiscal Deficit

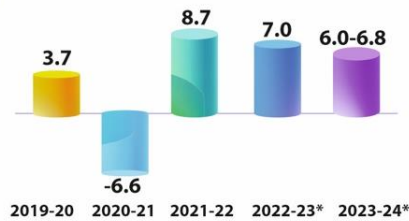


Foreign Exchange Reserves



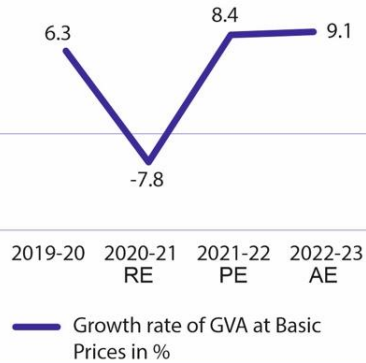
GDP Growth

At constant prices, in per cent

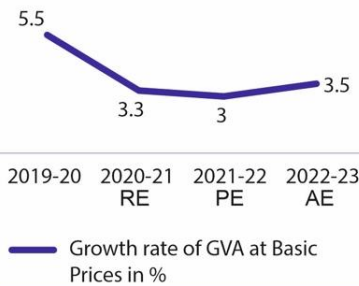


*Provisional Estimates (PE)
 **1st Advance Estimates (AE)
 # Projected

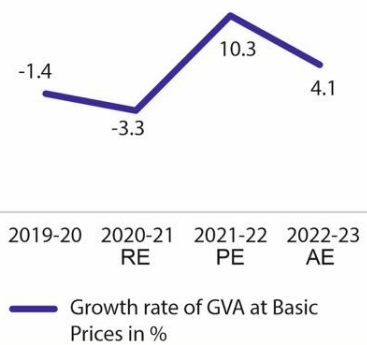
Services



Agriculture and Allied Activities



Industrial Growth



CHAPTER 1: STATE OF THE ECONOMY: RECOVERY COMPLETE

Introduction

Global economic shocks in the third decade of this millennium has presented various economic **challenges** such as **inflationary pressures, depreciation of most currencies, widening of current account deficits etc.** These are leading to **slow global growth** and **may lead to financial contagion emanating from advanced economies.**

The **Indian economy**, however, appears to have moved on after its encounter with the pandemic, and is **poised to continue this growth path in FY23.** But India also faces challenge of reining in inflation, depreciating rupee and widening of current account deficit. Despite these, agencies worldwide continue to project **India as the fastest-growing major economy at 6.5-7.0% in FY23.** These optimistic growth forecasts stem in part from the **resilience of the Indian economy.**

Events that had adverse impact on global economy

20th Century	21st Century (First Decade)	21st Century (Second Decade)
<ul style="list-style-type: none"> ◆ Two World Wars ◆ Spanish Flu ◆ Great Depression ◆ Regional Conflicts ◆ Intermittent Oil Shocks ◆ East Asian Crisis 	<ul style="list-style-type: none"> ◆ Global Financial Crisis 	<ul style="list-style-type: none"> ◆ Trade tensions between super powers ◆ Moments of stress in Europe

The global economy battles through a unique set of challenges

Challenges Affecting Global Economy (and India) in third decade of 21st century

COVID-19 Pandemic (January 2020)	<ul style="list-style-type: none"> ◆ Resulted in global output contraction ◆ Loss of education and income earning opportunities due to pandemic
Russia-Ukraine Conflict (February 2022)	<ul style="list-style-type: none"> ◆ Conflict caused rise in prices of critical commodities such as oil, natural gas, fertilisers. ◆ Accelerated existing inflationary pressures that were present due to global economic recovery after the pandemic.
Synchronised Monetary Tightening	<ul style="list-style-type: none"> ◆ Nations undertook synchronised monetary tightening to curb inflation leading to rise in bond yields across economies. This resulted in outflow of equity capital from most of the economies to traditionally safe haven market of US. ◆ Capital flight to US led to strengthening of US dollar against other currencies. Consequent depreciation of other currencies widened current account deficit (CAD) and increased inflationary pressures in net importing economies. ◆ Rising inflation and monetary tightening led to slowdown in global output from second half of 2022. Global PMI composite index has been in contractionary zone since August 2022.
Slowdown in Economic Activity in China	<ul style="list-style-type: none"> ◆ Due to its zero covid policy, a contracting real estate sector and a tepid fiscal expansion.

- Further monetary tightening can affect private and government debt structures, risking financial contagion.
 - **Non-financial debt of most economies has increased** as a percentage of GDP since 2008 financial crisis.

- However, **India's debt burden declined** over this period due to cleaning up of country's banking balance sheet and deleveraging exercise of corporate sector.
- Though inflation pressures are abating, **downside risk to global economic outlook dominates**.

Macroeconomic and Growth Challenges in Indian Economy

- **Pandemic:** Pandemic resulted in India's GDP contraction in FY21, but economy started to recover in FY22 despite Omicron wave.
 - **Third wave did not affect India's economic activity** as much as previous waves due to mobility enabled by localised lockdowns, rapid vaccination coverage, mild symptoms and quick recovery from the virus.
 - Consequently, output in FY22 went past its pre-pandemic level in FY20, signifying **full recovery for Indian economy** and high growth prospects for FY23.
- **Conflict in Europe:** It led to increase in retail inflation and it remained above the RBI's target range of 6% for 10 months since January 2022.
 - Apart from international conditions, **local weather conditions like excessive heat and unseasonal rains kept food prices high**.
 - Government **cut excise and customs duties and restricted exports** to restrain inflation while **RBI raised repo rates** and rolled back excess liquidity.
- **Depreciation of currency:** Though Rupee has been one of better performing currencies worldwide, but its **modest depreciation due to appreciation of US dollar** added to domestic inflationary pressures **widening the current account deficit (CAD)**.
 - CAD is further **widened by high global commodity prices and India's growth momentum**.
 - For FY23, **India has sufficient forex reserves** to finance CAD and intervene in the forex market to manage volatility in the Indian Rupee.
- **Slowing economic growth:** 2021 was a period of recovery for economies from the pandemic and world trade grew, of which India was also a beneficiary.
 - **Global economic growth started to slow** due to aggressive and synchronised monetary tightening.
 - Slowing of global growth, geopolitical frictions, persisting inflationary pressures, and subdued demand are likely to **suppress global trade** further in FY23 and FY24.

India's economic resilience and growth drivers

- **Economic resilience:** Many agencies have been **revising downwards the Indian economy's growth outlook** in FY23 due to monetary tightening by RBI, CAD widening, plateauing growth of exports, all of which are result of geopolitical conflict in Europe.
 - **Forecasts** for Indian economy, including NSO's advance estimates, lie in the range of 6.5-7% which are **higher than almost all major economies**.
 - IMF also estimates **India to be one of top two fast-growing significant economies in 2022**.
 - Such estimates for Indian economy, that too **without advantage of base effect**, are **reflection of India's underlying economic resilience**; of its ability to recoup, renew and re-energise the growth drivers of the economy.
- **Domestic stimulus:** India's economic resilience is visible from **domestic stimulus to growth (domestic consumption)** replacing the external stimuli (export growth).

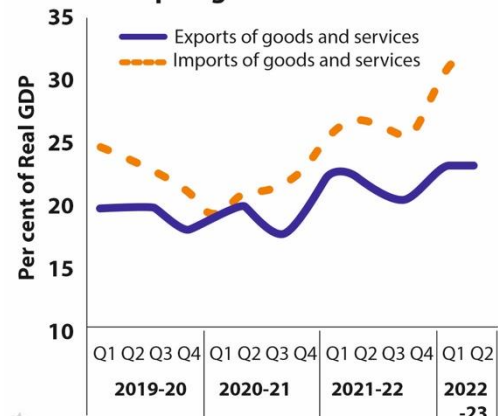
KNOW THE TERM



- ◆ **Monetary Tightening:** Policy rate hikes by central banks to curb inflation.
- ◆ **Current Account Deficit (CAD):** CAD means that country is importing more goods and services than it is exporting.
- ◆ **Purchasing Managers' Index (PMI):** It is an indicator of business activity in both the manufacturing and services sectors. A PMI above 50 represents an expansion, while a PMI below 50 represents contraction.
- ◆ **Financial Contagion:** It is spread of economic crisis from one market to another.



Share of export in GDP expands, despite global slowdown



KNOW THE TERM



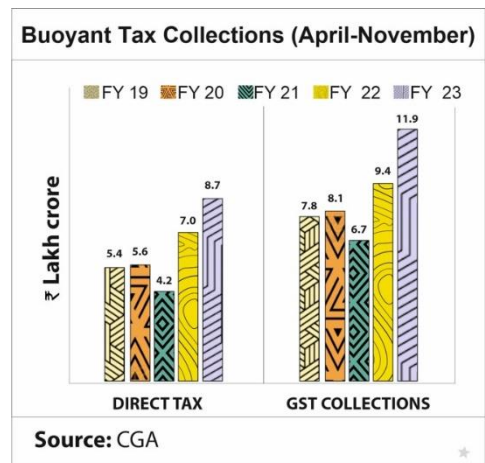
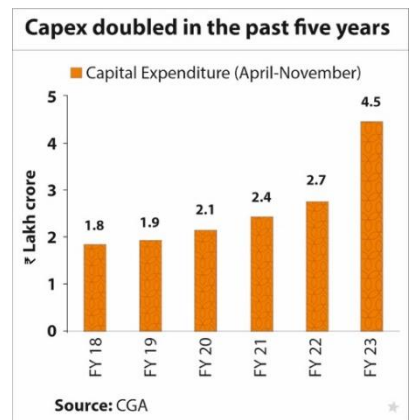
- ◆ **Base Effect:** Data points such as growth and inflation are always calculated over a base (reference year or month). Base effect is the effect seen in the results after choosing a different reference point for a comparison between two data points.



- Initially, **manufacturing and investment activities gained traction due to exports surge** but by the time exports growth moderated, **rebound in domestic consumption** matured sufficiently to take forward growth of India's economy.
- **Private consumption as percentage of GDP stood at 58.4%** in Q2 of FY23, highest among Q2 of all years since 2013-14. This was result of **rebound in contact intensive services such as trade, hotel and transport.**
- **Vaccination coverage:** Due to **near-universal vaccination coverage** in India, **contact based service providers soon experienced thriving business** and contributed to keeping up the consumer sentiments.
 - So, **universal vaccination coverage** not only saved lives but also **contributed to recovery and growth of the economy.**
- **Pent-up demand: Release of pent-up demand**, which was suppressed due to pandemic, also supported rebound in domestic consumption.
 - This is evident from **accelerating growth in personal loans** and **improved sentiment** and it is also **reflected in housing market** as seen in increase in demand for housing loans, decline in housing inventories, etc.
- **Capex development: Construction activity has risen** significantly in FY23 due to **deployment of much-enlarged capital budget (capex)** of central government and its public sector enterprises.
 - **States also have a larger capex** supported by the centre's grant-in-aid for capital works and an interest free loan repayable over 50 years.
- **Capex thrust: Capex thrust** in last two budgets of central government was **part of a strategic package aimed at crowding-in private investment** into an economic landscape broadened by vacation of non-strategic Public Sector Enterprises (disinvestment) and idling public sector assets. This **capex thrust was supported by:**
 - Increase in capex budget in FY23 and its high rate of spending.
 - **Buoyant direct tax collections and GST collections**, ensuring full expending of capex budget within budgeted fiscal deficit.
 - **Pickup in private sector investment** since Q4 of FY22.
- **Strong corporate balance sheet:** Though **recovery in investment/manufacturing activities of corporates** is attributed to increase in export demand, rebound in consumption, and public capex, but their **stronger balance sheet** also played major role.
 - According to data from Bank for International Settlement (BIS), Indian **non-financial private sector debt and non-financial corporate debt as a share of GDP** declined by nearly 30 percentage points.
 - Such decline in debt **limited the increase in interest costs**, which, together with possible savings on overheads during lockdowns, contributed to recent **fortification of corporate balance sheets** by higher profits.
 - As per Axis Bank Business and Economic Research, Capex by the Corporate sector increased to **₹3.3 lakh crore in H1 of FY23**, driven by **heavy investments in electricity, steel, chemicals, auto and pharmaceuticals sectors.**

KNOW THE TERM

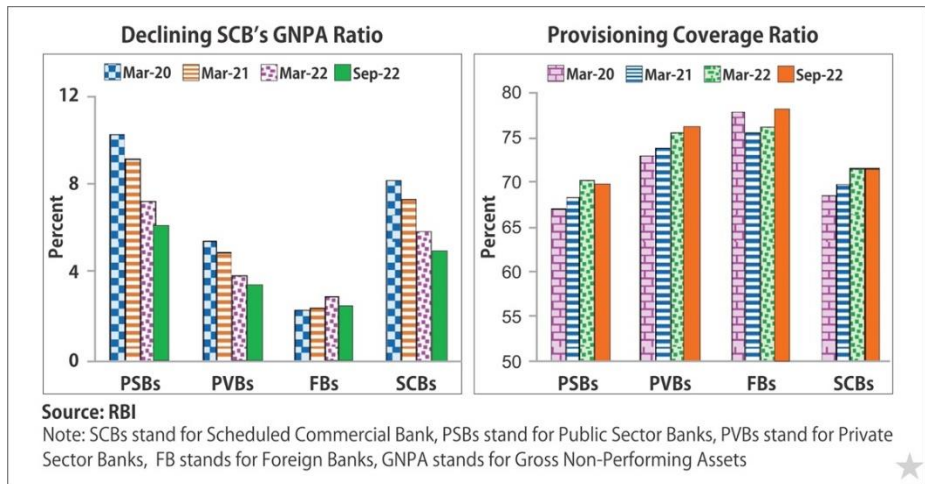
Pent-up demand: It refers to a situation where demand for a service or product is unusually strong. It is generally used to describe the general public's return to increased spending following a period of decreased spending or recession.



KNOW THE TERM

- ◆ **Crowding in:** It is a situation where higher government spending leads to an increase in private sector investment.
- ◆ **Buoyant Tax Collection:** It refers to proportionate increase in tax revenues in response to rise in national income or output.

- **Strength of banking sector: Banking sector in India has fulfilled the increased demand for credit.**
 - **YoY (Year-on-Year) growth in credit** since Q4 of FY22 has moved into **double digits** and is rising across most sectors.



- **Credit growth to MSME sector has been high, over 30.5%**, during Jan-Nov 2022, supported by extended Emergency Credit Linked Guarantee Scheme (ECLGS) of central government.

- **Increased credit supply by banking sector is due to their improved financial health** which is result of fast-tracking of NPAs for quicker resolution by Insolvency and Bankruptcy Board of India (IBBI), and capitalization of PSBs by budgetary support.

- Rising yields on corporate bonds and **higher interest/hedging costs on External Commercial Borrowings (ECBs)** have made these instruments less attractive for debt financing in FY23, and this gap is filled by financial strength of banks.

KNOW THE TERM

♦ **External Commercial Borrowings (ECBs):** It refer to commercial loans availed from non-resident lenders.

- **Inflation: RBI has projected headline inflation at 6.8%** in FY23 (outside target range of 6%) but it is **not high enough to deter private consumption** and also **not so low as to weaken the inducement to invest**.
 - Moderately high inflation has ensured **anchoring of inflationary expectations** preventing prices from weakening demand and growth in India.
 - With inflation on declining path, interest cost of domestic credit will likely decline, inducing a **further increase in demand for credit** by corporates and retail borrowers.

India's Inclusive Growths

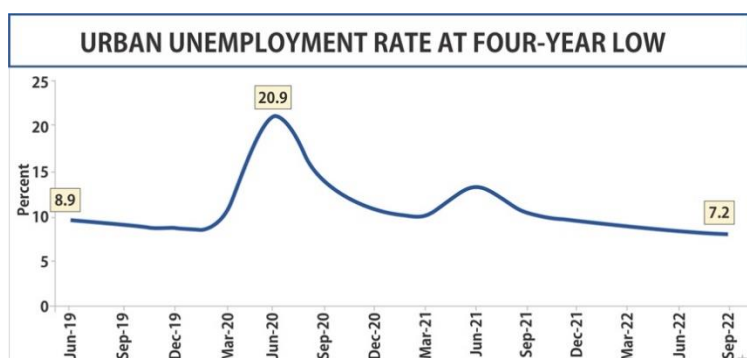
- **Growth is inclusive when it creates jobs.**

- **Rise in employment levels** is visible from Periodic Labour Force Survey (PLFS), which shows that **urban unemployment rate for people aged 15 years and above declined to 7.2%** in Q2 of FY 2023 from 9.8% a year before.
- **Labour Force Participation Rate (LFPR) also improved**, indicating emergence of economy out of pandemic induced slowdown.
- Increased job creation is result of **exports surge, strong release of pent-up demand, and a swift rollout of capex.**
- In the backdrop of plateauing of export growth, finite life of pent-up demand release, the **capex growth is necessary for employment creation** until global economy rebounds.

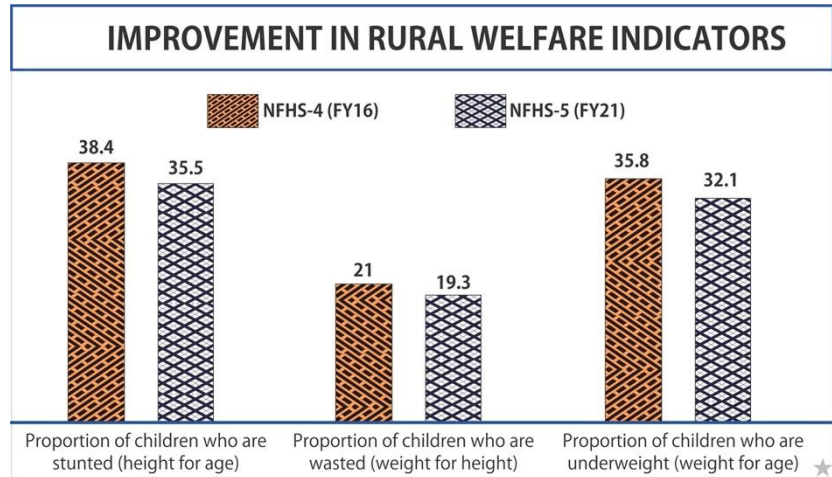
KNOW THE TERM

Labour Force Participation Rate (LFPR): It is defined as percentage of persons in labour force (i.e., working or seeking or available for work) in the population.

- **Emergency Credit Line Guarantee Scheme (ECLGS)**, announced in FY21, shielded MSMEs from financial distress due to pandemic.
 - CIBIL report showed that **83% of borrowers** availing ECLGS were **micro-enterprises**.



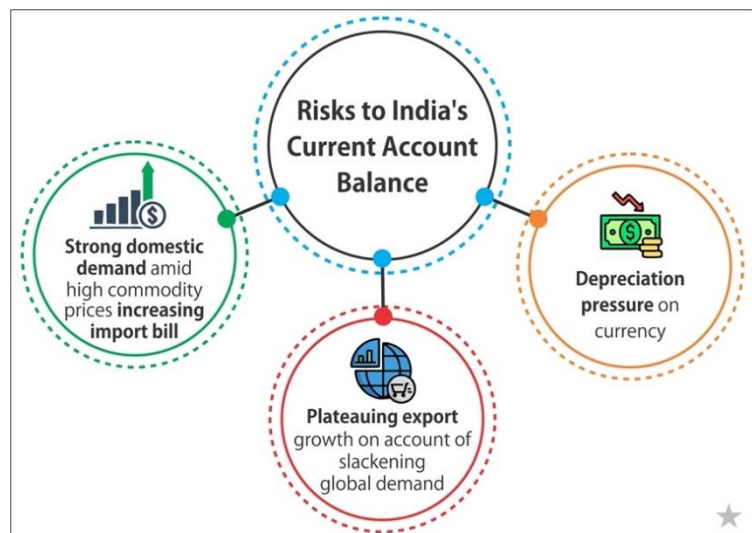
- **Financial resilience of small businesses** and **effectiveness of pre-emptive government initiatives** for MSMEs can be seen in **increase in GST paid by MSMEs**, which has crossed pre-pandemic level of FY20.
- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** is seeing creation of more assets in **“Works on individual’s land”** category (60% share in FY22) than any other category.
 - This indicates that besides generating daily wage employment, **MGNREGA is also creating assets for individual households to diversify their sources of income** and lift their supplementary incomes.
- Schemes like **PM-KISAN** and **PM Garib Kalyan Anna Yojana** have significantly contributed to lessening impoverishment in the country.
 - UNDP report of July 2022 stated that the recent inflationary episode in India would have a low poverty impact due to well-targeted support.
- **National Family Health Survey (NFHS)** in India shows **improved rural welfare indicators** from FY16 to FY20, covering aspects like gender, fertility rate, household amenities, and women empowerment.



India is the **3rd-largest economy in the world in PPP terms** and the **5th-largest in market exchange rates**. Indian economy in FY23 has nearly **“recouped”** what was lost, **“renewed”** what had paused, and **“re-energised”** what had slowed during the pandemic and since the conflict in Europe.

Outlook: 2023-24

- **India recovered quickly from the pandemic** and growth in upcoming year will be **supported by solid domestic demand and a pickup in capital investment**.
 - The **second decade of this millennium witnessed financial system stress** due to excessive lending in first decade, evidenced by rising NPAs, low credit growth and declining growth rates of capital formation.
 - However, presently, **signs of new private sector capital formation cycle** are visible. Also, **government raised capex substantially** to compensate for private sector’s caution. Budgeted capital expenditure **rose 2.7X in the last 7 years**, from FY16 to FY23.
 - **Structural reforms** such as the introduction of the GST and the IBBI **enhanced the efficiency and transparency of the economy** and ensured financial discipline and better compliance.
- **India’s outlook remains bright** but global economic prospects for next year are facing challenges imparting downside risks.
 - As per IMF’s World Economic Outlook, October 2022, global growth is **forecasted to slow from 3.2% in 2022 to 2.7% in 2023**, due to high inflation, monetary tightening, strains in supply chains and heightened uncertainty from geopolitical conflict.
- Ongoing monetary tightening exercise due to entrenched inflation pose another risk to the outlook. Due to this, borrowing costs may stay higher for longer. **Global economy may be characterized by low growth in FY24.**



- The scenario of subdued global growth presents **two benefits to India** – **low oil prices and better current account deficit (CAD)**.
- The survey projects a **baseline GDP growth of 6.5%** in real terms in FY24. The **actual outcome** for real GDP growth will probably lie in the range of **6.0% to 6.8%**, depending on the trajectory of economic and political developments globally.

Upside to India's Growth Outlook

Continued Normalization of Supply Chains

Limited health and economic fallout for the rest of the world from the current surge in Covid-19 infections in China and, therefore, continued normalisation of supply chains

Insignificant inflationary impulses

Inflationary impulses from the reopening of China's economy turning out to be neither significant nor persistent

Return of capital flow to India

Recessionary tendencies in major Advanced Economies triggering a cessation of monetary tightening and a return of capital flows to India amidst a **stable domestic inflation rate below 6%**

Private sector investment

This leading to an **improvement in animal spirits** and providing further impetus to private sector investment

Chapter at a Glance

- **Three global shocks** – Covid-19 pandemic, Russia-Ukraine conflict, and worldwide surge in inflation hit the global economy since 2020.
- Rising inflation and consequent monetary tightening led to **slowdown in global output**, and **risks financial contagion**.
- **Pandemic contracted India's GDP in FY21 but it recovered fully in FY22**, indicating high growth prospects for FY23.
- **Rupee has performed better in comparison to other currencies** but its modest depreciation widened the current account deficit. However, **India's forex reserves is sufficient to finance CAD**.
- Forecasts for Indian economy in the range of 6.5-7% are **reflection of India's underlying economic resilience**.
- **Investment/manufacturing activities of corporates** recovered due to increase in export demand, rebound in consumption, public capex, and their stronger balance sheets.
- RBI has projected **headline inflation at 6.8%** in FY23 but it is not high enough to deter private consumption and also not so low as to weaken the inducement to invest
- **India's inclusive growth is visible** from rise in employment levels, improvement in labour force participation rate, schemes for lessening impoverishment and distress, and improvement in rural welfare indicators.
- Scenario of subdued global growth presents **two benefits to India** – low oil prices and better current account deficit (CAD).
- **Upside to India's growth outlook** include normalization of supply chains, insignificant inflationary impulses, return of capital flow to India, and private sector investment.
- The **actual outcome for real GDP growth will probably lie in the range of 6.0% to 6.8%**, depending on the trajectory of economic and political developments globally



What does the Budget Say?



Capital investment outlay is being increased to Rs. 10 lakh crore which would be 3.3% of GDP.



Budget enhances **opportunities for private investment in infrastructure** by establishing new Infrastructure Finance Secretariat.



Budget has provided for **collateral free credit guarantee for MSMEs** of Rs. 2 lakh crore and the cost of credit will be reduced by about 1%.



The Budget focuses on **inclusive development achievements** under various schemes such as PM-KISAN, PMSBY, PMJJY, PM Jan Dhan bank accounts, Ujjawala, and SBM etc.

CHAPTER 1**Testing your remembering skills & Understanding skills**

1. Which of the following is/are the likely consequences of synchronized monetary tightening by countries across the world?

1. Widening of current account deficit
2. Fall in bond yields
3. Outflow of foreign investments

Select the correct answer using the code given below.

- a) 1 and 2 only
- b) 2 only
- c) 1 and 3 only
- d) 1, 2 and 3

2. Which of the following steps can help in controlling inflation in an economy?

1. Increase in repo rates by RBI.
2. Decline in excise and custom duties
3. Restricting export of essential products

Select the correct answer using the code given below.

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) 1, 2 and 3

3. Consider the following statements regarding India's trade:

1. Share of exports as a percentage of GDP expanded over the last three years despite global slowdown.
2. For FY 2023, India does not have sufficient forex reserves to finance its current account deficit.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

4. Consider the following statements regarding Pent-up demand:

1. Pent-up demand refers to the low level of demand in the market due to recession.
2. Accelerating growth of personal loans can be a good indicator of pent-up demand in the economy.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

5. Which of the following could be the reasons for increase in credit supply by the banking sector during FY23?

1. Rising yields on corporate bonds
2. High interest costs on external commercial borrowings
3. Fluctuations in exchange rates

Select the correct answer using the code given below.

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) 1, 2 and 3



Self-Assessment: To practice Question for Answer Writing skills

- Q1. As the global economy battles through a unique set of tribulations, the Indian economy is also beset with its own growth challenges. Discuss.
- Q2. Amid global economic uncertainties and challenges, the Indian economy has shown enormous resilience. Comment.

“You are as strong as your Foundation”

FOUNDATION COURSE GENERAL STUDIES PRELIMS CUM MAINS

2024

Approach is to build fundamental concepts and analytical ability in students to enable them to answer questions of Preliminary as well as Mains Exam

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- ▶ Access to LIVE as well as Recorded Classes on your personal student platform
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ONLINE Students

NOTE - Students can watch LIVE video classes of our COURSE on their ONLINE PLATFORM at their homes. The students can ask their doubts and subject queries during the class through LIVE Chat Option. They can also note down their doubts & questions and convey to our classroom mentor at Delhi center and we will respond to the queries through phone/mail.

DELHI

17 MAR, 1 PM | 21 FEB, 9 AM | 24 JAN, 1 PM | 20 DEC, 5 PM

AHMEDABAD: 16th Feb, 8:30 AM | CHANDIGARH: 19th Jan, 5 PM | PUNE: 21st Jan, 8 AM
JAIPUR: 15th Feb, 7:30 AM & 5 PM | LUCKNOW: 18th Jan, 5 PM | HYDERABAD: 6th Feb, 8 AM

Live - online / Offline Classes

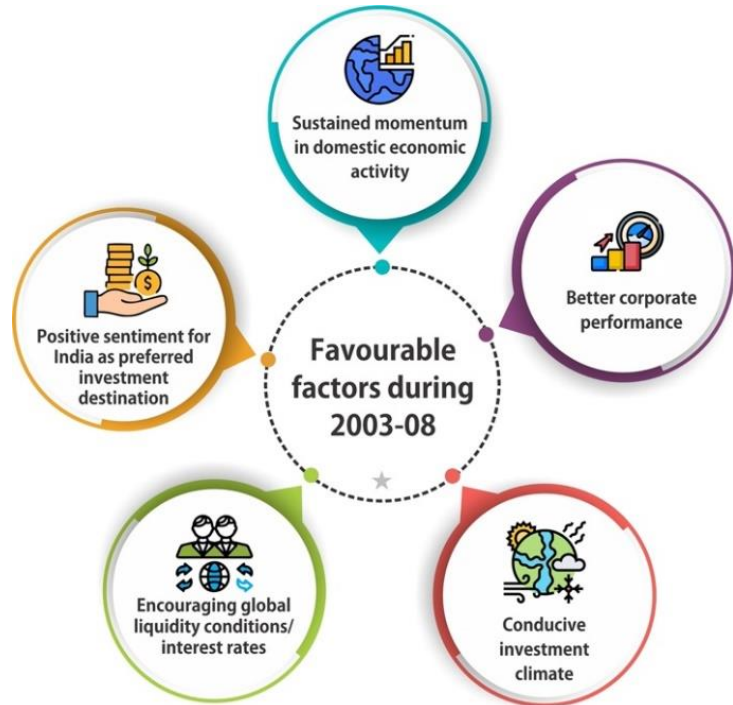
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CHAPTER 2: INDIA'S MEDIUM TERM GROWTH OUTLOOK: WITH OPTIMISM AND HOPE

Introduction

Indian economy has witnessed **New Age reforms in last eight years** aimed at enhancing the ease of living and doing business with the use of technology. Such reforms **could not transform into a sharp acceleration in growth** due to balance sheet repair of over-leveraged domestic financial sector and corporate sector, and one-off global shocks.

This chapter briefly discusses **history of India's product and capital market reforms of previous 3 decades and landmark reforms undertaken in last eight years**. It then elaborates on **shocks faced by the Indian economy** during 8 eight years and discuss medium-term growth magnets for India.



Product and Capital Market Reforms

- **Initiation of reforms – 1991:** 1991 reforms were in response to **Balance of Payments (BoP) crisis** in Indian economy (refer infographic).
 - **Reforms led to increase in real growth** from an average of 5.5% during the 1980s to 6.3% from FY93 to FY2000.
 - The **total goods and services trade to GDP rose** from 17.2% in 1990 to 30.6% in 2000.
- **Continuity in Reforms with a Renewed Impetus:** Reforms were continued over the 1990s and got a renewed impetus at the end of the decade (refer infographic).
- **One-Off Shocks overshadowed the reforms of 1998-2002:** The effect of reforms during the period were not felt immediately due to **following one-off shocks:**
 - **Sanctions imposed by US on India** after India's nuclear test.

MAJOR REFORMS

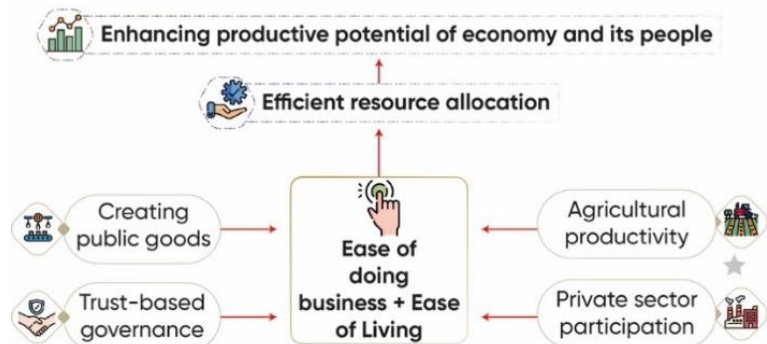
1991 Economic Reforms

- ▣ Liberalisation of trade and investments
- ▣ Removal of import licensing on almost all intermediate inputs and capital goods
- ▣ Entry restrictions for firms simplified
- ▣ Encouraged entry of private sector by ending public sector monopoly in many sectors
- ▣ Initiated automatic approval policy for FDI up to 51%
- ▣ Exchange rate made flexible and allowed to depreciate to maintain competitiveness
- ▣ Current account made fully convertible
- ▣ Capital account made partially convertible

Reforms during 1998-2002

- ▣ Encouraged FDI as main source of non-debt-creating capital inflows
- ▣ **New Telecom Policy 1999** opened telecom sector for private sector with TRAI as regulator
- ▣ Telecom reforms led to **IT sector boom in India**
- ▣ **Dedicated ministry** was set up for policy on **disinvestment and privatisation**
- ▣ **Golden Quadrilateral:** the largest infrastructure project of independent India launched.
- ▣ **Fiscal Responsibility and Budget Management (FRBM) Act** passed to address high combined gross fiscal deficit
- ▣ Reform in banking system such as deregulation of interest rates and enactment of SARFAESI Act 2002

Underlying Framework for Reforms for a new India



- Two successive droughts between 2000 and 2002.
- Global uncertainties due to end of tech boom and 9/11 attacks.
- **India's Participation in the Global Boom of 2003-08:** Effects of reforms of 1998-2002 period were felt during 2003-08, when **Indian economy grew at more than 8%** on average (compared to 4.8% global growth).
 - This growth was supported by **strong capital inflows**, indicating favourable domestic and external factors.

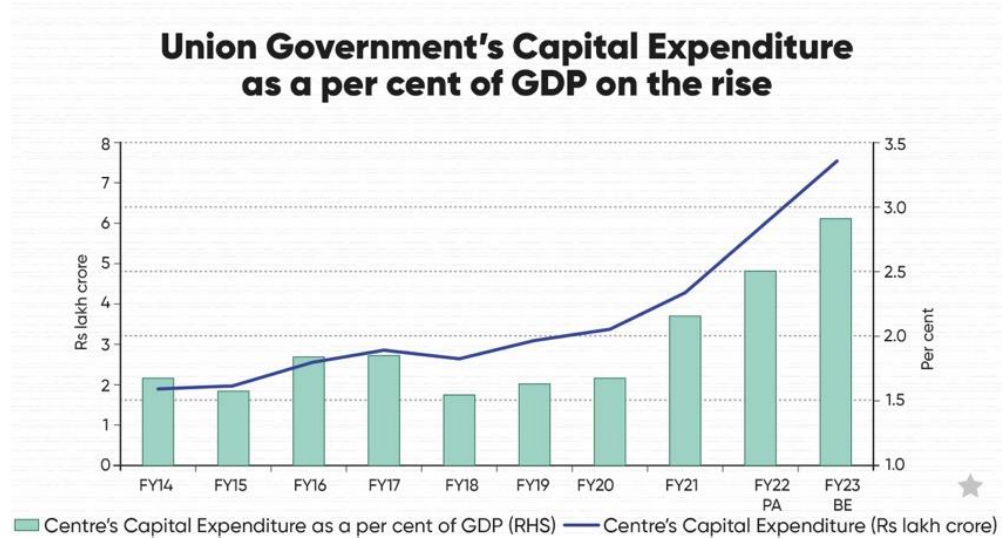
Reforms for New India-Sabka Saath Sabka Vikaas

● **Reforms post-2014:** Reforms before 2014 primarily catered to product and capital market space, which were continued post 2014 also.

○ However, post-2014 reforms added emphasis on ease of living and doing business and improving economic efficiency.

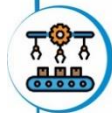
○ **Broad principles** behind reforms were creating public goods, adopting trust-based governance, co-partnering with the private sector for development, and improving agricultural productivity (see infographic).
 ○ This new approach emphasizes on **'Sabka Saath, Sabka Vikaas'**, where each stakeholder contributes to and reaps the development benefits as partner.

- **Creating Public goods:** Infrastructure intensive policymaking in India started with the launch of Golden Quadrilateral Project in 2000s.
 - **A Quantum leap in infrastructure outlay** (capital expenditure) by government is visible in last few years, laying out **platform for crowding in private investments**.
 - With **strong forward and backward linkages**, physical infrastructure (see infographic) will enhance the economy's productivity in the medium term.

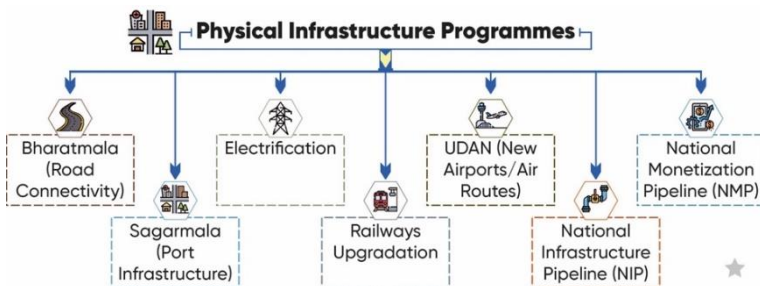


SUMMARY OF ECONOMIC SURVEY

KNOW THE TERM



- **Public Good:** Public goods are those that are available to all ("non-excludable") and that can be enjoyed over and over again by anyone without diminishing the benefits the deliver to others ("non-rivals").
- **Forward and Backward Linkage:** Forward linkage refers to what other products can be built, produced, or made using that product or industry. Backward linkage refers to what other products or raw materials have contributed in producing that product.
- **Financial Inclusion:** It means that individuals and businesses have access to useful and affordable financial products and services that meet their needs, delivered in a responsible and sustainable way.





Developing Public Digital Infrastructure (PDI)

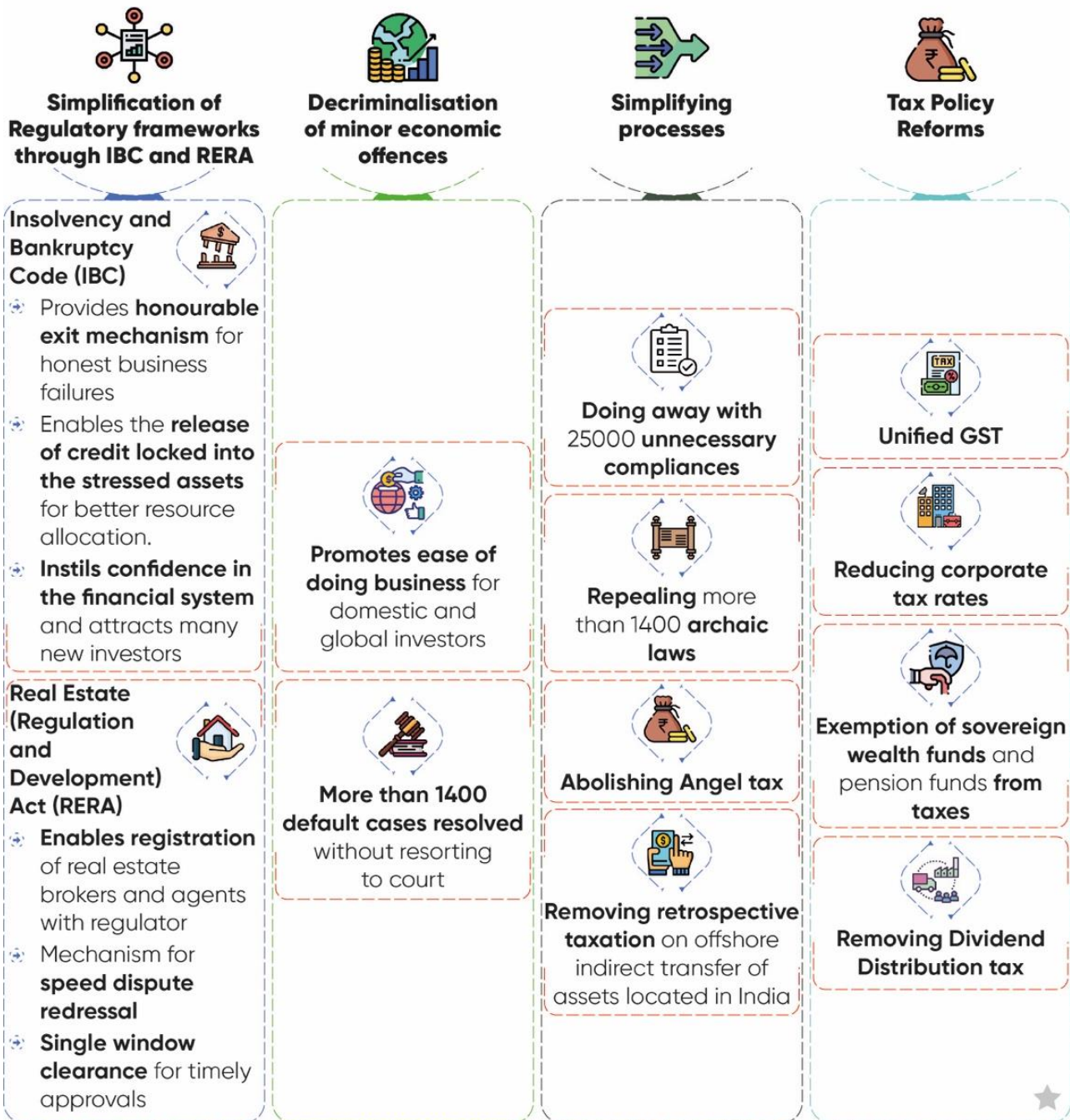
Public Digital Infrastructure	Outcomes
JAM (PM-Jan Dhan, Aadhar, Mobile Phones)	<ul style="list-style-type: none"> • Financial Inclusion: Population covered with bank accounts increased from 53% in 2015-16 to 78% in 2019-21 (as per NFHS).
Digital Public Goods <ul style="list-style-type: none"> • Digital Verification (e-KYC) • Digital Signature • Digital Repositories (Digilocker) • Digital Payments (UPI) • Open Network for Digital Commerce (ONDC) • Account Aggregator framework 	<ul style="list-style-type: none"> • Greater financial inclusion and access to credit • Incentivising higher consumption and investment, leading to higher economic growth • Opening avenues for e-commerce market access. • Credit availability for smaller businesses. • Strengthen the economic growth in medium term.
Digital Financial Architecture- <ul style="list-style-type: none"> • Digitalised GST system (Goods and Services Network (GSTN) and e-Way Bill) • Digital identities (Aadhar, eShram portal, SVANidhi, Udayam portal) • Unified Payment Interface (UPI) 	<ul style="list-style-type: none"> • Formalisation of business transactions through GSTN and e-Way Bill. <ul style="list-style-type: none"> ➔ Number of GST taxpayers nearly doubled from 2017 to 2022. • Greater formalisation of economy and workforce. • Digital identities included informal groups in formal economic net such as street vendors through SVANidhi, MSMEs through Udayam, unorganized workers through eshram. • Digital identity simplified and enabled access to formal credit for these groups. <ul style="list-style-type: none"> ➔ More than 32.7 lakh street vendors have availed of a first loan of ₹10,000 under the PM SVANidhi Scheme. • Formalisation of transactions, even for smallest of amounts, with UPI.
Unified Digital Interfaces for simplified governance <ul style="list-style-type: none"> • National Single Window System for business approvals • JanSamarth portal for credit-linked Central Government scheme • UMANG app for access to Central and state government services • PM Gatishakti, GIS based platform bringing together multiple ministries 	<ul style="list-style-type: none"> • Enhancing the ease of doing business through the integration of existing systems. • Reduction in logistics cost due to integrated planning and coordinated implementation of multimodal infrastructure connectivity projects under PM Gatishakti.

- **Trust-based Governance:** Building trust between the government and the citizens/businesses unleashes **efficiency gains** through improved investor sentiment, better ease of doing business, and more effective governance.

KNOW THE TERM

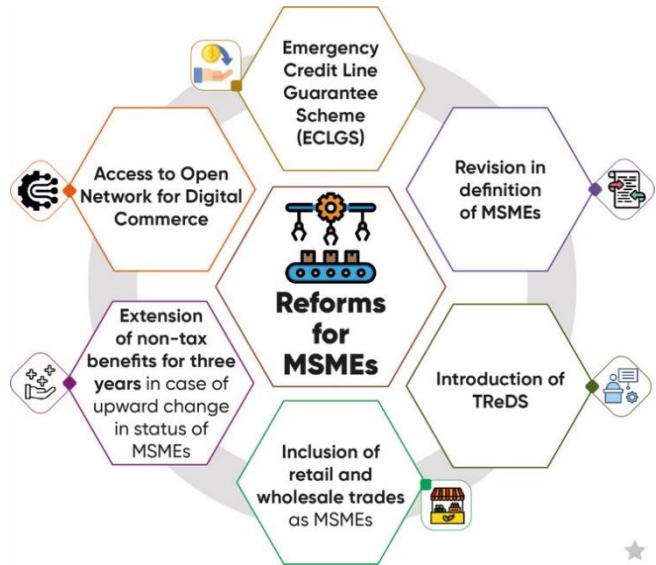
- **Public Digital Infrastructure (PDI):** It refers to digital solutions that enable basic functions essential for public and private service delivery, i.e., identification (ID), payment and data exchange systems, and governance systems (e-governance).
- **Digital Public Goods:** Digital public goods are types of open-source software, models and standards that countries can use to operationalise their digital public infrastructure. ★

Trust Building Initiatives



- **High tax buoyancy:** Despite tax rationalisation, a **positive trend of higher tax buoyancy** is visible in the economy.
 - ✓ The **average monthly gross GST collection has increased** from ₹0.90 lakh crore in FY18 to ₹1.49 lakh crore in FY23.
 - ✓ **Prominent factor for high revenue buoyancy is technology backed tax reforms** such as faceless assessment, integrated digital tax system, and data sharing between CBDT and CBIC.
- **Promoting the private sector as a co-partner in the development:**
 - **Disinvestment policy:** During FY15 to FY23, ₹4.07 lakh crore has been realised as proceeds from disinvestment.
 - ✓ Privatisation has improved **labour productivity and the overall efficiency** of the PSUs disinvested during 1990-2015.
 - ✓ **New Public Sector Enterprise Policy for Aatmanirbhar Bharat** aims at minimising the presence of the government in the PSEs to only a few strategic sectors.

- **Manufacturing Capabilities:** Initiatives in **Aatmanirbhar Bharat and Make in India** programmes.
 - ✓ **Sector-specific Production Linked Incentives (PLI) scheme** to develop global champions in manufacturing industry.
 - ✓ Experience of East Asian countries such as South Korea and Taiwan, in 1960-1990 shows the **need for government policy to support domestic industrialisation** amidst foreign competition.
- **Foreign investment push:** Atmanirbhar Bharat incentivise foreign investments for domestic production. Most sectors are now **open for 100% Foreign Direct Investment (FDI)**.
 - ✓ India's gross FDI increased from an average of 2.2% of GDP during FY05-FY14 to 2.6% in FY15-FY22.
- **Enabling Infrastructure: National Logistics Policy 2022** launched to reduce logistics cost.
 - ✓ **Strategic sectors** such as defence, mining and space has been **opened for private sector**.
 - ✓ **Investment incentives and easing business compliances** resulted in **increase in number of recognised Start-ups** from 452 in 2016 to 84,012 in 2022.

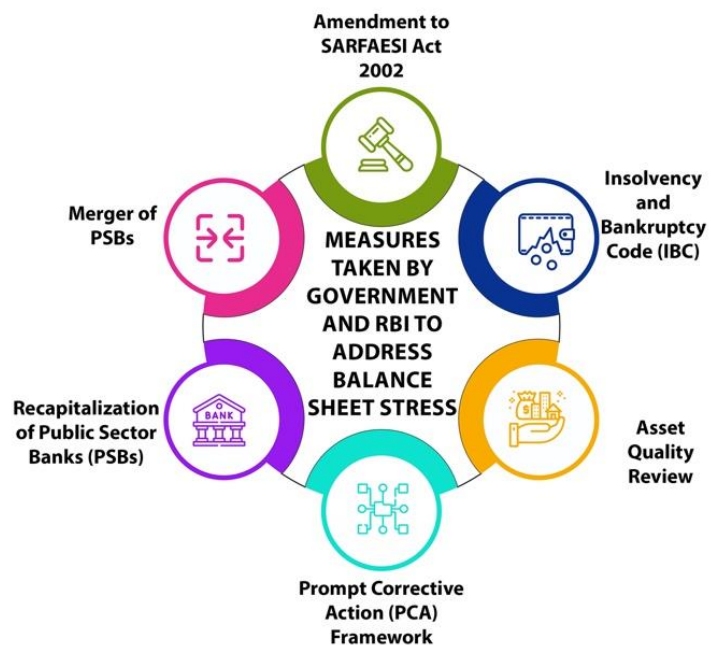


- **Enhancing productivity in agriculture:** The agriculture sector in India has **grown at an average annual growth rate of 4.6%** during the last six years due to **good monsoon years and reforms** undertaken by the government.

- Policies such as **Soil Health Cards, the Micro irrigation Fund, and organic and natural farming** have helped the farmers optimise resource use and reduce the cultivation cost.
- The promotion of **Farmer Producer Organisations (FPOs) and the National Agriculture Market (e-NAM) extension Platform** have enhanced farmers' resources, and enabled them to get good returns.
- **Agri Infrastructure Fund (AIF)** has supported the creation of various agriculture infrastructures.
- **Kisan Rail** exclusively caters to the movement of perishable Agri Horti commodities.
- **Cluster Development Programme (CDP)** has promoted integrated and market-led development for horticulture clusters.
- **Support for creating a Start-up ecosystem** in agriculture and allied sectors is also being provided to the farmers.

KNOW THE TERM

- **Balance Sheet:** It refers to a financial statement that reports a company's assets, liabilities, and how they are financed.
- **Credit to GDP ratio gap ("Credit Gap"):** It is defined as the difference between the credit-to-GDP ratio and its long-term trend.



Returns to Economic and Structural Reforms after 2014

- **Shocks that Economy faced during 2014-22:** Comprehensive reforms undertaken in economy during last 8 years could not accelerate India's growth due to **some of the following economic shocks:**

- **Balance Sheet Stress:** It was caused by credit boom in previous years.
 - ✓ **Twin deficit – fiscal and external – crisis of 2013** revealed unsustainability of domestic credit and investment boom triggered by global capital flows and optimism about BRICS.
 - ✓ Due to banks' balance sheet stress, most of second decade of this millennium saw **negative credit to GDP ratio gap**, which worsened to 25% in 2017.
 - ✓ Banks' balance sheet stress led to **rise in banks' Non-Performing Assets (NPAs)**.

- **Bank credit growth came down to single digits** towards the end of 2019 due to collapse of Infrastructure Finance and Leasing Services (IL&FS) in September 2018 and its ripple effects on other non-banking financial entities.
 - ✓ Low credit growth resulted in **weaker capital formation** and thus **affecting economic growth**.
- **The pandemic in 2020** further delayed impact of reforms on economic growth.

A parallel between the periods: 1998-2002 and 2014-2022

1998-2002	2014-2022
Shocks to the economy	
Nuclear device testing 1998; sanctions followed	↳ Period of Banking, Non-Banking and Non-Financial Corporate Sector Balance-sheet stress
Banking and Corporate Sector deleveraging and repairing balance-sheets	↳ Unprecedented pandemic shock followed by inflation global commodity price shock followed by tightening of financial conditions
Two successive droughts	
Technology bust; US recession and 09/11	
Structural reforms in the economy	
Interest rate deregulation	↳ Unique Identity ↳ Financial Inclusion ↳ GST leading to formalisation ↳ Insolvency & Bankruptcy Code ↳ Privatisation ↳ Tax rates rationalisation and tax administration reforms ↳ Decriminalisation of offences ↳ Vaccines roll-out ↳ Expenditure Management Reforms ↳ AatmaNirbhar Bharat ↳ Public Digital Infrastructure
Privatisation	
Asset Recovery for banks	
Infrastructure (Golden quadrilateral)	
FRBM Act	
Growth returns	
One-off shocks delayed the growth returns	↳ Balance sheets strengthened in the financial sector; the corporate sector deleveraged by about 30 percentage points (Non-financial private sector debt to GDP ratio)
Once shocks faded away, structural reforms paid growth dividends from 2003 onwards	↳ Emphasis on macro-economic stability while dealing with global shocks

Growth Magnets in this Decade (2023-2030)

India is prepared to grow at its potential once the one-off shocks recede.

- **Healthy balance sheet of financial and corporate sector:** Sound financial system developed over last few years will ensure efficient credit provisioning, higher investment and consumption.
- **Digitalisation reforms:** Resultant formalisation, higher financial inclusion, and more economic opportunities will be second important driver.
- **Evolving geo-political situation:** Global policy uncertainty is pushing



multinational firms to diversify global value chains, from which India can benefit by presenting itself as a credible destination.

- Chief Economists Outlook 2023 (World Economic Forum) highlights **India's opportunity to gain from global supply chain diversification**.
- **Once negative shocks fade, effects of reforms will be visible.** A restored credit cycle will rejuvenate the **Indian private sector capex cycle**, which alone can enable India to **grow at least 6% per annum** in real terms.
 - Also, higher economic efficiency resulting from the **public digital infrastructure will add 30-50 basis points** to the potential GDP growth.

Chapter at a Glance

- **Various economic reforms were undertaken in 1991** in response to Balance of Payment Crisis in Indian Economy, which resulted in increase in real growth.
- Reforms were continued over 1990s and got a **push during 1998-2002 period**. But effects of such reforms push could not be seen immediately due to **one-off shocks** such as sanctions by USA, and global uncertainties.
- **Effects of reforms of 1998-2002 were felt during global boom period of 2003-08**, where India's growth was supported by favourable domestic and external factors.
- Reforms post-2014 focused on ease of living and doing business with **approach of 'Sabka Saath, Sabka Vikaas'**. **Broad principles**.
- Push for creation of public goods can be seen in **both physical and digital infrastructural push**.
- **Trust based governance** through stakeholder participation resulted in high tax buoyancy, improved investor sentiment, better ease of doing business and effective governance.
- **Agriculture sector in India has grown at an average annual rate of 4.6%** during last six years due to good monsoon years and reforms undertaken by the government.
- Economy faced **balance sheet stress, limited bank credit growth and pandemic** during the period of 2014-22. Due to these shocks, there was **limited impact of key structural and governance reforms**.
- The **period 2014-22 is considered analogous to the period of 1998-2002** as far as structural reforms undertaken and lagged effects of such reforms due to one-off shocks is considered.
- **Growth Magnets in the period 2023-2030** are healthy balance sheet of financial and corporate sector, digitalization reforms, global supply chain diversification and reform agenda of the government.



What does the Budget Say?

- The Government's philosophy of **Sabka Saath Sabka Vikas** has facilitated inclusive development and given overall priority to the underprivileged (Vanchiton ko Variyata).
- Announcement of **Digital Public Infrastructure for Agriculture**.
- Announced establishing **new Infrastructure Finance Secretariat** for promoting private investment in infrastructure.
- Aimed at improving logistics, **100 critical transport infrastructure projects** for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified.
- Several initiatives have been identified for good governance such as **Jan Vishwas Bill for trust-based governance**, and National Data Governance Policy.
- Tax rationalization, tax benefits to startups and better targeting of tax concessions are part of **tax policy measures**.

CHAPTER 2**Testing your remembering skills & Understanding skills****1. Which of the following reforms were undertaken as a part of 1991 economic reforms?**

1. Transition towards market determined exchange rates
2. Removal of import licensing
3. Ending of public sector monopoly in all sectors
4. Fully convertible capital account

Select the correct answer using the code given below.

- a) 1 and 4 only
- b) 2 and 3 only
- c) 1 and 2 only
- d) 3 and 4 only

2. Consider the following statements regarding Public goods:

1. Public goods are those goods that are non-excludable and non-rivalrous.
2. Capital expenditure will lead to creation of public goods.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

3. In the context of Indian economy, which of the following are considered as digital public goods?

1. Digital signature
2. Open Network for Digital Commerce (ONDC)
3. Digilocker
4. Unified Payments Interface

Select the correct answer using the code given below.

- a) 1 and 2 only
- b) 1 and 3 only
- c) 3 and 4 only
- d) 1, 2, 3 and 4

4. Which of the following statements best describes credit to GDP ratio gap?

- a) It is the ratio of a country's debt to its gross domestic product (GDP).
- b) It is the amount by which the actual gross domestic product (GDP) exceeds potential full-employment GDP.
- c) It is the gap in government's total expenditure and revenue as a percentage of GDP.
- d) It is the difference between the credit-to-GDP ratio and its long-term trend.

5. Consider the following statements:

1. In last 5 years, Indian economy has been marked by decreasing tax buoyancy.
2. India's gross FDI increased on an average of 10 percent during the last seven years.

Which of the statements given above is/are correct?

- 1 only
- 2 only
- Both 1 and 2
- Neither 1 nor 2



Self-Assessment: To practice Question for Answer Writing skills

- Q1. In the context of Indian economy, discuss the landmark reforms undertaken in the last decade and elaborate on the shocks faced during this period.
- Q2. Digital technologies being at the forefront of the reforms in the last decade provided a unique opportunity to accelerate India's economic growth. Discuss.



फाउंडेशन कोर्स सामान्य अध्ययन प्रारंभिक एवं मुख्य परीक्षा 2024

इनोवेटिव क्लासरूम प्रोग्राम

- प्रारंभिक परीक्षा, मुख्य परीक्षा और निबंध के लिए महत्वपूर्ण सभी टॉपिक का विस्तृत कवरेज
- मौलिक अवधारणाओं की समझ के विकास एवं विश्लेषणात्मक क्षमता निर्माण पर विशेष ध्यान
- एनीमेशन, पॉवर प्वाइंट, वीडियो जैसी तकनीकी सुविधाओं का प्रयोग
- अंतर - विषयक समझ विकसित करने का प्रयास
- योजनाबद्ध तैयारी हेतु करेंट ओरिएंटेड अप्रोच
- नियमित क्लास टेस्ट एवं व्यक्तिगत मूल्यांकन
- सीसैट कक्षाएं
- PT 365 कक्षाएं
- MAINS 365 कक्षाएं
- PT टेस्ट सीरीज
- मुख्य परीक्षा टेस्ट सीरीज
- निबंध टेस्ट सीरीज
- सीसैट टेस्ट सीरीज
- निबंध लेखन - शैली की कक्षाएं
- करेंट अफेयर्स मैगजीन

लाइव/ऑनलाइन कक्षाएं भी उपलब्ध

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CHAPTER 3: FISCAL DEVELOPMENTS: REVENUE RELISH

Introduction

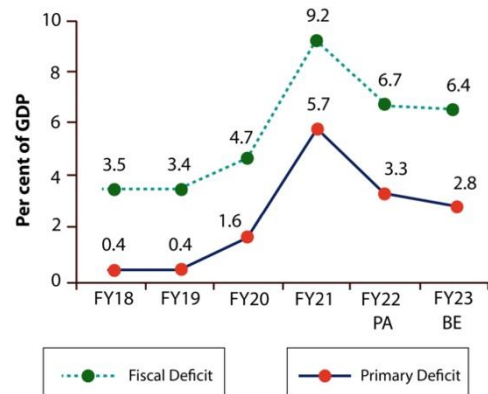
Significance of fiscal policy and availability of fiscal space has become paramount in the wake of continuing global uncertainties. Recently, in pandemic, fiscal policy became an **effective macroeconomic stabilisation tool globally**, provided safety net to vulnerable, and revived the economy by boosting demand and addressing supply side constraints.

Amidst global risks and uncertainties, there is a **difficulty in evaluating a trade-off** between maintaining fiscal support to manage the continuing crisis versus withdrawing fiscal stimulus from the economy to control inflation and regain the lost fiscal space. In this background, the **Government of India adopted a calibrated fiscal response** to the pandemic. This chapter discusses this fiscal strategy of government.

Developments in Union Government Finances

- **Fiscal position: Calibrated fiscal response enabled stable public finances** amidst the present uncertainties.
 - In line with fiscal glide path of government, fiscal deficit came down to 6.7% of GDP in FY22 PA from 9.2% of GDP during pandemic year FY21.
- **Government on track to achieve Fiscal Deficit target of 6.4% for FY23:** The government's fiscal response with **additional spending on food and fertiliser subsidies, and specific duty cuts** led the government on track to achieve the budgeted fiscal deficit.
- **Prudent Budget assumptions:** The fiscal resilience of centre is the result of recovery in economic activity, buoyancy in revenues observed during the year, and conservative assumptions of macroeconomic variables in the Budget.
 - **Prudent assumptions in Budget FY23 provided a buffer to the government** during global uncertainties.
- **Performance of Union Government Non-Debt Receipts:**
 - **Sustained revenue buoyancy:** After plummeting during the pandemic-affected FY21, **revenue receipts registered robust growth in FY22 PA.**
 - ✓ **Gross Tax Revenue (GTR)** registered a **YoY growth of 15.5%** from April to November 2022.
 - ✓ **Net Tax Revenue (NTR)** to the Centre after the assignment to states grew by 7.9% on a YoY basis.
 - **Government efforts:** Due to government efforts towards **expansion of tax base and enhancing tax compliance**, revenues have grown at a pace much higher than growth in GDP.

Trends in Union Government Deficits over the years- On the way to fiscal consolidation



KNOW THE TERM

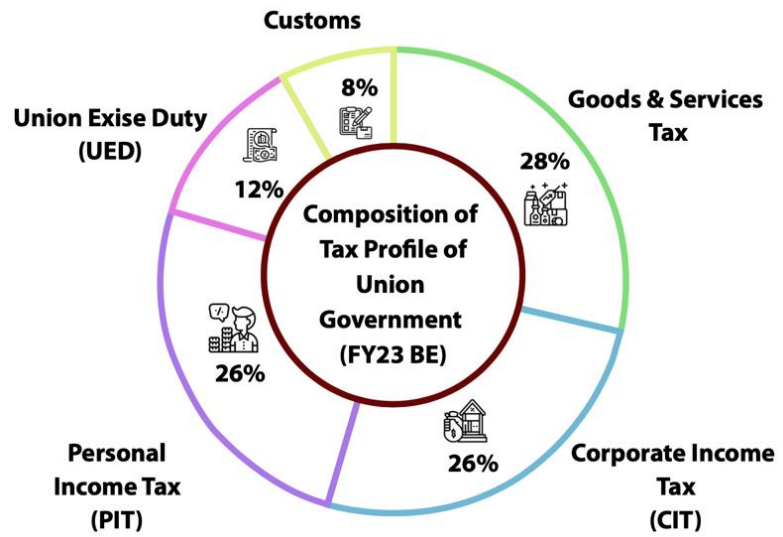
- **Fiscal Glide Path:** It is the path the government takes to fulfil the fiscal targets it set for itself. It ensures that government sticks to the fiscal consolidation roadmap to achieve fiscal deficit targets
- **Fiscal Deficit:** It is the difference between total revenue (excluding borrowings) and total expenditure of government.
- **Non-debt receipts:** These comprise revenue receipts (tax and non-tax) and non-debt capital receipts. The shortfall in the non-debt receipts to meet the expenditure requirement is met by borrowings of the government (called fiscal deficit).
- **Tax Buoyancy:** The buoyancy of a tax system measures the total response of tax revenue both to changes in national income and to discretionary changes in tax policies over time.

Tax Measures

- **Introduction of GST**
- **Digitalisation** of economic transactions

- **Faceless Assessment and Appeal**
- **Simplification of Return Filing**
- **Assistance to Taxpayers** in getting familiar with the systems
- **Generation of e-way bills** under GST
- **Information sharing** between government departments

- **Direct taxes:** Due to corporate and personal income tax growth, direct taxes, which constitute half of GTR, registered a **YoY growth of 26%** from April to November 2022.
- **Customs and Excise duties act as Flexi-fiscal policy tools:**
 - ✓ When direct and indirect tax collections were affected due to pandemic, **government increased excise duty on petrol and diesel to augment the revenues.**
 - ✓ Subsequently, on recovery of other taxes and inflationary pressures, **government cut excise duty** to control impact of rising oil prices on consumers.
 - ✓ In line with budget expectation, **excise duty collection declined by 20.9%** from April to November 2022 on a YoY basis.
 - ✓ Customs duties were brought down on several items due to inflationary pressures, but **high imports led to 12.4% YoY growth in the customs collection** from April to November 2022.



- **Goods and Services Tax (GST) stabilized as vital revenue source:** Gross GST collections of central and state governments were **₹13.40 lakh crore** from April to December 2022, implying a **YoY growth of 24.8%**.

- ✓ **Improvement in GST collections** has been due to the nationwide **drive against GST evaders and fake bills and systemic changes** such as rate rationalisation correcting inverted duty structure.
- ✓ **GST net has doubled**, from nearly 70 lakh GST payers in 2017 to more than 1.4 crore in 2022.

KNOW THE TERM

- **Non-Tax Revenue:** For the Centre, it includes interest receipts on loans to States and Union Territories, dividends and profits from Public Sector Enterprises and the Reserve Bank of India, and external grants and receipts for services the Union Government provides.

- **Centre on track to meet Non-Tax Revenue targets:** 73.5% of budgeted amount has been collected up to November 2022.
- **Committed towards disinvestment but dependent on external factors:** During FY15 to FY23, Government realised an amount of about **₹4.07 lakh crore** as **proceeds from minority stake sale and strategic disinvestment transactions.**

- ✓ Despite pandemic, geopolitical conflict and global uncertainties, government is implementing **the New Public Sector Enterprise Policy and Asset Monetisation Strategy** for privatisation and strategic disinvestment.

• **Performance of Union Government Expenditure:**

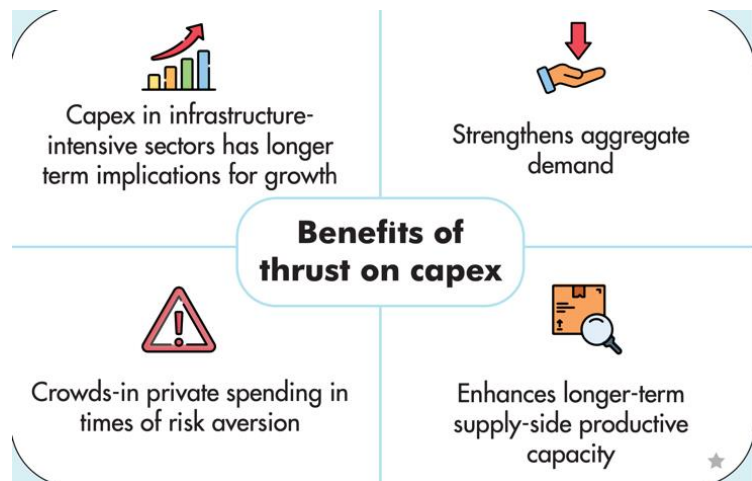
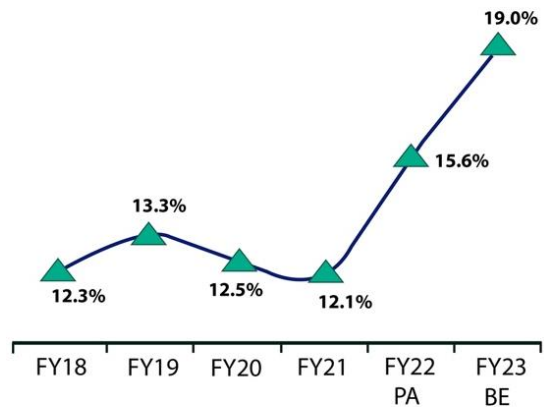
- **Pragmatic expenditure policy:** Government increased expenditure in calibrated manner by first ensuring the basic safety nets for the vulnerable and then shifting to productive domestic capital expenditure.

KNOW THE TERM





- **Counter-cyclical fiscal policy:** It refers to the steps taken by the government that go against the direction of the economic or business.

- ✓ During the crisis, **countercyclical fiscal policy measures** played significant role in supporting the economy and the **pandemic crisis** mandated additional expenditure requirement.
- ✓ The **capital expenditure (Capex)** by the Centre has **steadily increased** from a long-term average of **1.7% of GDP (FY09 to FY20) to 2.5% of GDP in FY22 PA. It is further budgeted to increase to 2.9% of GDP in FY23.**
- **Capex-led growth:** Union Government had budgeted an **unprecedented ₹7.5 lakh crore of Capital Expenditure** for FY23, of which **more than 59.6% has been spent** from April to November 2022.
- ✓ Centre announced several incentives to boost states' capex in the form of **long-term interest-free loans and capex-linked additional borrowing provision.**
- **Revenue Expenditure Requirements:** The significant components of the Centre's revenue expenditure include Interest payments, major subsidies, salaries of Government employees, pensions, defence revenue expenditure, and transfers to States, and allows limited flexibility.
- ✓ **Re-prioritising expenditure and rationalising subsidies** are essential tools to stimulate aggregate demand and fulfil redistributive imperatives.
- ✓ Revenue expenditure of Union Government was **brought down from 15.6% of GDP in the pandemic year FY21 to 13.5% of GDP in FY22 PA.** This contraction was led by **reduction of the subsidy expenditure** (from 3.6% of GDP in FY21 to 1.9% of GDP in FY22 PA).
- ✓ **Higher food and fertilizer subsidy requirement** arose due to sudden outbreak of geopolitical conflict, leading to **utilization of around 94.7%** of the budgeted expenditure on subsidies from April to November 2022.
- ✓ Interest payments had a stable ratio of non-debt receipts and revenue expenditure during pre-pandemic year. However, **after pandemic outbreak, interest payments as a proportion of receipts increased** due to higher government borrowings.
- ✓ In the **medium term**, buoyancy in revenues, aggressive asset monetisation, efficiency gains, and privatisation would help pay down the public debt, thus **bringing down interest payments.**
- With resilient economic growth, continued revenue buoyancy, and careful expenditure management over the medium run, the Union Government will be **on track with the fiscal path** outlined by the Medium-Term Fiscal Policy Statement.

Rising share of Capital Expenditure in Total Expenditure of the Union Government



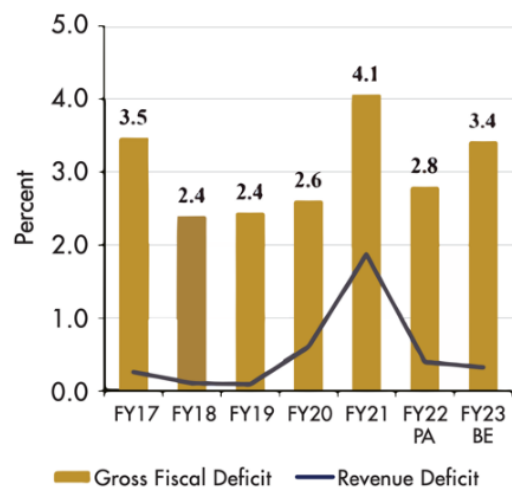
Major Reforms in the Union Budget over the last few years

 <p>Improved fiscal transparency and realistic revenue assumptions in the Budget</p>	<ul style="list-style-type: none"> ❖ Extra-Budgetary borrowings of the Union Government were brought down from ₹1.48 lakh crore in FY20 and ₹1.21 lakh crore in FY21 to ₹750 crore in FY22 (RE). ❖ No Extra Budgetary Resources were estimated for FY23 in the Budget. ❖ Budget 2022 based its revenue projections on realistic assumptions, thus providing a buffer to the government in an uncertain global environment.
 <p>Discontinuation of Plan–Non plan classification</p>	<ul style="list-style-type: none"> ❖ The Budget FY18 discontinued having Plan and Non-Plan classifications of Government expenditure ❖ The reform enabled effective planning and allocation of resources in the Budget.
 <p>Merger of railway Budget with the Main Budget</p>	<ul style="list-style-type: none"> ❖ The railway budget was merged with the Union Budget from FY18. It gave a holistic picture of the government's financial position. ❖ It envisaged facilitating multimodal transport planning between high-ways, railways and inland waterways, which has been strengthened in the subsequent years through Gatishakti. ❖ It helped to enhance the efficiency of resources for both Railways and the Union Government. <ul style="list-style-type: none"> ❖ The merger has exempted Railways from paying dividends to the Government ❖ Revenues. <p>It also allows the Ministry of Finance to have a greater elbow room at the mid-year review for better allocation of resources.</p>
 <p>Shifting the date of the Budget to 1 February</p>	<ul style="list-style-type: none"> ❖ The date of the Budget was advanced to 1 February from the Budget FY18. ❖ It paved the way for early completion of the Budget cycle and enabled the Ministries to ensure better planning and execution of schemes from the beginning of the financial year

Overview of State Government Finances

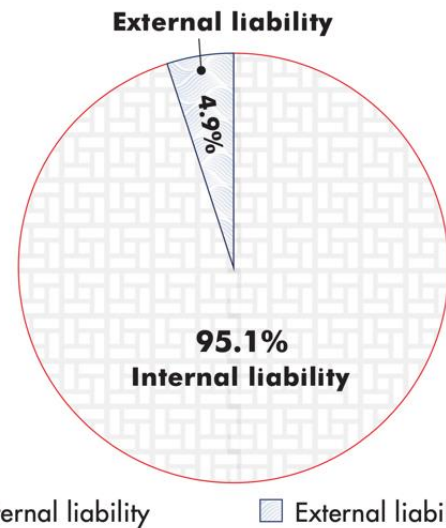
- **Performance of State finances:** State Governments improved their finances in FY22 after being adversely impacted by the pandemic in FY21.
 - The **combined Gross Fiscal Deficit (GFD)** of the States was brought down to 2.8% in FY22 PA from 4.1% of GDP in FY21.
 - The **consolidated GFD-GDP ratio for States** has been budgeted **3.4%** in FY23.
 - States had **unutilised borrowing limits** during the last three years. Given the resource constraints of state governments, the **Centre enhanced the net borrowing ceilings (NBC) for States** to 5% of GSDP in FY21, 4% of GSDP in FY22, and 3.5% of GSDP in FY23.
 - The **capital outlay of States grew by 31.7%** in FY22 PA.
 - ✓ This is attributable to **strong revenue buoyancy and the support provided by the Centre in terms of advance releases of payments to the states**, GST compensation payments, and interest-free loans.
- **Cooperative Fiscal Federalism drives a well-targeted fiscal policy**
 - **Transfer from Centre to States:** These include the share of States in Union taxes devolved to the States, Finance Commission Grants, Centrally Sponsored Schemes (CSS), and other transfers.
 - ✓ **Total transfers to States have risen** between FY19 and FY23 BE.

Consolidation of States' Deficits as per cent of GDP



- ✓ The **Finance Commission had recommended** allocation of an amounting to ₹1.92 lakh crore for FY23 in respect of post-devolution revenue deficit grants, grants to local bodies, health sector grants, and disaster management grants under **Article 275 of the Constitution**.
- **Supporting the GST compensation payments during crisis:** To meet shortfall in GST compensation to states, **Government borrowed additional ₹2.69 lakh crore** during FY21 and FY22 to pass on to states.
 - ✓ The **cess payments and tax devolution instalments** to the States were **frontloaded** to give them early access to funds.
- **Enhanced limit of borrowing for the States and incentives for reforms:** Since the pandemic outbreak, the Centre has kept the **Net borrowing Ceiling** of the State Governments **above the Fiscal Responsibility Legislation (FRL) threshold**.
 - ✓ It was fixed at 5% of GSDP in FY21, 4% of GSDP in FY22 and 3.5% of GSDP in FY23.
 - ✓ A part of this additional borrowing was **linked to reforms** encouraging the States to undertake them. Resultantly, in FY21, 17 states implemented One Nation One Ration Card system, and 20 completed ease of doing business reforms.
 - ✓ In addition to the net borrowing ceilings, Fifteenth Finance Commission had recommended **performance-based additional borrowing space of 0.50% of Gross State Domestic Product (GSDP)** to the States in the power sector. This has been recommended for each year from FY22 to 2024-25.
- **Centre's support towards States' capital expenditure:** Union government has provided **50-year interest-free loans to state governments** under the 'Scheme for Special Assistance to States for Capital Investment' for the last three years.
 - ✓ During the year FY23, the allocation under the Scheme has been raised to ₹1.05 lakh crore and includes an **unconditional component** and smaller **components linked to specific reforms/initiatives**.

Proportion of external liability in public debt (FY22)



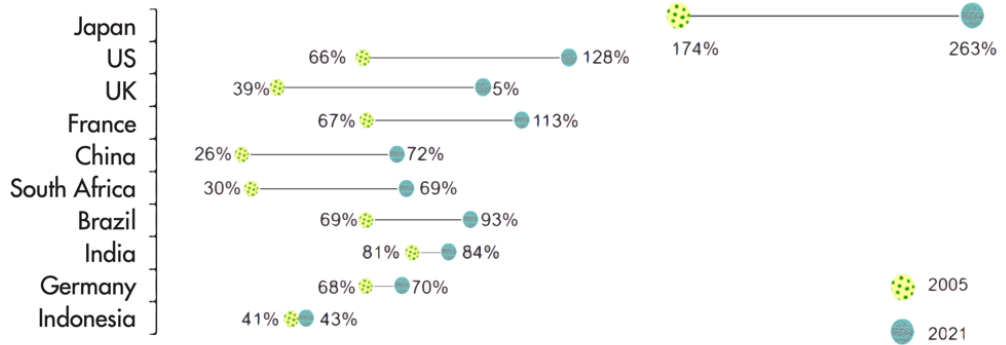
Debt Profile of the Government

- Due to unprecedented fiscal expansion in 2020, government liabilities have emerged as a significant concern across the globe.
 - IMF projects the **global government debt at 91% of GDP** in 2022, about 7.5 percentage points above the pre-pandemic levels.
 - **Sustainability of sovereign debts is of concern** because of tightened budget constraints, challenging global financial conditions, rising interest rates and the fear of slower growth.
- In such global backdrop, **total liabilities of Union Government in India**, which were **relatively stable as a percentage of GDP** over the past decade, **witnessed a sharp spike** in the pandemic year FY21.
 - This spike is **due to pandemic-induced higher government borrowings** to finance additional expenditure needs amidst strained revenues and sharp contraction in GDP.
 - **Total liabilities** of the Union Government **moderated** from 59.2% of GDP in FY21 to **56.7%** in FY22 (P).
- **India's public debt profile is relatively stable** and is characterised by **low currency and interest rate risks**.
 - Of the Union Government's total net liabilities in end-March 2021, **95.1% were denominated in domestic currency**, while sovereign external debt constituted 4.9%, **implying low currency risk**.
 - **Sovereign external debt is entirely from official sources**, which insulates it from volatility in the international capital markets.
 - Public debt in India is **primarily contracted at fixed interest rates**, with floating internal debt constituting only 1.7% of GDP in end-March 2021. The debt portfolio is, therefore, **insulated from interest rate volatility**, which also provides stability to interest payments.

- Over the last few years, the proportion of dated securities maturing in less than five years has declined, whereas **long-term securities have shown an increasing trend.**
- **Consolidating Central Government Finances:** It gives an overview of fiscal position of the Government sector as a whole.
 - The **General Government liabilities as a proportion of GDP increased steeply during FY21** on account of the additional borrowings made by Centre and States on account of the **pandemic.** However, the ratio has come off its peak in FY22 (RE).
 - The **General Government deficits** as a percent of GDP have also consolidated after their **peak in FY21.**
- **A positive growth-interest rate differential keeps the Government Debt sustainable:**

The **General Government Debt to GDP ratio** increased from 75.7% of end-March 2020 to 89.6% at the end of the pandemic year FY21. It is **estimated to decline to 84.5% of GDP** by end-March 2022.

Comparing General Government Debt to GDP Ratio in 2005 with 2021 across the countries



Source: World Economic Outlook, October 2022.

- The emphasis on capex-led growth will enable India **to keep the growth-interest rate differential positive**, which in turn keeps the debt levels sustainable.
- **Resilient economic growth during the last 15 years led to a positive growth-interest rate differential**, which, in turn, has resulted in sustainable Government debt to GDP levels.
 - ✓ This is reflected in **only modest increase in India's General Government debt to GDP ratio** from 2005 to 2021 in comparison to other countries.

Conclusion

- Government used the crisis as an opportunity and **brought out policy reforms** in previous few years.
 - **All these measures have led to a greater formalisation of the economy, enhanced compliances** and better reporting of the income by the public and imparted **credibility to the government's commitment to fiscal management.**
- The **spike in India's debt and deficit ratios** has not only been due to **higher spending** necessitated by the **pandemic-induced cessation of economic activity** but also due to the **contraction or slower growth in the denominator** (nominal GDP). Such contraction was due to financial system stress.
- Amidst global uncertainties and risks, **fiscal glide path will ensure more significant fiscal space for policy action.**
 - As governments make their fiscal situations sustainable and stick to that path, the risk premium embedded in their interest rates comes down, thus **lowering the cost of capital for all sections of society.**
 - For **emerging economies**, the **stimulus effect** of fiscal deficit, via diminishing risk-premium, is **likely greater** than it is for advanced economies.
- The **Centre should continue incentivising the States for reforms** and higher capital spending to ensure a stronger General government. The capex-led growth strategy will ensure sustainable debt levels in the medium term.

Chapter at a Glance

- In the backdrop of global uncertainties, when fiscal policy becomes paramount, Government of India adopted a calibrated fiscal response to the pandemic.
- Due to calibrated fiscal policy, Government is on track to achieve fiscal deficit target of 6.4% of GDP for FY23.
- Government's revenue receipts registered robust YoY growth in FY22 due government's efforts towards expansion of tax base and enhancing tax compliance.
- Increase in direct taxes was result of growth in corporate and personal income tax.
- Customs and excise duties acted as flexi-fiscal policy tools not only augmenting government revenues on need but also cushioning impact of rise in oil prices.
- Goods and Services Tax (GST) stabilised as vital revenue source, with gross GST collections of centre and state governments reaching ₹13.40 lakh crore from April to December 2022.
- Total expenditure of Union government increased due to additional expenditure requirements of pandemic and capex thrust by the government.
- State governments improved their finances in FY22 after being adversely affected by the pandemic in FY21.
- Total transfers from centre to states have risen between FY19 and FY23.
- Since the pandemic outbreak, the Centre has kept the Net borrowing Ceiling of the State Governments above the Fiscal Responsibility Legislation (FRL) threshold. A part of this additional borrowing was linked to reforms.
- Total liabilities of Union Government, which were relatively stable as a percentage of GDP over the past decade, witnessed a sharp spike in the pandemic year FY21.
- India's public debt profile is relatively stable and is characterised by low currency and interest rate risks. 95.1% of liabilities were denominated in domestic currency.
- The emphasis on capex-led growth will enable India to keep the growth-interest rate differential positive, which in turn keeps the debt levels sustainable.



What does the Budget Say?



Effective capital expenditure has been budgeted at **4.5% of GDP**. Capital expenditure of union government has **increased four times** from FY16 to reach Rs. 10 lakh crore in Budget FY24.



Government will **continue the 50-year interest free loan to state governments** for one more year, with a significantly enhanced outlay of Rs. 1.3 lakh crore.



States will be allowed a fiscal deficit of **3.5 per cent** of GSDP of which **0.5 per cent will be tied to power sector reforms**.



Union government is on the path of fiscal consolidation and the targeted **fiscal deficit** to be **below 4.5% by 2025-26**.

CHAPTER 3**Testing your remembering skills & Understanding skills****1. Consider the following statements regarding recent trends in the fiscal position of the Union government:**

1. Fiscal deficit as a percentage of GDP has increased during the last two years.
2. In FY 2022, India's primary deficit surpassed its fiscal deficit.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

2. Arrange the following in decreasing order of their share in the Union government's tax profile for the FY 2023.

1. Goods and services tax
2. Union excise duty
3. Corporate income tax
4. Customs

Select the correct answer using the code given below.

- a) 3-1-2-4
- b) 1-3-4-2
- c) 1-3-2-4
- d) 4-2-3-1

3. Consider the following statements regarding the Debt profile of Union government in FY 2022:

1. The total liabilities of the union government increased to over 70 of GDP.
2. External liability accounts for more than 10 percent of public debt.
3. Public debt in India is primarily contracted at floating interest rates.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 and 3 only
- c) 3 only
- d) None

4. Which of the following could lead to an increase in non-debt receipts of the government?

1. Expansion of tax base
2. Reduction of excise duty on fuel
3. Increase in corporate tax rates

Which of the statements given above is/are correct?

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) 1, 2 and 3

5. With reference to Goods and Services Tax (GST), consider the following statements:

1. Gross GST collections of central and state governments have decreased by 15% in comparison to last year.
2. Inverted duty structure has been introduced to improve GST collections.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2



Self-Assessment: To practice Question for Answer Writing skills

- Q1. Discuss the policy measures taken by the government in the last few years to achieve fiscal stability and better resource efficiency.
- Q2. Greater emphasis on fiscal federalism has the potential to not only strengthen the state finances but also contributes towards holistic development of the nation. Discuss in the context of India.

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for **GS 2023: 5 Feb**

सामान्य अध्ययन 2023: 5 फरवरी

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for **GS 2024: 5 Feb**

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CHAPTER 4: MONETARY MANAGEMENT AND FINANCIAL INTER MEDIATION: A GOOD YEAR

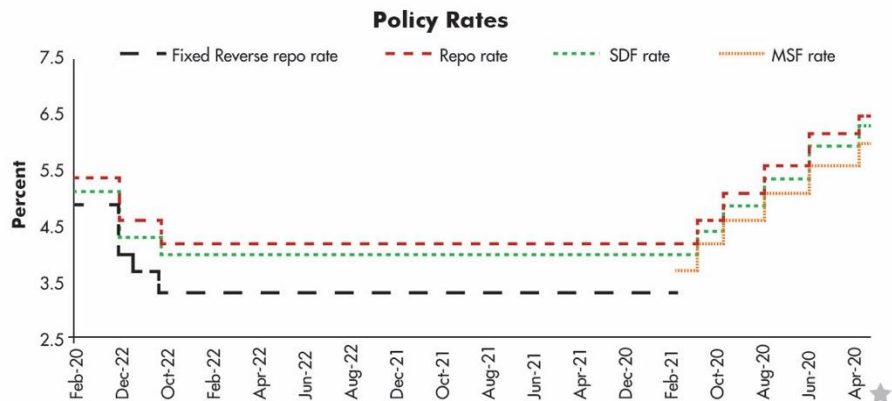
Introduction

The Year 2022 marked the return of high inflation in most economies after four decades, which pushed the major central banks like Federal Reserve, the European Central Bank (ECB) and the Bank of England to hike their rates to historic levels.

In line with the Global scenario, the RBI also initiated its monetary tightening cycle, thereby moderating the surplus liquidity in the market, whereas other areas like the government securities (G-sec) market, credit disbursement, insurance and pension sectors performed well in comparison with the other global economies.

Monetary developments

- **Commodity prices:** They increased due to the inflationary pressures from supply chains normalisation after the pandemic and the conflict between Russia and Ukraine in Europe.
- **Monetary Policy Committee (MPC)** initiated the monetary tightening cycle through-
 - Introduction of the **Standing Deposit Facility (SDF)**, which replaced the reverse repo rate as the new floor rate of the Liquidity Adjustment Facility (LAF) corridor.
 - Implementation of a **cumulative hike of 225 bps** each in the policy repo rate, the SDF, the MSF and the bank rate.
- **Money Supply:** Both **Reserve money (M0)** and **broad money (M3)** increased by 10.3% and 8.7% year-on-year (YoY) respectively, whereas the **Money Multiplier** has remained stable at an average of 5.1%.



KNOW THE TERM



- **Monetary Policy Committee:** A six member committee that determines the policy repo rate required to achieve the inflation target in the economy. It is required to meet at least four times in a year and the quorum for its meeting is four members.
- **Money Multiplier:** The money-multiplier explains how an increase in the monetary base causes the money supply to increase by a multiplied amount. It is defined as the **ratio of Broad money (M3) over the Reserve Money (M0)** i.e. $M3/M0$.

Liquidity Conditions

- **Moderated:** The liquidity conditions that was surplus post COVID-19, got moderated in the economy after the tightened monetary policy.
- **Decreasing gap between WACR Rate and Repo Rate:** The gradual withdrawal of surplus liquidity pushed the weighted average call rate (WACR)– the operating target of monetary policy – closer to the policy repo rate, on an average basis.

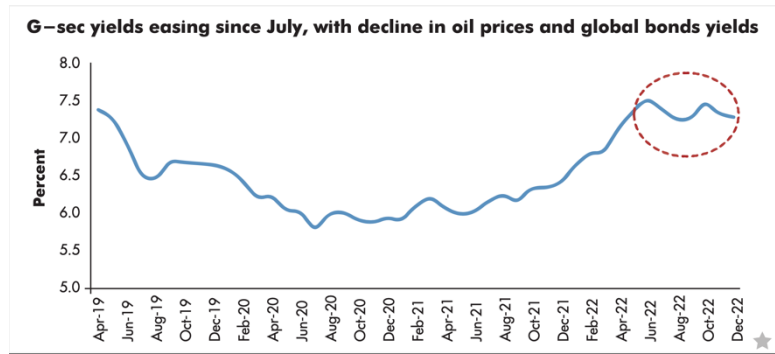
Repo Rate	Standing Deposit Facility (SDF) Rate	Marginal Standing Facility (MSF) Rate
<ul style="list-style-type: none"> • It is the rate at which the RBI lends money to commercial banks in order to meet their short-term liquidity needs. • It involves the bank's securities as collateral to RBI along with a repurchase agreement. 	<ul style="list-style-type: none"> • It is a liquidity tool that gives banks an option to park access liquidity with them. • There is no need of collateral in SDF. 	<ul style="list-style-type: none"> • It is the rate at which RBI lends funds overnight to scheduled banks. • It involves providing government securities as collateral.

Monetary Policy Transmission

Lending and deposit rates of banks increased during FY23 in consonance with the policy repo rate changes.

Developments in the G-Sec Market

- **Increased Yields:** The yield on the 10-year government bond rose in 2022 after stagnation in 2020 and 2021.
- **Bond market volatility-stable:** The domestic bond market was more volatile in the first half of the year, due to various factors like crude prices, hawkish stance of central banks, and the increasing pressure on the rupee.
 - The conditions stabilised and volatility declined during second half of the year.



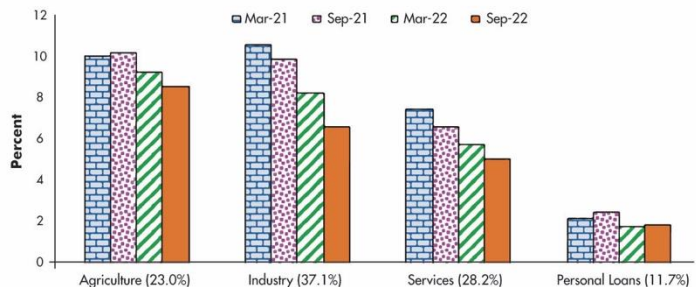
Banking Sector

- **Steady increase in the asset quality** of Scheduled Commercial Banks (SCB) over the years across all major sectors.
- **Gross Non-Performing Assets (GNPA) ratio decreased** from 8.2% in 2020 to 5.0% in 2022, which is a seven year low and the trend is likely to continue and is projected to drop further.
- **Capital Adequacy Ratio (CAR) of SCB's has been rising** sequentially in the post-asset quality review period and remains well above the minimum capital requirement for the SCB's.
- **Credit Growth is improving-**
 - **Retail credit growth** due to rising demand for home loans.
 - **Non-food credit** by the Banks has been growing in double digits since April 2022.
 - **Credit to agriculture and allied activities** also gained momentum
 - **Corporates:**
 - ✓ Funds raised from the primary equity markets declined and
 - ✓ Reliance on bank credit for funding their regular operations and capacity expansion increased.

KNOW THE TERM

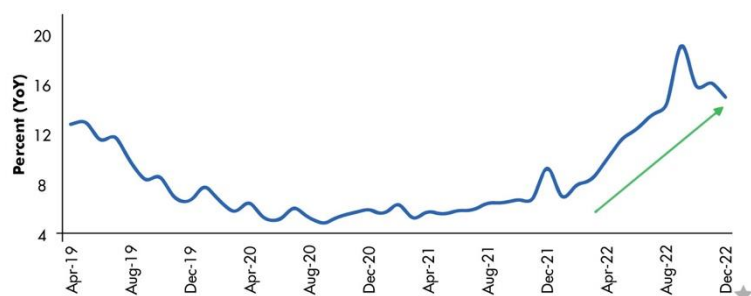
- **Government Securities (G-Secs):** A Government Security (G-Sec) is a tradable instrument issued by the Central Government or the State Governments.
- **Treasury Bills (T-bills):** They are short term G-Secs issued by the Government of India and are presently issued in three tenors, namely, 91 day, 182 day and 364 day.
- **State Development Loans (SDLs):** Dated Government securities issued by the State Government.

Broad-based improvement in the GNPA ratio



Source: RBI
Note: Numbers in brackets with the legend represents share of the respective sector's GNPA in total GNPA of SCBS as of Sept 2022.

Non-Food Bank credit growth in double digit since April 2022



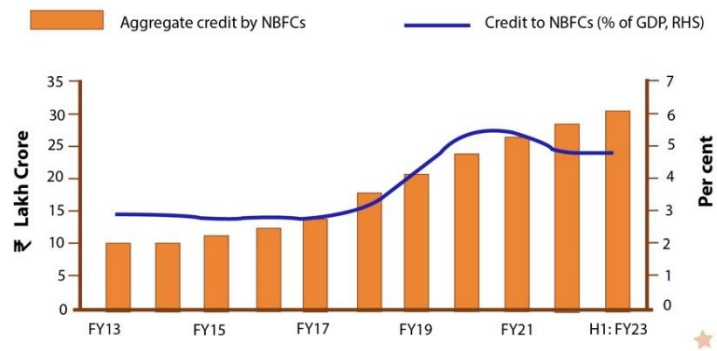
Non-Banking Finance Companies (NBFC)

- **Consistent rise of NBFCs' credit** as a proportion to GDP as well as in relation to credit extended by SCBs.
- **Improvement in the asset quality** of the NBFC's, evident from the declining NPA ratio of NBFCs.
- **NBFCs deploy the largest share of their credit to the industrial sector**, followed by retail, services, and agriculture.

Insolvency and Bankruptcy Code (IBC)

- **CIRPs performing well:** Since inception in 2016, around 6,000 Corporate Insolvency Resolution Processes (CIRPs) had commenced of which 67% of the cases have been closed/resolved.
- **69% of the distressed assets were rescued** and helped via IB process to achieve a realisation value around 178% of the liquidation value.
- **Total amount recovered highest under IBC** (by SCBs), as compared to other channels such as Lok Adalat’s, SARFAESI Act and DRTs in FY22.

Increasing credit disbursed to and by NBFCs



Capital Market

- **Poor performance of global capital in FY22:** Global macroeconomic uncertainty, unprecedented inflation, monetary policy tightening, volatile markets, War in Europe etc. dented the investor sentiment.
- **Primary Market**
 - **Indian primary market performed well** during despite the global turmoil.
 - **The number of firms opting to get listed on the Stock market increased** by 37%, but the total amount raised declined to almost half of what was raised in the previous year.
 - **Largest IPO ever in the history of India** in the form of Life Insurance Corporation (LIC) of India.
- **Secondary Market**
 - **Both Sensex and Nifty 50 rose** in 2022 as compared to 2021.
 - **India VIX (Volatility Index) rose to an all-time high** in the context of the Russia-Ukraine conflict.
 - **Number of demat accounts opened rose sharply.**
 - **Commodity prices saw a sharp correction**, since the Federal Reserve started increasing interest rates in March 2022 to combat rising inflation.
 - **Both the equity segment and the debt segment witnessed a net FPI outflow.**
 - **G-sec secondary market trading:**
 - ✓ **Net sellers:** Foreign banks and primary dealers
 - ✓ **Net buyers:** Public sector banks, cooperative banks, financial institutions, insurance companies, mutual funds, private sector banks and ‘others’.

KNOW THE TERM

India Volatility Index (India VIX) : It is a volatility index based on the NIFTY Index Option prices, in which, a volatility figure (%) is calculated which indicates the expected market volatility over the next 30 calendar days. India VIX uses the computation methodology for calculations with suitable amendments to adapt to the NIFTY options order book.

Cross Country Analysis: Regulation of Crypto currency

- The crypto asset market has been very volatile, with its **total valuation swinging from almost US\$ 3 trillion in 2021 to less than US\$ 1 trillion in 2023.**
- **Crypto’s cross-sector and cross border nature limits the effectiveness of uncoordinated national approaches** and hence to regulate the Crypto market and to reduce their volatility, International fora like OECD and G20 are discussing a globally coordinated approach. These examples suggest that **global standards need to be comprehensive and consistent;** regulatory responses must be **based on standard taxonomies**, reliable data to **address contagion effects**, and **flexible enough** to be adjusted in the future based on market developments and future international standards.

Initiatives Taken By Various Countries

 European Union (EU) Focus on notifying and licensing crypto assets and key entities	 Japan It mandates various criteria such as minimum capital requirement for cryptos	 Switzerland Regulation by dividing cryptos in payment tokens, utility tokens, and asset tokens	 United Kingdom Partial regulation with security tokens inside the regulatory purview and exchange tokens outside
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GIFT International Financial Services Centre (IFSC)

- **IFSC is a jurisdiction with a high concentration of financial institutions** such as Banks, Stock Markets & related entities, which offer **specialised financial services to non-residents and residents, to promote financial innovation and facilitate cross border transactions.**
- Government of India operationalized the **IFSC at GIFT Multi-services SEZ in Gujarat.** IFSCA has **assumed the power of four domestic sector regulators, namely RBI, SEBI, IRDAI & Pension Fund Regulatory and Development Authority of India (PFRDA).**
- It has entered into **Multilateral Co-operation agreements with International Organization of Securities Commissions (IOSCO) and International Association of Insurance Supervisors (IAIS).**
- It has entered into **bilateral co-operation agreements with Dubai, Qatar, Abu Dhabi, France, Singapore, Sweden and Luxembourg.**


Insurance Market

- **Insurance penetration in India increased** steadily from 2.7% around the turn of the millennium to **4.2% in 2020 and remained the same in 2021.**
- **Life insurance penetration in India** was 3.2% in 2021, almost twice more than the emerging markets and slightly **above the global average.**
 - But **most life insurance products sold in India are savings-linked,** with just a small protection component. Hence, **exposing the policy holders to a significant financing gap** in the event of the premature death of the primary breadwinner.
- **The insurance density in India has increased** from US\$ 11.1 in 2001 to **US\$ 91 in 2021** (density for Life insurance was US\$ 69 and Non-Life insurance was US\$ 22 in 2021)
- **The life insurance premium registered growth of 10.2%** in FY22 and India is expected to be in the top 6 countries in Insurance market by 2032.

KNOW THE TERM







- **Insurance penetration:** It refers to the ratio of total insurance premiums to Gross Domestic Product (GDP) in a year.
- **Insurance density:** It refers to the ratio of insurance premium to population, i.e.; insurance premium per capita and is measured in US Dollar, as they reflect the level of development of the insurance sector in a country.



Pension Sector

- **India's pension sector has expanded** since the introduction of NPS and APY.
- **Coverage of the population in pension has risen** under NPS and APY. As a share of the total population it has increased from 1.2% to 3.7% during FY17 to FY22.
- **Pension Fund Regulatory Development Authority (PFRDA), under the aegis of the Financial Stability and Development Council (FSDC),** has taken several steps to enable consumers to make informed decisions and reap the benefit of the formal financial sector.

Government Insurance Schemes and their progress			
	Scheme	Achievement	
	Ayushman Bharat Yojana	19.6 Crore Ayushman Cards provided to beneficiaries	4.3 Crore admissions undertaken
	Pradhan Mantri Suraksha Bima Yojana	31.3 crore beneficiaries enrolled	1.07 lakh claims have been disbursed
	Pradhan Mantri Jeevan Jyoti Bima Yojana	14.4 crore beneficiaries enrolled	6.3 lakh claims have been disbursed
	Pradhan Mantri Fasal Bima Yojana	About 2,700 lakh applications were received	Claims of ₹ 1.3 lakh crore have been paid (2016-22)

Outlook

The resilience of the financial system is reflected in the healthy balance sheet of banks with increased Credit growth and decreasing GNPA, better performance of NBFCs, a better 'Ease of doing Business' situation enabled by the IBC process.

Chapter at a Glance

- **High inflation at the global level and all major economies adopted to the Monetary tightening policy**, in order to reduce the price rise.
- **RBI reacted by raising the Repo Rate by 225 bps** (increased from 4% to 6.25%), thereby tightening the money supply in the market.
- **The lending and deposit rates in the market increased and the trading volume in G-Secs (including T-Bills and SDLs) reached a two-year high**, registering a YoY growth of 6.3%.
- The **Banking sector performed well**, the banks' profits and asset quality increased, their GNPA reduced too.
- The **NBFC's performed well**, their share in credit disbursement increased along with reduction in GNPA.
- The **Country witnessed the largest IPO ever** (that of LIC) and the number of SME's choosing the Equity path increased two fold and the amount raised by them increased by three fold.
- **India remains one of the fastest-growing insurance markets** in the world and its life insurance premium has registered YoY growth of 10.2%.
- **The number of pension subscribers has multiplied over three-fold** Between FY18 to FY22.



What does the Budget Say?



Agriculture Credit: New sub-scheme of PM Matsya Sampada Yojana will be launched with targeted investment of 6,000 crore



Credit Guarantee for MSMEs: This will enable additional **collateral-free** guaranteed credit of **2 lakh crore**. Cost of the credit will be reduced by about 1%.



National Financial Information Registry: It will be set up to serve as the central repository of financial and ancillary information. This will facilitate efficient flow of credit, promote financial inclusion, and foster financial stability.



Financial Sector Regulations: To simplify, ease and reduce cost of compliance, financial sector regulators will be requested to carry out a comprehensive review of existing regulations.



Data Embassy: For countries looking for digital continuity solutions, GIFT IFSC will facilitate setting up of their Data Embassies.



Capacity Building in Securities Market: SEBI will be empowered to develop, regulate, maintain and enforce norms and standards for education in the National Institute of Securities Markets.



CHAPTER 4**Testing your remembering skills & Understanding skills****1. With reference to the G-Sec Market in India in 2022-23, consider the following statements:**

1. The yield on the 10-year government bond rose in 2022 after two years of stagnation.
2. The trading volume in G-Secs reached a two-year high in 2022.
3. Overall the foreign banks and primary dealers were net sellers of G-Sec in the secondary market.

Which of the statements given above is/are correct?

- a. 3 only
- b. 1 and 2 only
- c. 2 and 3 only
- d. 1, 2 and 3

2. Consider the following statements regarding the Non-Banking Finance Companies (NBFC):

1. There is a consistent rise of NBFCs' credit as a proportion to GDP.
2. There is a continuous improvement in the asset quality of the NBFCs.
3. NBFCs continue to deploy the largest share of their credit to the industrial sector.

Which of the statements given above is/are correct?

- a. 1, 2 and 3
- b. 1 and 2 only
- c. 1 and 3 only
- d. 2 and 3 only

3. Consider the following statements regarding the Indian secondary market in 2022-23:

1. India Volatility Index rose to an all-time high in 2022-23.
2. Both the equity segment and the debt segment witnessed a net FPI outflow.

Which of the statements given above are correct?

- a. 1 only
- b. 1 and 2 both
- c. Neither 1 nor 2
- d. 2 only

4. Consider the following statements regarding the Standing Deposit Facility (SDF):

1. Replaced the reverse repo rate as the new floor rate of the Liquidity Adjustment Facility (LAF) corridor.
2. There is no need for collateral in SDF.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

5. Which of the following can result in monetary tightening cycle?

1. Decrease in Repo rate
2. Increase in bank rate
3. Decrease in Marginal Standing Facility (MSF) Rate

Select the correct answer using the codes given below.

- a. 1 and 3 only
- b. 2 only
- c. 2 and 3 only
- d. 1, 2 and 3



Self-Assessment: To practice Question for Answer Writing skills

- Q1. As India moves upward on the development trajectory, insurance and pension sectors will play an important role in its economic development. In this context, discuss the measures taken by the government to increase the penetration of these two sectors in the recent past.
- Q2. What do you understand by an International Financial Centre (IFC)? Explain its significance and highlight the steps taken by Indian government to develop an International Financial Centre in India?

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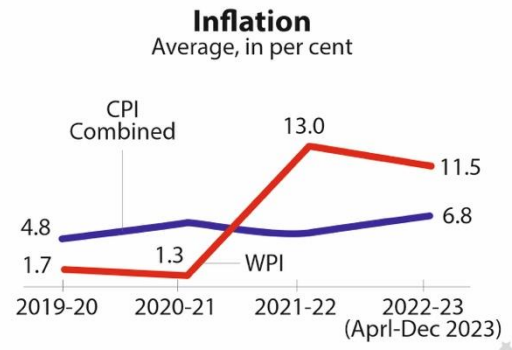
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 AURANGABAD | AYODHYA | BALLIA | BANDA | BAREILLY | BATHINDA | BEGUSARAI | BENGALURU | BHAGALPUR | BHAVNAGAR | BHILAI | BHILWARA | BHOPAL | BHUBANESWAR | BIKANER | BILASPUR
 BOKARO | BULANDSHAHR | CHANDIGARH | CHANDRAPUR | CHENNAI | CHHATARPUR | CHITTOOR | COIMBATORE | CUTTACK | DAVANAGERE | DEHRADUN | DELHI-MUKHERJEE NAGAR | DELHI-
 RAJINDER NAGAR | DHANBAD | DHARAMSHALA | DHARWAD | DHULE | DIBRUGARH | DIMAPUR | DURGAPUR | ETAWAH | FARIDABAD | FATEHPUR | GANGTOK | GAYA | GHAZIABAD | GORAKHPUR
 GR NOIDA | GUNTUR | GURDASPUR | GURUGRAM | GUWAHATI | GWALIOR | HALDWANI | HARIDWAR | HAZARIBAGH | HISAR | HOWRAH | HYDERABAD | IMPHAL | INDORE | ITANAGAR | JABALPUR
 JAIPUR | JAISALMER | JALANDHAR | JAMMU | JAMNAGAR | JAMSHEDPUR | JAUNPUR | JHAJJAR | JHANSI | JODHPUR | JORHAT | KAKINADA | KALBURGI | KANNUR | KANPUR | KARIMNAGAR
 KARNAL | KASHIPUR | KOCHI | KOHIMA | KOLHAPUR | KOLKATA | KORBA | KOTA | KOTTAYAM | KOZHIKODE | KURNOL | KURUKSHETRA | LATUR | LUCKNOW | LUDHIANA | MADURAI | MANDI
 MANGALURU | MATHURA | MEERUT | MIRZAPUR | MORADABAD | MUMBAI | MUNGER | MUZAFFARPUR | MYSURU | NAGPUR | NALANDA | NASIK | NAVI MUMBAI | NELLORE | NIZAMABAD
 NOIDA | ORAI | PALAKKAD | PANAJI | PANIPAT | PATIALA | PATNA | PRAYAGRAJ | PUDUCHERRY | PUNE | PURNIA | RAIPUR | RAJKOT | RANCHI | RATLAM | REWA | ROHTAK | ROORKEE | ROURKELA
 RUDRAPUR | SAGAR | SAMBALPUR | SATARA | SAWAI MADHOPUR | SECUNDERABAD | SHILLONG | SHIMLA | SILIGURI | SIWAN | SOLAPUR | SONIPAT | SRINAGAR | SURAT | THANE | THANJAVUR
 THIRUVANANTHAPURAM | THRISSUR | TIRUCHIRAPPALLI | TIRUNELVELI | TIRUPATI | UDAIPUR | UJJAIN | VADODRA | VARANASI | VELLORE | VIJAYAWADA | VISAKHAPATNAM | WARANGAL

CHAPTER 5: PRICES AND INFLATION: SUCCESSFUL TIGHT-ROPE WALKING

Introduction

The year 2022 was marked by a **return of high inflation in the major economies after few decades**. In India, the government and the RBI took decisive measures to cap the rise in prices. **India's retail inflation rate peaked at 7.8 % in April 2022.**

The overshoot of inflation above the upper end of the target range in India was one of the lowest in the world and **the RBI is proactively monitoring the macroeconomic situation, to do the necessary adjustments to mitigate the price rise.**



The World scenario

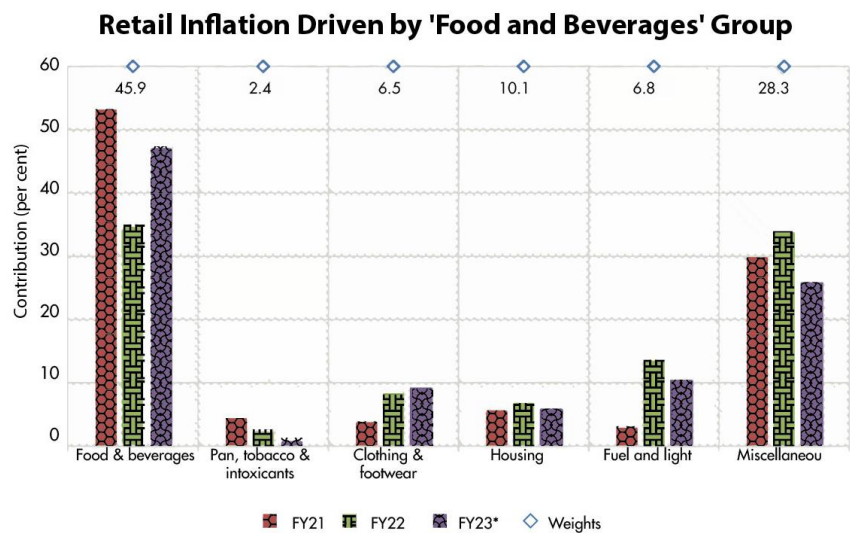
With gradual recovery of supply chain disruptions, the world has been marred by the conflict between Russia and Ukraine in Europe. This has led to surging prices of crude oil and other commodities. **The threat of stagflation became imminent and this forced major central banks to take immediate monetary tightening steps.**

KNOW THE TERM

Consumer Price Index(CPI): The index numbers used to calculate the retail inflation of a nation constitute the CPI, which is also known as the "market basket", and is responsible for tracking the shift in prices at the level of the household.

Retail Inflation Driven by Food Commodities

- **CPI Inflation (Retail Inflation): It went through 3 phases in 2022, which peaked at 7.8%** along with a holding phase at 7.0% and declined to around 5.7% by the year end.
 - **Mainly driven by higher food inflation**, while core inflation stayed at a moderate level.
- **Higher Food inflation:** Estimated using Consumer Food Price Index (CFPI), Food inflation **climbed to 7.0 % in FY23 from 3.8 % in FY22**, with major price rise seen in the vegetables, cereals, milk and spices.
- **Rising edible oil prices:** The international price pressures, directly affected the edible oil prices worldwide.
 - **India meets 60% of its edible oils demand through imports.**

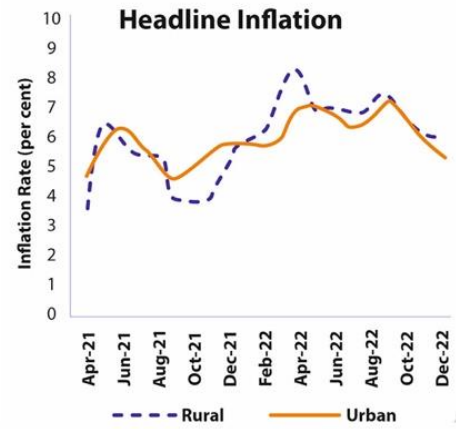


Measures to contain inflation in essential food commodities

- **Cereals:** Wheat flour exports were regulated, along with Maida and Suji. The Government also imposed an export duty of 20% on rice, brown rice, and semi-milled as well as wholly milled rice, except parboiled rice.
- **Pulses:** A buffer stock of pulses has been maintained for price stabilisation and a calibrated release was made into the market to moderate the prices.
- **Edible Oils:** The basic duty on refined palm oil and crude palm oil was reduced to curtail any unfair practices like hoarding, black marketing etc. in the market, stock limits were set for all edible oils and oilseeds through notifications.

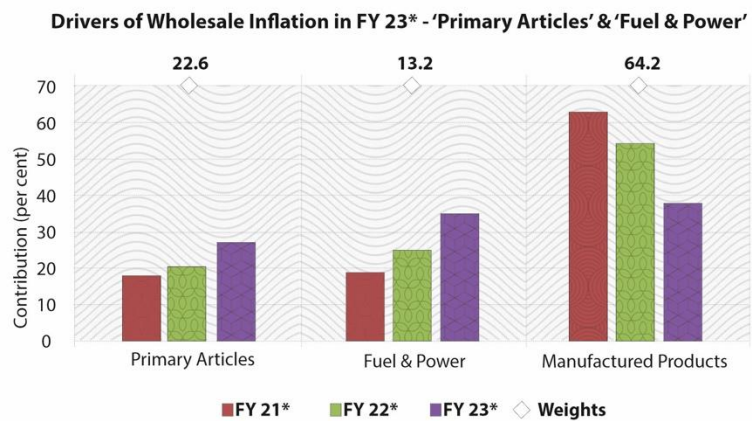
Rural-Urban Inflation Differential has declined

- Higher Rural Inflation than Urban Inflation was seen in majority of the States/UTs.
- Rural fuel inflation remained lower than its urban counterpart throughout the current fiscal.



Domestic Wholesale Price Inflation

- Wholesale Price Inflation (WPI) rate climbed to about 13.0% in FY22 given the supply chain disruptions and Ukraine-Russia conflict.
- Items exposed to international markets a price rise, like petroleum products, basic metals, chemicals & chemical products, and edible oils.
- The regulatory actions reduced the WPI from its peak of 16.6% in Mid 2022 to 5.0% by the year end.



Source: Office of Economic Adviser, DPIIT
Note: *April-December

KNOW THE TERM

• **Wholesale Price Inflation (WPI):** The index numbers used to measure the change in the overall price of goods before they are sold at retail prices constitute the WPI.

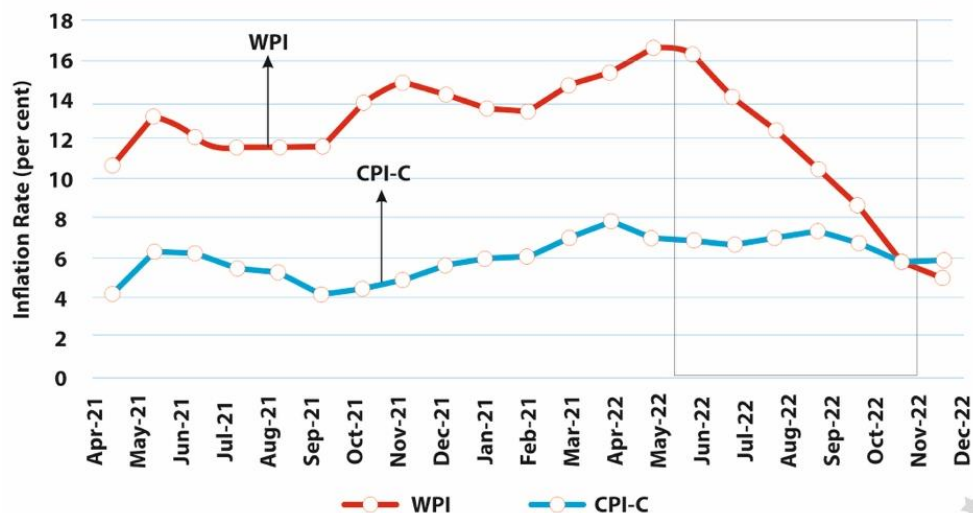
Measures to contain inflation in input prices:

- **Reduction of Import duty:** Import duty was reduced for raw materials of plastic products, major inputs of steel among others.
- **Reduced excise duty on Fuel:** The Government has reduced the excise duties on petrol and diesel, thereby mitigating the fuel price rise.
- **Reduction of Custom duty:** Custom duty was reduced for key items like cotton, cut and polished diamonds and gemstones and on certain critical chemicals namely methanol, acetic acid and heavy feedstock's for petroleum refining.

Convergence of WPI and CPI inflation

- **Divergence phase:** The WPI and the CPI-C started diverging in March 2021, as WPI inflation touched double digits due to unfavourable base effects while CPI-C inflation remained stable and the difference between the two reached a peak of 10% in Nov 2021.

Convergence of Headline WPI Inflation with Headline CPI-C Inflation



- **Convergence phase:** The convergence between the WPI and CPI indices was mainly driven by two factors:
 - A **cooling in inflation of commodities** such as crude oil, iron, aluminium and cotton led to a lower WPI.
 - CPI inflation rose due to an **increase in the prices of services**.

Falling Inflationary Expectations

- **Importance:** Inflationary expectations are decisive in charting the course of inflation regulation. RBIs anchoring of inflationary expectations has helped to guide the trajectory of inflation in the country.
- **Trend:** The current one-year-ahead inflationary expectations by businesses have shown a decreasing trend. Similarly, household inflation expectations too have moderated.

Monetary Policy Measures for Price Stability

The RBI's, **Monetary Policy Committee (MPC)** increased the policy repo rate under the liquidity adjustment facility (LAF) by 2.25% (225 basis points) from 4.0% to 6.25% between May and December 2022, thereby reducing the liquidity in the market.

How is the current inflation different from the 1970's

The current global scenario and the inflation is similar to the experience of the 1970's, particularly the aftermath of the oil crises in 1973 and 1979. But the environment and intensity of the crises differ in various respects like:

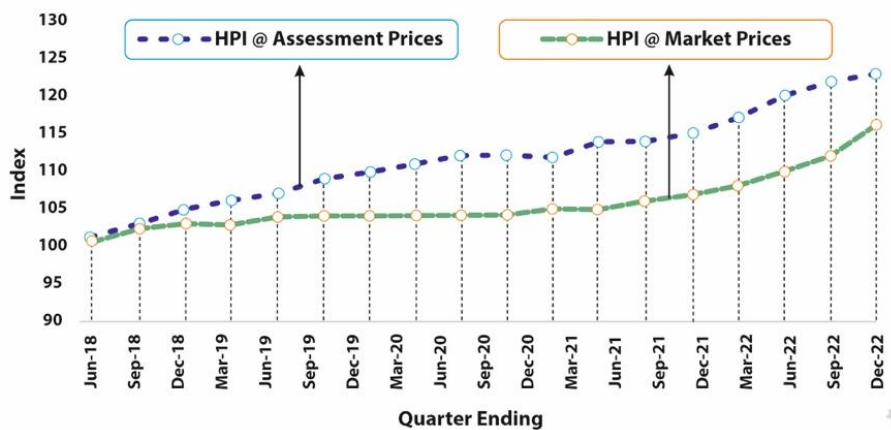
- **Recent oil price rises are proportionally smaller than the 1970s crisis levels.**
- The recent crisis has seen price increases across a broader range of commodities, like agricultural goods, fertilisers, and metals, whereas the 1970's crisis was confined to oil prices only.
- The commodity supply disruptions have played a smaller role in recent price increases than in the 1970s.
- The current global inflation has started after several years of low inflation. In contrast, the 1973 crisis took place against a backdrop of steadily rising world inflation.
- The central banks have much clearer and more robust institutional frameworks that focus on price stability today than in 1970's.

Housing Prices: Recovering Housing Sector after the Pandemic

Housing prices provide helpful information on the state of the economy, Monitoring housing prices is essential for achieving the objectives of price stability, financial stability, and growth.

- **Indexes:** The **National Housing Bank (NHB)** publishes two Indices- 'HPI assessment price' and 'HPI market price quarterly', with FY18 as the base year and a composite index is calculated for 50 cities across India using the population of the cities as weights.
- **Overall growth in the HPI Market price:** Past two fiscal years shows that out of the 50 cities, 43 saw an increase in the index, whereas 7 cities showed a decline.
- **Overall growth in the HPI assessment price:** Past two fiscal years shows that out of the 50 cities, 46 cities registered an increase, whereas 4 cities experienced a decline.

Composite HPI for All-India - Recovering Housing House



KNOW THE TERM

- **Market Price:** It is the price at which the property would sell for on the open market.
- **Assessed Price:** Assessed price is the value assigned to a home or other piece of real estate for property tax purposes. It takes into account the value of comparable properties in the area, among other factors.

Keeping check on Pharmaceutical Prices

- **Regulation: National Pharmaceuticals Pricing Policy, 2012**, administered by the **Department of Pharmaceuticals**, lays the basic principle of regulation of the prices of drugs in the market.
- **Price ceiling and fixed prices: It administers the ceiling prices of almost 119 formulations under National List of Essential Medicines, 2022** whose prices have been fixed until December 2022.
 - In addition to the list, the **retail prices for 2,196 formulations have been fixed under the Drugs (Prices Control) Order 2013.**
- **Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP)** was launched to make quality generic medicines available at affordable prices to all.
 - **Janaushadhi Kendras** are opened to provide quality generic medicines at affordable prices.
 - **More than 9000 Janaushadi Kendras have been opened** across the country and has **1759 medicines and 280 surgical devices available for sale in them.**

Conclusion

India's inflation management has been noteworthy and while the advanced economies are still grappling with high inflation rates. The RBI and the Government through their timely interventions have mitigated the price rise to a great extent, and the inflation challenge in FY24 is predicted to be a lot less stiff than this year.

Chapter at a Glance

- India's **domestic retail inflation peaked at 7.8%**, in concurrence with the global inflationary trend which was a result of various global parameters.
- **The food inflation was higher and played a major role contributing to the higher rural inflation**, in comparison to the urban inflation.
- The **diverging WPI and CPI rates have converged** after a series of measures and favourable circumstances.
- **The Housing Price Index also showed favourable trends** and highlighted that the housing market is gaining momentum.
- The prices of various drugs and medicines are kept under control through **National Pharmaceuticals Pricing Policy, 2012 and establishment of Janaushadhi Kendras.**



What does the Budget Say?



Pharma Innovation: A new programme to promote research and innovation in pharmaceuticals will be taken up through centres of excellence.



Chemicals and Petrochemicals: To support Ethanol Blending Programme, exempting Custom Duty on denatured ethyl alcohol and reducing Custom Duty on acid grade fluorspar and on crude glycerine to 2.5 %. This reduces our dependency on Crude and can reduce the price and positive impact on our FOREX.



CHAPTER 5**Testing your remembering skills & Understanding skills**

1. With reference to the domestic retail inflation in 2022, consider the following statements:

1. Headline inflation declined from its peak by the year end.
2. The retail inflation was mainly driven by higher food inflation.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

2. Consider the following statements:

1. The Wholesale Price Inflation (WPI) rate climbed to more than 10% in 2022-23.
2. Prices of items with maximum exposure to international pricing had a rise in the domestic WPI.
3. The rural fuel inflation remained lower than its urban counterpart.

Which of the statements given above is/are correct?

- a. 1 and 3 only
- b. 2 and 3 only
- c. 2 only
- d. 1, 2 and 3

3. The convergence between the WPI and CPI indices was seen in November 2022, after a gap of 21 months. In this context, which of the following is/are the driving factors?

1. An increase in inflation of commodities such as crude oil, iron, aluminum and cotton led to a lower WPI.
2. CPI inflation decreased due to a decrease in the prices of services.

Select the correct answer using the code given below.

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

4. How is the current inflation different from the 1970's?

1. The recent oil price rises are proportionally smaller than the 1970s crisis levels.
2. The recent crisis has seen price increases across a broader range of commodities, whereas the 1970's crisis was confined to oil prices only.
3. The commodity supply disruptions have played a smaller role in recent price increases than in the 1970s.

Select the correct answer using the code given below.

- a. 1, 2 and 3
- b. 2 and 3 only
- c. 1 and 2 only
- d. 1 and 3 only

5. Consider the following statements regarding the Housing Price Index:

1. It is published by the National Housing Bank.
2. It is calculated with financial year 2012 as the base year.
3. It is calculated only for metropolitan cities across India using the population of the cities as weights.

Which of the statements given above is/are correct?

- a. 2 and 3 only
- b. 1 only
- c. 1 and 2 only
- d. 1 and 3 only



Self-Assessment: To practice Question for Answer Writing skills

- Q1. Unprecedented global inflation in the current year recalls the experience of the aftermath of the oil crises in 1973 and 1979. In this context, discuss how the current inflationary trend is different from that of the 1970s.
- Q2. Discuss the reasons for the rising food inflation. Also, mention the measures taken by the Indian government to bring down the prices of essential food commodities.

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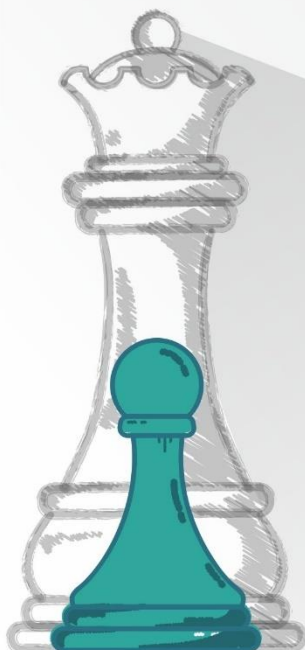
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CHAPTER 6: SOCIAL INFRASTRUCTURE AND EMPLOYMENT: BIG TENT

Introduction

Induced by various global factors, there was a stress on key aspects of social wellbeing of citizens such as health, education and social security etc. and the **Government stepped in to focus on long term goals of human development and implied on “sabka sath, sabka vikas”**, as a result progress was achieved in improvement towards SDG goals and steady improvements across most sectors that influence well-being.

Similarly **improvements are evident on the human capital formation front also, the twin pillars of education and health are being strengthened from the core** to address present and the future needs as they all together hold the key to attaining more equitable economic growth.

Social sector expenditure keeping pace with the growing importance of the sector

- **Increased share of expenditure on health** in the total expenditure on social services from 21% in FY19 to **26% in FY23**.
- **Health expenditure stands at 2.1% of GDP** in FY23 (it was 2.2% in FY22).
 - **National Health Policy-2017** has recommended to increase the share of expenditure on health to **2.5% of GDP by 2025**.

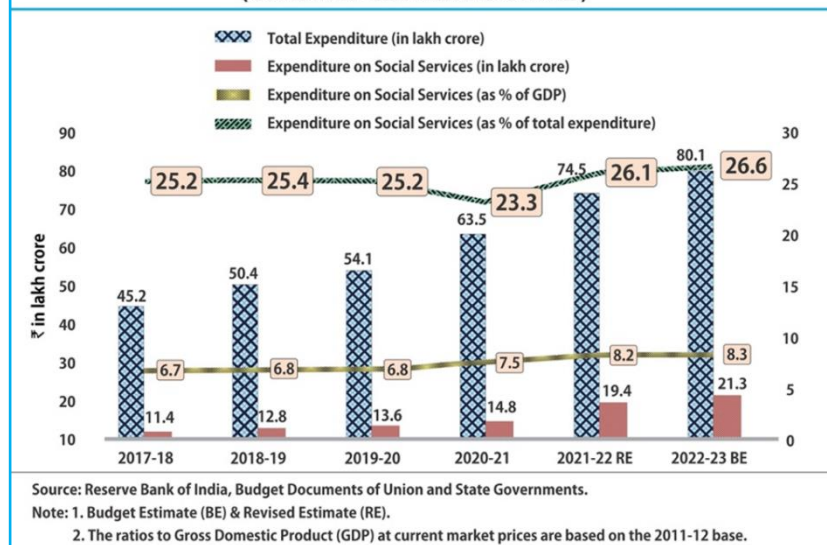
Improving Human Development Parameters

- **Poor Global HDI levels: 90% of countries have registered a reduction** in their Human Development Index (HDI) between 2020-21 and 2021-22, according to United Nations Development Programme (UNDP) Report.
- **India ranked 132/191 countries** in the 2021/2022 HDI report and India's HDI value stood at 0.633 in 2021, lower than its previous value.
- **India's Gender Inequality Index (GII) ranked 122**. India's score was better than that of the South Asian region and close to the world average.
- **16.4% of India's population is multi-dimensionally poor** and an additional 18.7% people are classified as vulnerable to multidimensional poverty, as per **UNDP's Multidimensional Poverty Index**.

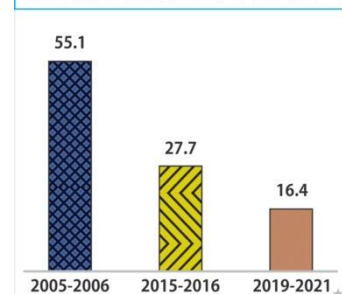
Transformation of Aspirational Districts Program

- **117 Aspirational Districts (ADs) were identified** across 28 States/UTs by NITI Aayog based on various composite indicators as a part of New India by 2022 vision.
- **Achievements of the programme:**
 - **Health and Nutrition:** Many ADs have **surpassed the average state values** in several health and nutrition indicators.
 - **Financial inclusion:** Some ADs have **performed better than non-aspirational districts**.
 - **Governance:** ADs have **emerged as a template for good governance**, especially in remote and difficult areas.
 - ✓ Two more programmes have been conceptualised along the lines of ADs design, namely '**Mission Utkarsh**' and '**Aspirational Blocks Programme**'.

TRENDS IN SOCIAL SERVICE SECTOR EXPENDITURE BY GENERAL GOVERNMENT (COMBINED CENTRE AND STATES)



PERCENTAGE OF PEOPLE IN MULTIDIMENSIONAL POVERTY



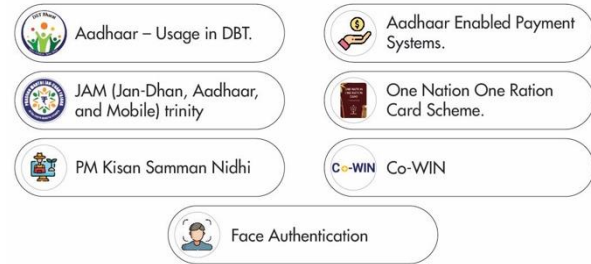
Progressing Labour Reform Measures

- **25 States have pre-published** the draft rules on **all the Labour Codes**.
- **Ministry of Labour and Employment (MoLE) has developed eShram portal** for creating a National database of unorganised workers .
 - **Over 28.5 crore unorganised workers have been registered** in it, with major enrolments from Agriculture, domestic and Construction workers.

Aadhaar: The many achievements of Unique Identity

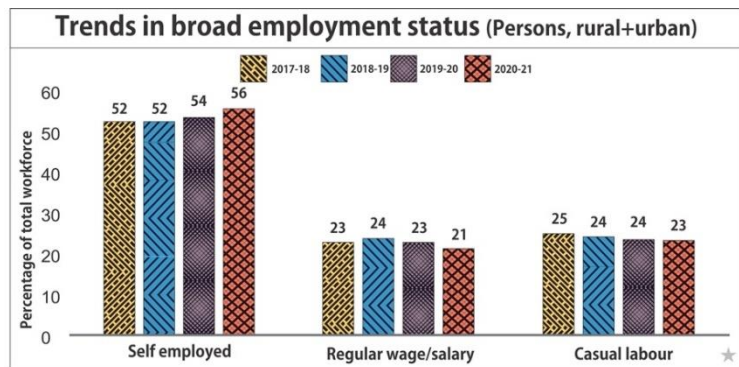
- **Foundation of India’s digital integration:** Aadhaar acts as the essential tool for social delivery by the State.
- **Expanding usage: 318 Central schemes and over 720 state DBT schemes** are notified under section 7 of the Aadhaar Act, 2016, and all these schemes use Aadhaar for targeted delivery of their services.

THE KEY USAGES OF AADHAAR:



Improving Employment Trends:

- **Employment trends** can be studied from two sides:
 - **The supply side of labour** is studied through household surveys such as the **Periodic Labour Force Survey (PLFS)** conducted by the **Ministry of Statistics and Programme Implementation (MoSPI)**, and
 - **The demand side of labour** through establishment surveys such as the **Annual Survey of Industries (ASI)** by MoSPI, **Quarterly Employment Survey (QES)** by Labour Bureau, etc.
- **Supply side of Employment**
 - **Labour markets have recovered beyond pre-Covid levels:** In both urban and rural areas, with **unemployment rates falling from 5.8% in 2018-19 to 4.2% in 2020-21**.
 - **Improvement in employment indicators:** The **labour force participation rate (LFPR), worker population ratio (WPR) and unemployment rate (UR) in PLFS 2020-21 (July-June)** have improved for both males and females in both rural and urban areas.



Source: Annual PLFS, MoSPI

Measurement issues in Female Labour Force Participation Rate (FLFPR)
 The common narrative of Indian women’s low LFPR misses the reality of working females integral to the economy of the household and the country. The Survey highlights three main measurement issues-

- **Use of overly broad categories by clubbing productive work** like collection of firewood, poultry farming, etc. with domestic duties.
- **The current survey design relies mainly on a single question for measuring the labour force status** of an individual, which is **contrary to ILO recommendations**, which advocates using multiple probing or recovery questions to check individuals’ labour force status
- **According to the latest ILO standards, limiting productive work to labour force participation is narrow and only measures work as a market product**, as it does not include the value of women’s unpaid domestic work, which can be seen as expenditure-saving work.

The survey thus recommends for a wholesome measurement of “work” and improved quantification through redesigned surveys, to unlock the gender dividend for inclusive and broad-based growth.

Role of Self-Help Groups (SHG) in Women’s empowerment

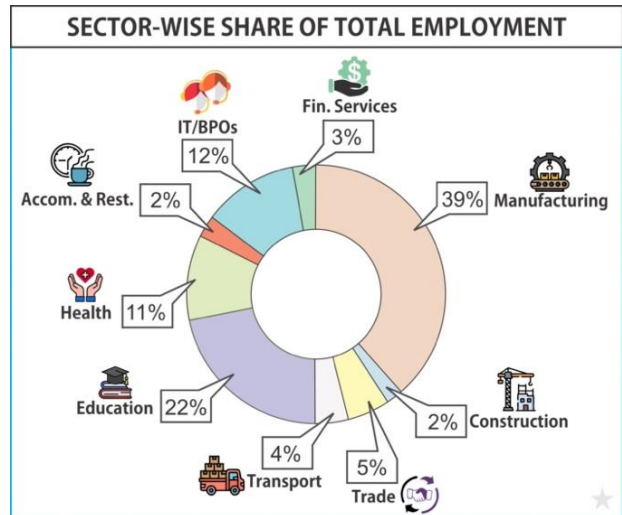
- **SHGs movement, is based on the principles of group solidarity and microfinance**, its roots can be traced from the formation of the **Self-Employed Women’s Association in 1972**.
- **The SHG Bank Linkage Project (SHG-BLP), launched in 1992**, has blossomed into the world’s largest microfinance project.

- The **SHGs must practice the 'Panchasutra'** of regular meetings, regular savings, regular inter-lending, timely repayment and up-to-date books of accounts to avail of loans from banks.
- **Role played by SHG's for women empowerment-**
 - **67 lakh SHGs have received collateral-free loans of 1.51 Lakh crore.**
 - ✓ Under **PMGKY**, the limit for collateral-free loans for women's SHGs was doubled from `10 lakh to `20 lakh, which was to benefit 63 lakh women SHGs and 6.85 crore households.
 - India has around 1.2 crore SHGs of which 88 % being all-women SHGs.
 - Kudumbashree in Kerala, Jeevika in Bihar, Mahila Arthik Vikas Mahila Mandal in Maharashtra, and Looms of Ladakh are some of the successful ones.
 - **SHGs in action during Covid:** SHGs emerged as pivotal players in crisis management, leading from the front in - producing masks, sanitisers, protective gears and also created awareness about the pandemic.

Name of SHG	Contribution during Covid
Patrakar Didis of Jharkhand	Creating awareness about the pandemic
Prerna Canteens in Uttar Pradesh	Running Community Kitchens
Pashu Sakhis for animal health care services	Supporting farm livelihoods
Aajeevika Farm Fresh Online selling and distribution- Jharkhand	
Bank Sakhis managing bank rush for availing Covid-relief DBT cash transfers	Delivery of financial services ★

Demand Side of Employment

- **Steady upward trend in employment in the organised manufacturing sector.**
 - In terms of share of employment the **food products industry (11.1%) remained the largest employer**, followed by apparel (7.6%) and basic metals (7.3%).
- **State-wise, Tamil Nadu had the largest number of persons engaged in factories** followed by Gujarat and Maharashtra.
- **More than 60% factories** were found to employ less than 50 employees.
- **Number of persons demanding work under MGNREGS was seen to be stabilizing** around pre-pandemic levels.
 - The number of works done under MGNREGS has also steadily increased over the years.



National Career Service project (NCS)

- The project was launched in 2015, as a **one-stop solution providing an array of employment and career-related services.**
- **2.8 crore jobseekers** and **6.8 lakh employers** have registered on NCS portal.
- It has **partnered with private sector under DigiSaksham programme** to offer a free, self-paced Online/Offline Training Programme on "Career Skills" to impart better skills to job seekers.
- The NCS portal has been **successfully interlinked with e-Shram, Udyam and Skill India portal** (primary data source of ASEEM portal) and has resulted in the development of a better employment ecosystem.
- **It has recently added 'International Job' module**, which facilitates overseas Job search easier and for Companies to utilize Indian skills.

The Trend in Rural Wages

- **Nominal rural wages have increased at a steady positive rate** during FY23, with an YoY growth of 5.1% for men and 7.5% for women (between Apr-Nov 22).
 - In **Non-Agricultural sectors, the growth of nominal wage was lower** than that of Nominal rural wages.
- **The current growth in real rural wages has been negative** due to elevated inflation.

Ensuring Quality Education for all

Laying of **National Education Policy (NEP)- 2020** has provided for the revision and revamping of all aspects of the education structure in the country.

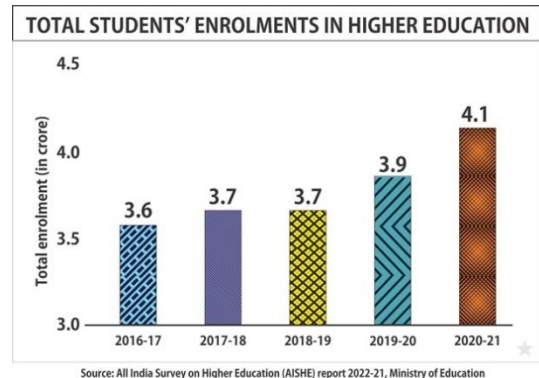
School Enrolment and dropouts

- **GER in the primary-enrolment and upper-primary enrolment have improved** in FY22 reversing the declining and stagnant trend between FY17-19 respectively and the **GER of Girls was comparatively more than that of boys in these groups.**
- The enrolments increased across all levels viz., Primary, Upper-Primary, Secondary, and Higher Secondary **except for the Pre-Primary level** which decreased from 1.1 crore to 1 crore in FY22.
- **Dropout rates have witnessed a steady decline** at all levels in recent years.
- **The pupil-teacher ratio has improved** at all levels continuously from FY13 to FY22.

Initiatives	Expected Outcomes
PM Schools for Rising India (PM SHRI)	Launched as Centrally Sponsored Scheme (CSS) to set up at least 14,500 PM SHRI schools that might benefit around 20 Lakh students between 2023-27.
Balvatika (Pilot Project) launched in Kendriya Vidyalayas.	These are Preparatory Classes with a focus on developing cognitive, affective, and psychomotor abilities for students in the age groups of 3-5 years.
Screening tools (Mobile App) for specific learning disabilities	<ul style="list-style-type: none"> • PRASHAST, a Disability Screening mobile app, has been launched, covering 21 disabilities, including the benchmark disabilities. • The app will help in screening disability conditions at the school level and will generate the schoolwise report for initiating the certification process, as per guidelines of Samagra Shiksha.
Strengthening Teaching-Learning and Results for States (STAR S)	<ul style="list-style-type: none"> • The Project is being implemented as a Centrally Sponsored Scheme (CSS) in some states. • The objective of the Scheme is to improve the quality and governance of school education.
Vidyanjali (A School Volunteer Initiative)	The Vidyanjali portal enables volunteers/organisations to interact and connect directly with the Government and aided schools and share their knowledge and skills or contributes in the form of assets, material, or equipment to meet the requirement of the schools.

Higher Education

- **Larger number of medical colleges:** Number of medical colleges in the country has been increased from 387 in 2014 to 648 in 2022.
- **More IITs and IIMs:** Number of Indian Institutes of Technology (IITs) and Indian Institute of Management (IIMs), respectively stand at 23 and 20 in 2022 against 16 and 13 in 2014.
- **Increased number of Universities** reaching the number 1,113 nationally.
- **Improved GER in higher education** from 25.6% in FY20 to **27.3% in FY21.**



Initiatives	Expected outcomes
Research & Development Cell (RDC) in Higher Education Institutions	They are started with the mandate for promoting quality research that contributes towards the goal of a self-reliant India,
Guidelines for pursuing two academic programmes simultaneously	By keeping in view the objectives envisaged in NEP 2020, students are allowed to pursue two programmes simultaneously thus, removing currently prevalent rigidity and create new possibilities for interdisciplinary thinking.

Equipping the Workforce with Employable Skills and Knowledge in Mission Mode

- **The Ministry of Skill Development and Entrepreneurship (MSDE) was created in 2014 and Skill India Mission was launched in 2015** to improve and streamline the skilling ecosystem of the country with the changing industrial needs.

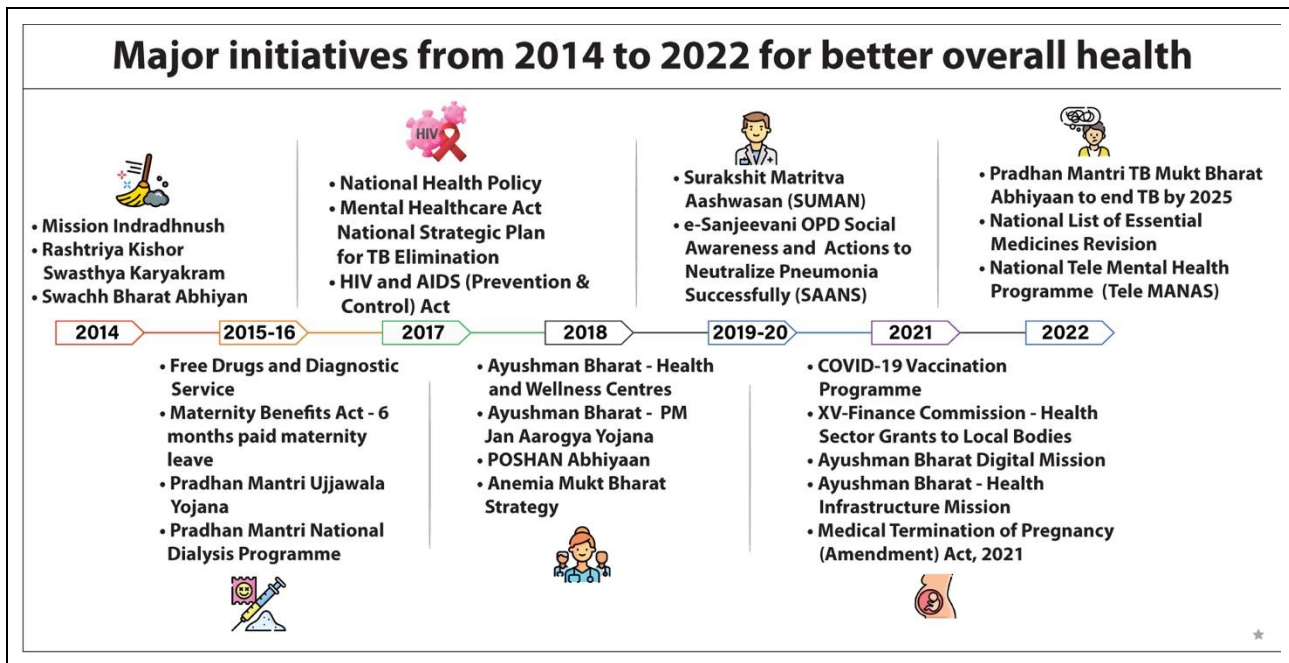
- Government is implementing various **skill developmental programmes via Skill India Mission-**

Initiative	Progress
Pradhan Mantri Kaushal Vikas Yojana (PMKVY)- launched in 2015. (Currently, PMKVY 3.0 is underway)	<ul style="list-style-type: none"> • About 1.1 crore persons have trained between FY17 and FY23 under PMKVY. • 1.3 lakh migrants have been trained in 116 districts.
Jan Shikshan Sansthan Scheme	<ul style="list-style-type: none"> • 16.0 lakh beneficiaries have been trained so far of which 69.0% are from rural areas and 2.7% are from tribal areas. • 81% of the trainees were women.
National Apprenticeship Promotion Scheme	<ul style="list-style-type: none"> • 21.4 lakh apprentices have been engaged by Industries, since its launch.
Craftsmen Training Scheme	<ul style="list-style-type: none"> • 91.7 lakh students have been trained under the scheme.
Making India Skill Capital of the World	The National Skill Development Corporation (NSDC) International has been set up , which aims to create a network of institutions across India. (It will be called as Skill India International (SII) Network.)
Skill Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP)	<ul style="list-style-type: none"> • 724 District Skill Committees (DSCs) have been constituted, to plan, manage and monitor skilling activities at the District level. • Under the National Component and State Components of SANKALP, 64 and 700 projects have been taken up, respectively.

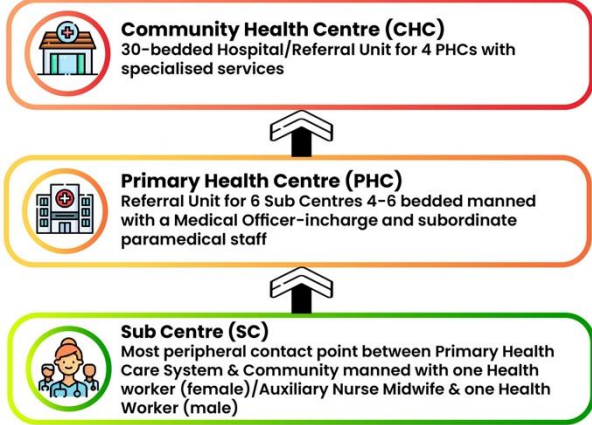
Quality and Affordable Health for All

The Government has made concerted efforts to engage with all relevant sectors and stakeholders to achieve universal health coverage, under the National Health Mission.

Major initiatives from 2014 to 2022 for better overall health



Rural health care system in India



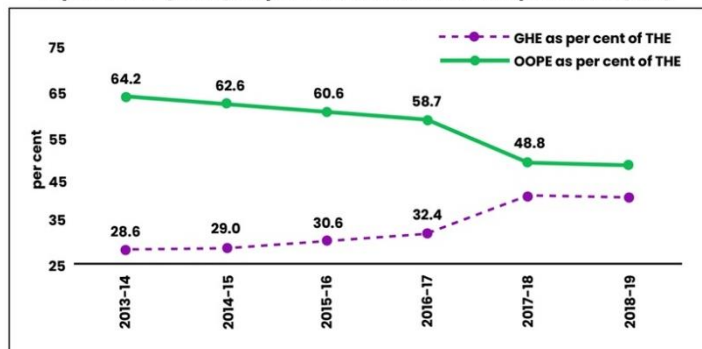
Health Indicators

Health Indicators	As compared with NFHS-4 and 5
Households covered under a health insurance financing scheme.	(41%) ↑
Total fertility rate	(2.0) ↓
Institutional births	(88.6%) ↑
Neonatal mortality rate (per 1000 live births)	(24.9) ↓
Infant mortality rate (per 1000 live births)	(35.2) ↓
Children under 5 yrs who are Stunted	(35.5%) ↓
Children under 5 yrs who are Wasted	(19.3%) ↓
Children under 5 yrs who are Underweight	(32.1%) ↓
Children under 5yrs who are over weight	(3.4%) ↑
Women age 15-24 years who use hygienic methods of protection during their menstrual period	(77.3%) ↑

Health Expenditure Estimates

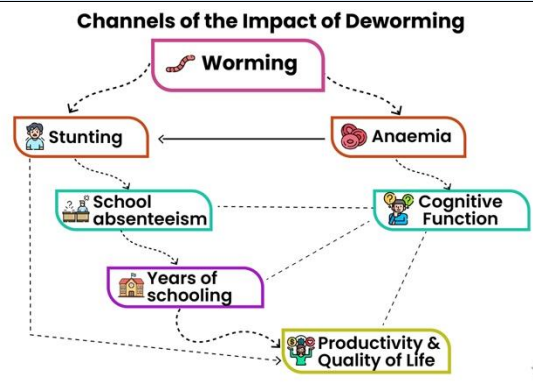
- Central and State Government's budgeted expenditure on health sector touched 2.1% of GDP in FY23 (BE) and 2.2% in FY22 (RE) against 1.6% in FY21.
- Substantial decline in Out-of-Pocket Expenditure as a percentage of Total Health Expenditure from 64.2% in FY14 to 48.2% in FY19.

Government Health Expenditure (GHE) and Out of Pocket Expenditure (OOPE) as per cent of Total Health Expenditure (THE)



Progress under Major Government Initiatives for Health

Initiatives	Progress
Universal Immunisation	NFHS-5 shows a 14.4% increase in Full Immunisation Coverage from NFHS-4.
eSanjeevani	It served over 9.3 crore patients across the country and is currently serving around 4 lakh patients daily.
Ayushman Bharat	More than 1.54 Lakh centres became operational and have more than 135 crore cumulative foot fall.
National Deworming Day	Besides Government and Government-aided schools and Anganwadis, special efforts are made to reach out-of-school children, and private schools have also joined the programme.
National Covid-19 Vaccination Programme-	<ul style="list-style-type: none"> Has administered more than 220 crore Covid vaccine doses across the country. 97% of eligible beneficiaries have received at least one dose of vaccine and around 90% of eligible beneficiaries have received both the doses.



SUMMARY OF ECONOMIC SURVEY

Health- a narrative on dedicated Covid infrastructure

- **Under the Aatmanirbhar Bharat Abhiyaan**, the Union Government focussed on scaling up expenditure on health infrastructure by
 - **investing in grass root health institutions** and ramping up HWCs in rural and urban areas;
 - **Setting up critical care hospital blocks in all districts**; and
 - **Strengthening the laboratory network and surveillance by integrated public health laboratories in all districts and blocks** to manage pandemic.
 - The attempt was **complemented by digital infrastructure support through Co-WIN** for mass vaccination and **e-Sanjeevani** for telemedicine to reach the last mile.

Dedicated Covid Infrastructure:

- **A three-tier arrangement of dedicated Covid-19 health facilities** in the country had been implemented, comprising of
 - **A Covid Care Centre with isolation beds for mild or pre-symptomatic cases**;
 - **A Covid Health Centre oxygen-supported isolation beds for moderate cases**, and
 - **A Covid Hospital with ICU beds for severe cases**.

Oxygen Infrastructure Strengthening during Covid Pandemic

- **Pressure Swing Adsorption (PSA) Oxygen Generation Plants**: PSA plants are being established in hospitals, to become self-sufficient in the generation of oxygen.
- Until now, around **4.02 lakh oxygen cylinders have been supplied** to States/UTs/Central Government hospitals.
- **A total of 1.13 lakh concentrators have been procured** by the Government for Covid management.

Doctor-Patient Ratio

- The current **doctor-population ratio in the country is 1:834 against the WHO norms of 1:1000**.

Co-Win: A successful digital story of vaccination to tell

During the Covid pandemic, **Co-WIN** was developed as an extension of the **eVIN (electronic Vaccine Intelligence Network) platform**.

- It is a **comprehensive cloud-based IT solution for planning, implementing, monitoring, and evaluating Covid-19 vaccination in India**
- It **provided real-time stock tracking at the national, state, and district levels** (both Government and Private), it also **plugged the wastage of Covid-19 vaccines**.
- It **provided registration in 12 regional languages, using any of the 10 Photo ID's of the government** and also extended the service to the issuance of digitally verifiable certificates.
- The **administration of more than 220 crore Covid-19 vaccine doses in India, was made possible because of the robust digital infrastructure of Co-WIN**.

Social Protection for the Rainy Day

In order to protect citizens from vulnerability and risks posed, such as health issues, natural disasters, old age, etc. strong social protection systems are required in a country. **Some of the key programmes/schemes** are present:

Programme/Scheme	Progress
Pradhan Mantri Vaya Vandana Yojana	• A total of around 8.6 Lakh subscribers are currently benefitting from the scheme.
Pradhan Mantri Jeevan Jyoti Bima Yojana	• Around 14.96 crore persons have been enrolled cumulatively and more than 6 lakh claims have been paid .
Pradhan Mantri Suraksha Bima Yojana	• Around 32.1 crore persons have been enrolled cumulatively and 1.1 lakh claims have been paid .
Pradhan Mantri Shram Yogi Maan-Dhan Yojana	• Over 49.1 lakh beneficiaries have been enrolled under the Scheme.
PM Street Vendor's Atmanirbhar Nidhi Scheme	• Over 39.4 lakh loans have been disbursed .
Pradhan Mantri Mudra Yojana	• Over 38.4 crore loans have been sanctioned .

Development of India's Aspiring Rural Economy

- **Population living in India's rural areas currently stands at 65%** of which **47% are dependent on agriculture** for livelihood.
- Various measures have been taken to enhance the quality of life in rural areas encompassing healthcare development, rural housing, drinking water, and sanitation, rural connectivity.

Multifaceted initiatives to improve the ecosystem of quality of life



Focus Area	Initiatives	Progress/achievements
Enhancing Rural Income	Deendayal Antyodaya Yojana-National Rural Livelihood Mission	<ul style="list-style-type: none"> It has mobilised a total of 8.7 crore women from poor and vulnerable communities into 81 lakh SHGs.
	Mahatma Gandhi National Rural Employment Guarantee Scheme	<ul style="list-style-type: none"> More than 5.2 crore assets have been geo-tagged. Almost 99% of the wage seekers are receiving their wages directly into their bank accounts.
	Deen Dayal Upadhyaya Grameen Kaushalya Yojana	<ul style="list-style-type: none"> Around 13 lakh candidates have been trained under this scheme of which more than 7.9 lakh have got job placements.
Housing	Pradhan Mantri Awaas Yojana –Gramin	<ul style="list-style-type: none"> A total of 2.7 crore houses have been sanctioned and 2.1 crore houses have been completed so far.
Drinking water and Sanitation	Jal Jeevan Mission	<ul style="list-style-type: none"> Around 11 crore households of 19.4 crore rural households are getting tap water supply in their homes. Four States, i.e., Goa, Gujarat, Telangana, Haryana, and three UTs, i.e., Andaman & Nicobar Islands, Dadra Nagar Haveli & Daman Diu and Puducherry have become 'Har Ghar Jal' State/ UT.
	Mission Amrit Sarovar	<ul style="list-style-type: none"> A total of more than 90,000 Amrit Sarovar sites have been identified.
	JALDOOT App-	<ul style="list-style-type: none"> This app is for measuring the water level in a Gram Panchayat through 2-3 selected open wells twice a year (pre-monsoon and post-monsoon). A total of more than 3.5 lakh wells have been measured so far.
	Swachh Bharat Mission (Grameen)	<ul style="list-style-type: none"> About 1.24 lakh villages have been declared ODF plus and Andaman & Nicobar Islands became the first Swachh, Sujal Pradesh, as it has declared all its villages as ODF plus.
LPG Connections	Pradhan Mantri Ujjwala Yojana 2.0	<ul style="list-style-type: none"> Has increased the LPG coverage from 62% in 2016 to 99.8% by 2021.
Rural Connectivity	Pradhan Mantri Gram Sadak Yojana	<ul style="list-style-type: none"> Roads measuring 7.2 Lakh km and 7,789 Long Span Bridges have been completed.

Electricity	SAUBHAGYA- Pradhan Mantri Sahaj Bijli Har Ghar Yojana	Achieved its objective by March,2022.
	Deendayal Upadhyaya Gram Jyoti Yojana	It provided for the creation of basic electricity infrastructure in villages , strengthening the existing infrastructure in certain areas.
Governance	Rashtriya Gram Swaraj Abhiyan	Around 31 lakh elected representatives (ERs) have been capacitated through various modes of training.
	SVAMITVA Scheme	Over one crore property Cards have been prepared for nearly 65,000 villages.

Conclusion

A country as vast and diverse as India requires the implementation of broad-based inclusive social policies, that imparts equal importance to both its rural and urban population, so as to achieve sustainable and equitable development. Channelising the potential of both rural and urban areas, both men and women are required to reach our development goals faster.

Chapter at a Glance

- The focus of the Government relies on “**sabka sath, sabka vikas**”, which helps in improvement towards SDG goals.
- The share of the **Government expenditure for the social sector is steadily on rise.**
- The **expenditure on the health sector** is also **inching towards the National Health policy’s recommendation of 2.5% of GDP.**
- **Multi-dimensionally poor** constitute around **16.4% of the population.**
- Social sector imbalances is been mitigated through reforms like **Aspirational District Program, legislation of labour codes, Utilization of Aadhar and improving the employment trends** across various sectors.
- Education is given special focus, through which **visible results were seen in both School and Higher education sectors.**
- Various **skill development initiatives have were implemented throughout the country** and intended to benefit both currently employed and yet to be employed citizens.
- Social security protection, for the old and the underprivileged is also given the right impetus and **schemes/initiatives intended for the social security are performing well.**
- Special importance is provided to the rural areas and **the quality of life of the rural populace is seen increasing on all parameters.**



What does the Budget Say?



Affordable Health for All

- 🔍 **Sickle Cell Anaemia Elimination Mission:** Mission to eliminate Sickle Cell Anaemia by 2047 will be launched.
- 🔍 **Multidisciplinary courses for medical devices:** to ensure availability of skilled manpower for futuristic medical technologies, high-end manufacturing and research.



Accessing Education and Skilling

- 🔍 **Teachers' Training: The District Institutes of Education and Training** will be developed as vibrant institutes of excellence for this purpose.
- 🔍 **National Digital Library for Children and Adolescents**



No One To Be Left Behind

- 🔍 **Pradhan Mantri PVTG Development Mission: An amount of 15,000 crore** will be made available to implement the Mission in the **next three years** under the **Development Action Plan for the Scheduled Tribes**.
- 🔍 **Eklavya Model Residential Schools:** In the next three years, centre will recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students.
- 🔍 **Water for Drought Prone Region:** For Upper Bhadra Project, central assistance of **5,300 crore** will be given.



Urban Development

- 🔍 **Making Cities ready for Municipal Bonds** through property tax governance reforms and ring-fencing user charges on urban infrastructure.
- 🔍 **Urban Infrastructure Development Fund:** Will be established through use of priority sector lending shortfall for creation of urban infrastructure in **Tier 2** and **Tier 3** cities.
- 🔍 **Urban Sanitation: 100%** mechanical desludging of septic tanks and sewers to transition from manhole to machine-hole mode.



Youth Power

- 🔍 **Pradhan Mantri Kaushal Vikas Yojana 4.0:** To skill youth for international opportunities, **30 Skill India**
- 🔍 **International Centres** will be set up across different States.
- 🔍 **Unified Skill India Digital Platform:** For enabling demand-based formal skilling,
 - Linking with employers including MSMEs,
 - Facilitating access to entrepreneurship schemes



CHAPTER 6**Testing your remembering skills & Understanding skills****1. With reference to the human development parameters, consider the following statements:**

1. There was a global decline in human development between 2020-21 and 2021-22.
2. More than 25 % of the population in India is multidimensionally poor as per UNDP's Multidimensional Poverty Index.
3. More than 15% of the Indian population is classified as vulnerable to multidimensional poverty as per UNDP's Multidimensional Poverty Index.

Which of the statements given above are correct?

- a. 1, 2 and 3
- b. 2 and 3 only
- c. 1 and 3 only
- d. 1 and 2 only

2. Consider the following statements regarding the status of employment in 2020-21:

1. The share of self-employed workers increased in 2020-21 vis-à-vis 2019-20.
2. The labour force participation rate (LFPR) has improved for both males and females in both rural and urban areas.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

3. With reference to the demand side of employment, consider the following statements:

1. The employment in the organised manufacturing sector has maintained a steady upward trend over time.
2. The apparel sector is the largest employer.
3. Maharashtra had the largest number of persons engaged in factories.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 and 3 only
- c. 1 and 3 only
- d. 1 and 2 only

4. Consider the following statements regarding the National Career Service project (NCS):

1. It was launched to provide a one-stop solution for employment and career-related services.
2. It has partnered with the private sector under DigiSaksham programme.
3. It has an 'International Job' module which facilitates overseas Job search easier.

Which of the statements given above are correct?

- a. 1 and 2 only
- b. 1, 2 and 3
- c. 2 and 3 only
- d. 1 and 3 only

5. Consider the following pairs about the Self Help Groups (SHG) and their respective states:

- | | |
|-------------------------|-----------------|
| SHG | : State |
| 1. Patrakar Didi | : Jharkhand |
| 2. Perna Canteens | : Punjab |
| 3. Aajeevika farm fresh | : Uttar Pradesh |

Which of the pairs given above is/are correctly matched?

- 2 and 3 only
- 1 only
- 1 and 3 only
- 2 only



Self-Assessment: To practice Question for Answer Writing skills

- Q1. In order to improve the ecosystem of quality of life, India has taken multi-faceted social sector initiatives. Discuss these initiatives alongwith the progress achieved in them.
- Q2. Human capital formation lies on the twin pillars of health and education. How far do you think the Indian government has remained successful in strengthening these pillars in the past few years?



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CHAPTER 7: CLIMATE CHANGE AND ENVIRONMENT: PREPARING TO FACE THE FUTURE

Introduction

This chapter presents an updated discussion on the issue of climate change from India's perspective, including a discussion on forests and their role in mitigating carbon emissions. It also discusses an approach to renewable energy transition and the recently submitted low emissions development strategy.

The chapter further presents a discussion on the outcomes of the 27th session of the Conference of Parties (COP 27), progress made on enabling financing for sustainable development, and India's role in global efforts towards addressing climate change. Recent changes in environmental regulations and other environmental aspects, such as biodiversity and wildlife, are also discussed in this chapter.

Progress on India's Climate Action

India's climate vision is integrally linked to its vision of development that foregrounds the **goals of poverty eradication and guaranteeing basic well-being to all its citizens. Several initiatives for cleaner tomorrow are-**

- **National Action Plan on Climate Change (NAPCC):** It was launched in 2008. It establish eight National Missions, covering several initiatives and a slew of measures (See infographics).
- **National Adaptation Fund for Climate Change (NAFCC):** It is a central sector scheme is implemented in project mode, and to date, 30 projects have been sanctioned in 27 States and UTs with a total project cost of ₹847.5 crores.
- **Ramsar sites:** India has 75 Ramsar sites covering an area of 13.3 lakh ha, and 49 of these have been added in the last 8 years.
- **Mangrove cover:** The mangrove cover in the country has increased by 364 sq. km. in 2021 as compared to 2013.
 - Various efforts to increase mangrove areas are **The National Coastal Mission Programme, Regulatory measures are implemented through Coastal Regulation Zone (CRZ) Notification (2019) under the Environment (Protection) Act, 1986; the Wild Life (Protection) Act, 1972; the Indian Forest Act, 1927.**

PROGRESS ON EIGHT NATIONAL MISSIONS OF THE NAPCC

	NATIONAL SOLAR MISSION	▶ Solar power capacity of 61.62 GW installed by October 2022.
	NATIONAL MISSION FOR ENHANCED ENERGY EFFICIENCY	▶ PAT Cycle-VII notified in October 2021 for energy saving target of 6.63 Million Tonnes of Oil Equivalent (MTOE).
	NATIONAL MISSION ON SUSTAINABLE HABITAT	▶ 721 km of metro rail network made operational by August 2022. ▶ 62.79 lakh individual household toilets and 6.21 lakh community and public toilets constructed by April 2022.
	NATIONAL MISSION FOR A GREEN INDIA	▶ 626.96 crore for afforestation targets over an area of 2.1 lakh ha.
	NATIONAL WATER MISSION	▶ Jal Shakti Abhiyan: Catch The Rain 2022.
	NATIONAL MISSION ON STRATEGIC KNOWLEDGE FOR CLIMATE CHANGE	▶ Created and strengthened 12 Centres of Excellence for climate change (June 2021).
	NATIONAL MISSION FOR SUSTAINING HIMALAYAN ECOSYSTEMS	▶ Inter-University Consortium ▶ 8 Major R&D Programmes initiated.
	NATIONAL MISSION FOR SUSTAINABLE AGRICULTURE	▶ Key targets for FY 2022-2023 covering 0.15 lakh ha under organic farming and 10 lakh ha under micro irrigation.

KNOW THE TERM

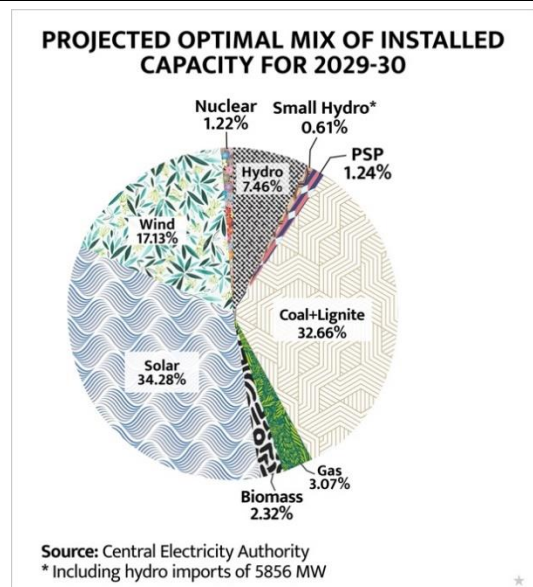


- ◆ **Carbon Stock:** It is the amount of carbon sequestered from the atmosphere and stored in biomass, deadwood, soil, and litter in the forest.
- ◆ Among the Indian States, **Arunachal Pradesh has the maximum carbon stock in forests** (1023.84 million tonnes), followed by Madhya Pradesh (609.25 million tonnes).
- ◆ **The per-hectare forest carbon stock** is maximum in Jammu & Kashmir (173.41 tonnes), followed by Himachal Pradesh (167.0 tonnes), Sikkim (166.2 tonnes), and Andaman & Nicobar Islands (162.9 tonnes).

- **River Conservation and Rejuvenation:** The Government is working on mapping and converging the 5Ps' - People, Policy, Plan, Programme, and Project.
- **Nationally Determined contribution (NDC):** The Government of India submitted its updated NDC under Article 4 of the Paris Agreement (Updation of NDC every five years by each party)

NCD 2015	Updated NDC	Progress
Cumulative electric power installed capacity from non-fossil sources to reach 40 percent by 2030.	To achieve about 50 percent cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030,	Including the large hydro, the share of non-fossil sources in total installed electricity capacity is estimated to be about 40.4 percent
Reduction in the emissions intensity of GDP by 33 to 35 percent compared to 2005 levels by 2030.	To reduce the Emissions Intensity of its GDP by 45 percent by 2030 , from the 2005 level	During 2005-2016, India reduced the emission intensity of its GDP by 24 percent.
Creation of an additional carbon sink of 2.5 to 3 billion tonnes of CO2 equivalent through additional forest and tree cover by 2030	To create an additional carbon sink of 2.5 to 3 billion tonnes of CO2 equivalent through additional forest and tree cover by 2030.	There is an increase of 79.4 million tonnes of carbon stock as compared to the estimates of the previous assessment for 2017.

- **Transition to Renewable Energy Sources:** As per the Renewables **2022 Global Status Report**, during the period 2014 -2021, total investment in renewables stood at US\$ 78.1 billion in India.
 - The **likely installed capacity by the end of 2029-30** is expected to be more than 800 GW of which non-fossil fuel would be more than 500 GW.
- **Green hydrogen:** The Government approved the **National Green Hydrogen Mission** to facilitate demand creation, production, utilization, and export of Green Hydrogen and mobilization of over ₹8 lakh crore of investment by 2030.
 - A recent report by the **International Renewable Energy Agency (2020)** suggests that the cost of electrolyzers is crucial for making green hydrogen economically viable.



Finance for Sustainable Development

- **Green Bonds:** Green bonds are financial instruments that generate proceeds for investment in environmentally sustainable and climate-suitable projects.
 - IMF data indicates that green bonds of value around US\$ 620 billion were issued across the world in the year 2021.
 - **The Union Budget 2022-23** announced the issue of **Sovereign Green Bonds (SGrBs)**.
 - **RBI** auctioned two tranches of 4,000 worth crores worth of bonds in 5- years and 10 years categories.
- **Regulatory Framework for Issuance of Green Debt Securities**
 - RBI has incentivized **bank lending towards greener industries and projects**. For example, renewable energy projects have been included under Priority Sector Lending (PSL).
 - SEBI introduced the regulatory framework for the issuance of green debt securities as a mode of sustainable finance under the **erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008, (ILDS Regulations)**.
- **Investing in Resilience for Sustainable Development**
 - SEBI has been one of the early adopters of sustainability reporting for listed entities and requires **mandatory ESG-related disclosures for the top 100 listed entities** since 2012.

KNOW THE TERM

- **Electrolyser:** The electrolyser is an apparatus that produces hydrogen through a chemical process (electrolysis) capable of separating the hydrogen and oxygen molecules of which water is composed using electricity.
- Hydrogen produced in this sustainable way, i.e. without emitting carbon dioxide into the atmosphere, can be the basis for a decarbonised economy.

- SEBI has issued new sustainability reporting requirements under the **Business Responsibility and Sustainability Report (BRSR)**, which are in line with the principles enshrined in the 'National Guidelines on Responsible Business Conduct'.

Major Decisions at COP 27, Sharm el-Sheikh, Egypt

- Assistance to loss and damage:** It was decided to establish **new funding arrangements** for assisting developing countries vulnerable to the adverse effects of climate change in **responding to loss and damage**.
- Global Goal on Adaptation:** COP 27 saw progress on adaptation, with governments agreeing on how to move forward on the **Global Goal on Adaptation**, which will conclude at COP 28 and inform the **first Global Stocktake in 2023**.
- Funding:** During COP 27, it was also recognized that the target of US\$ 100 billion per year is yet to be achieved.
 - The COP 21 decided that, prior to 2025, a **New Collective Quantified Goal (NCQG)** on climate finance from a floor of US\$ 100 billion per year shall be set.
- Agriculture and food security:** Agreement on Joint work on the **implementation of climate action on agriculture and food security** to be conducted over four years.
- It was decided to Set up the **Just Transition and Mitigation Work Program**.

India at COP 27

- India participated in COP 27, with a focus on mainstreaming the **theme of LiFE - Lifestyle for Environment**.
- India submitted its **Long-Term Low Carbon Development Strategy (LT-LEDS)**

India's initiatives at the international level

International Solar Alliance (ISA)	<p>Recent developments include</p> <ul style="list-style-type: none"> The ISA has expanded its coverage to all its 110 member countries. Attained a Permanent Observer Status at the UN General Assembly. A pipeline of 9.5 GW of solar energy capacity has been identified in its member countries, including large-scale solar parks in multiple developing countries.
Coalition for Disaster Resilient Infrastructure	<p>The CDRI was launched by the Hon'ble Prime Minister of India during the United Nations Climate Action Summit in New York(2019).</p> <p>Recent developments include</p>

SALIENT FEATURES OF THE NATIONAL GREEN HYDROGEN MISSION

LIKELY OUTCOMES BY 2030

- Green hydrogen **production capacity of at least 5 MMT** (Million Metric Tonne) per annum.
- Cumulative **reduction in fossil fuel imports over 1 lakh crore** and creation of over 6 lakh jobs.
- Renewable energy capacity addition of about 125 GW** and abatement of nearly 50 MMT of annual GHG emissions.

INTERVENTIONS

- Financial incentive** targeting domestic manufacturing of electrolysers and production of Green Hydrogen.
- Regions** capable of supporting large scale production and/or utilisation of Hydrogen to **be developed as Green Hydrogen Hubs**.

POLICY FRAMEWORK

- Development of an **enabling policy framework** to support establishment of Green Hydrogen ecosystem.
- Robust Standards and Regulations** framework.
- Public-private partnership** framework for R&D.
- Skill development** programme

KNOW THE TERM

◆ **Environmental, Social, and Governance (ESG):**
ESG goals are a set of standards for a company's operations that force companies to follow better governance, ethical practices, environment-friendly measures and social responsibility.

THE SALIENT FEATURES OF LT-LEDS ARE

- India aspires to maximize the use of electric vehicles, ethanol blending to **reach 20 percent by the Ethanol Supply Year 2025-26**, and a strong modal shift to public transport for passengers and freight.
- Climate-resilient urban development** will be driven by smart city initiatives, effective green building codes, and developments in innovative solid and liquid waste management.
- Focus on the **rational utilization of national resources** with due regard to energy security.
- A three-fold increase in nuclear capacity** by 2032.

	<ul style="list-style-type: none"> • Thirty-one Countries, six International Organisations, and two private sector organizations have joined as members of CDRI. • DRI Connect, a "network of networks" enabling stakeholder access to knowledge resources and collaborative opportunities with their peers and other actors. • Infrastructure for Resilient Island States (IRIS) launched by the Prime Ministers of India, UK, Australia, Fiji, Jamaica, and Mauritius. • CDRI's Global Flagship Report on Disaster and Climate Resilient Infrastructure to engage and focus global attention on the critical and multi-faceted challenges posed to disaster and climate-resilient infrastructure.
Leadership Group for Industry Transition (LeadIT Group)	<ul style="list-style-type: none"> • Launched by India and Sweden, with the support of the World Economic Forum at the UN Climate Action Summit in New York in September 2019, as one of the nine action tracks identified by the UN Secretary-General to boost climate ambitions and actions to implement the Paris Agreement.

Initiatives Related to other Environmental Issues

• **Conservation of Biodiversity**

- India ranks **eighth in the world and fourth in Asia among** the mega-diverse countries in the world.
- **India and Nepal signed a Memorandum of Understanding (MoU)** on biodiversity conservation to strengthen and enhance the coordination and cooperation in the field of forests, wildlife, environment, biodiversity conservation, and climate change.

• **Wildlife**

- India is home to **53 Tiger Reserves in 18 States, with about 75 percent** of the wild tiger population at the global level.
- India achieved the **goal of doubling the tiger numbers in 2018**, four years before the targeted year 2022.
- Indian Elephant has been listed in Appendix I of the **Convention of the Migratory species in the Conference of Parties of CMS 13** at Gandhi Nagar, Gujarat, in February 2020.

• **Wild Life (Protection) Amendment Act, 2022**

- The Act seeks to increase the number of species protected under the law and implement the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- The Act empowers the government to regulate or prohibit the import, trade, possession or proliferation of invasive alien species.

• **Plastic Waste Management and Elimination of Identified Single-Use Plastics**

- To reduce pollution caused due to littered plastic waste in the country, the Ministry of Environment, Forest and Climate Change, Government of India, **notified the Plastic Waste Management Amendment Rules, 2021.**
- **Recently** a ban was imposed on the manufacture, import, stocking, distribution, sale, and use of identified single-use plastic items.
- **The Plastic Waste Management (Second Amendment) Rules, 2022**, provides a statutory framework for biodegradable plastics after conforming to BIS Standards and the Central Pollution Control Board (CPCB) certification.

The key outcomes of the Conference of Parties (COP 15) to the Convention on Biological Diversity (CBD)

- **Effective conservation and management** of at least 30 percent of the world's lands, inland waters, coastal areas, and oceans.
- **Reduce to near zero the loss** of areas of high biodiversity importance.
- **Reduce by half** both excess nutrients and the overall risk posed by **pesticides and highly hazardous chemicals.**
- **Cut global food waste** in half and significantly reduce overconsumption and waste generation.
- **Raise international financial flows** from developed to developing countries.
- **Progressively phasing out or reforming subsidies that harm biodiversity** by 2030 by at least US\$500 billion per year.

Project Cheetah

- The **introduction of Cheetahs in India is being done under Project Cheetah**, the world's first inter-continental large wild carnivore translocation project.
 - Under the scheme, **eight Namibian wild cheetahs were introduced in Kuno National Park, Madhya Pradesh.**
 - The **cheetah was declared extinct from India in 1952.**
- Cheetahs can help **restore open forest and grassland ecosystems in India.**
 - This will help **conserve biodiversity and enhance the ecosystem services** like water security, carbon sequestration, and soil moisture conservation, benefiting society.

- **The fifth United Nations Environment Assembly** held in Nairobi adopted a resolution **“End plastic pollution: towards an international legally”**

- ✓ India engaged constructively with all member states to develop a consensus on the resolution for driving global action on plastic pollution.

- **Battery Waste Management**

- The Government published the **Battery Waste Management Rules, 2022**, to ensure environmentally sound management of waste batteries.

- ✓ The rules function based on the concept of **Extended Producer Responsibility (EPR)**, where the producers (including importers) of batteries are responsible for the collection and recycling/refurbishment of waste batteries and the use of recovered materials from wastes into new batteries.

- ✓ The rules **cover all types of batteries**.

- **E-waste Management**

- The Government notified the **E-Waste (Management) Rules, 2022**.

- **Salient features**

- ✓ Applicable to **every manufacturer, producer, refurbisher, dismantler, and recycler** who must register with CPCB.
- ✓ Schedule I has been expanded, and **now 106 Electrical and Electronic Equipment (EEE)** have been included under the Extended producer’s responsibility (EPR) regime.
- ✓ **Management of solar PV modules /panels/ cells** added in new rules.
- ✓ Provision for **generation and transaction of EPR Certificate** has been introduced.
- ✓ Provisions for **environmental compensation and verification & audit** have been introduced.

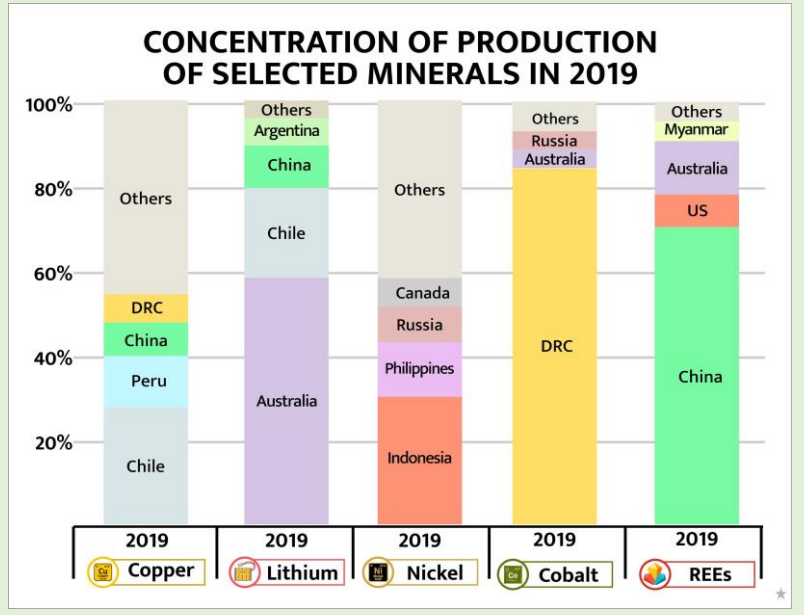
Conclusion

The global climate agenda will advance if advanced countries can set examples of policy and behavioral changes that work in their backyard and whose trade-offs are well recognized and accepted by their people. Then, it might be realistic to expect such policies and behavioural expectations of households to succeed in developing countries with suitable adaptation.

Critical mineral

The shift to a clean energy system is set to drive a huge increase in the requirements for critical minerals.

- **Cobalt, copper, lithium, nickel, and rare earth elements (REEs)** are critical for producing electric vehicles and batteries and harnessing solar power and wind energy.
- **The global supply chain** of the critical minerals is highly concentrated and unevenly distributed.
- In order to ensure the mineral security of the nation, the Ministry of Mines has created a Joint Venture company, namely **Khanij Bidesh India Ltd (KABIL)**, with participating interests of **NALCO, HCL and MECL**.



Chapter at a Glance

- **Government initiatives related to environment**
 - National Action Plan on Climate Change (NAPCC)
 - National Adaptation Fund for Climate Change (NAFCC)
 - Ramsar sites increased
 - Mangrove cover increased

- River Conservation and Rejuvenation
- Nationally Determined contribution (NDC) updated
- National Green Hydrogen Mission
- **Finance for Sustainable Development**
 - Issuance of **Sovereign Green Bonds**
 - RBI has incentivized **bank lending towards greener industries and projects**
 - SEBI has issued new sustainability reporting requirements under the **Business Responsibility and Sustainability Report (BRSR)**.
- **Major Decisions at COP 27, Sharm el-Sheikh, Egypt**
 - New funding arrangements to loss and damage
 - Global Goal on Adaptation
 - Implementation of climate action on agriculture and food security
 - Set up the Just Transition and Mitigation Work Program
 - India submitted its Long-Term Low Carbon Development Strategy (LT-LEDS).
- **Initiatives Related to other Environmental Issues**
 - Wild Life (Protection) Amendment Act, 2022
 - Plastic Waste Management Amendment Rules, 2021
 - Battery Waste Management Rules, 2022
 - E-Waste (Management) Rules, 2022
 - India and Nepal signed a Memorandum of Understanding (MoU) on biodiversity conservation.



What does the Budget say?

- Battery Energy Storage Systems:** Developing capacity of 4,000 MWH will be supported with Viability Gap Funding.
- Renewable Energy Evacuation:** Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh.
- Amrit Dharohar:** Promote local communities unique conservation style for wetland.
- Green Credit Programme:** Will be notified under the Environment (Protection) Act.
 - ▶ Inducing behavioural change and incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies.
- PM-PRANAM (PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth):** Aim to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.
- Bhartiya Prakritik Kheti Bio-Input Resource Centres:** 10,000 Bio-Input Resource Centres will be set-up
 - ▶ Creating a national-level distributed micro-fertilizer and pesticide manufacturing network
 - ▶ Aim is that over the next 3 years, government will facilitate 1 crore farmers to adopt natural farming.
- MISHTI (Mangrove Initiative for Shoreline Habitats & Tangible Incomes):** Mangrove plantation along the coastline and on salt pan lands.
- To support **Ethanol Blending Programme**, exempting Basic Custom Duty (BCD) on denatured ethyl alcohol.
 - ▶ Reducing BCD on acid grade fluorspar and on crude glycerine to 2.5 %.
- To avoid cascading of taxes, budget proposed to **exempt excise duty on GST-paid compressed bio gas.** ★

CHAPTER 7**Testing your remembering skills & Understanding skills**

1. Which if the following missions are part of National Action Plan on Climate Change (NAPCC) launched in 2008?

1. National Mission on Sustainable Mangroves.
2. National Water Mission
3. National Mission for Enhanced Energy Efficiency

Select the correct answer using the code given below.

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

2. Recently government of India has updated its Nationally Determined Contributions (NDC) as per article 4 under Paris agreement. In this context which of the following are part of India's updated NDCs?

1. To achieve about 50 percent cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030.
2. To reduce the Emissions Intensity of its GDP by 45 percent by 2030, from the 2005 level.
3. To create an additional carbon sink of 5 to 10 billion tonnes of CO₂ equivalent through additional forest and tree cover by 2030.

Select the correct answer using the code given below.

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

3. In the context of forests and climate change, which of the following states in India has the maximum carbon stocks in forests?

- (a) Madhya Pradesh
- (b) Arunachal Pradesh
- (c) Mizoram
- (d) Assam

4. Which of the following are the envisaged outcomes under National Green Hydrogen Mission?

1. Green hydrogen production capacity of at least 5 MMT (Million Metric Tonne) per annum.
2. Renewable energy capacity addition of about 500 GW and abatement of nearly 200 MMT of annual GHG emissions.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

5. In the context of green finance and sustainable development in India, which of the following organization has issued a new sustainability reporting requirements under the Business Responsibility and Sustainability Report (BRSR)?
- Competition Commission of India
 - Securities and Exchange Board of India
 - Reserve Bank of India
 - State Bank of India



Self-Assessment: To practice Question for Answer Writing skills

- Q1. In view of the updated Nationally Determined Contributions (NDCs) set by India, bring out the ways through which the government is enabling the financing of India's sustainable development.
- Q2. India has made some key contributions at the international level in recent times to combat the threat of climate change. Discuss.

PERSONALITY DEVELOPMENT PROGRAMME

CIVIL SERVICES EXAMINATION - 2022

Admission Open

Programme Features

- ★ DAF Analysis Session with senior faculty members of Vision IAS
- ★ Mock Interview Session with Ex-Bureaucrats/ Educationists
- ★ Interaction with Previous toppers and Serving bureaucrats
- ★ Performance Evaluation and Feedback

The advertisement features a central illustration of a woman in a red sari sitting at a desk, facing three men in suits who are also seated at the desk. The background includes a clock, a framed portrait of Mahatma Gandhi, and a bookshelf with books and a plant. At the bottom left, there are three QR codes with icons for Apple, Android, and Telegram above them.

CHAPTER 8: AGRICULTURE AND FOOD MANAGEMENT: FROM FOOD SECURITY TO NUTRITIONAL SECURITY

Introduction

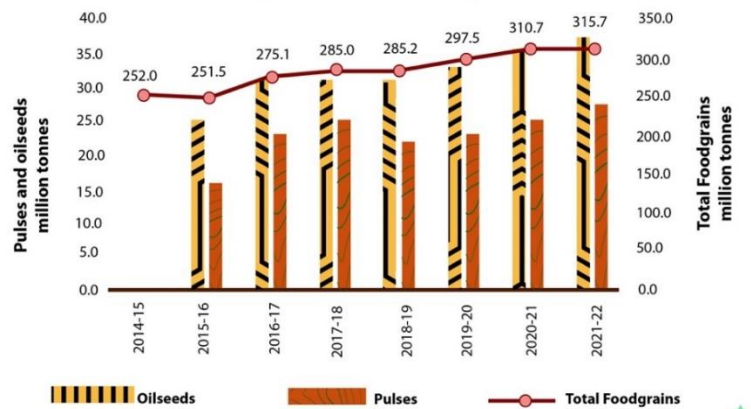
The chapter discusses the performance of the agriculture and allied sector, government interventions to enhance credit availability, facilitate mechanisation and boost horticulture and organic farming.

The chapter documents the performance of the animal husbandry, dairying and fisheries sectors, and their importance in the food basket and the farmers' incomes. The legislation-backed nationwide food management programme, the National Food Security Act (NFSA), is also discussed.

Production of Foodgrains

- **Agriculture growth:** The Indian agriculture sector has been growing at an average annual growth rate of 4.6 per cent during the last six years.
 - In recent years, India has also rapidly emerged as the net exporter of agricultural products.
 - The year 2022 witnessed an early heat wave during the wheat-harvesting season, adversely affecting its production.
 - The year experienced a decline in the sown area for paddy cultivation due to delayed monsoons and deficient rainfall.

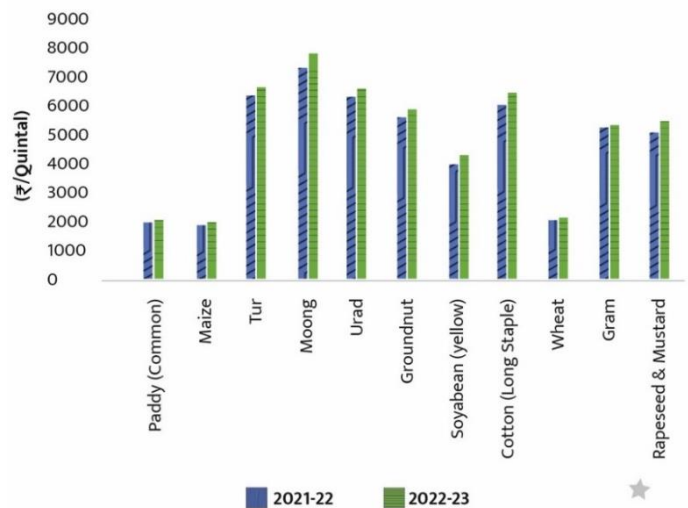
Sustained Increase in Foodgrains Production in India (Million Tonnes)



MSP to Ensure Returns Over the Cost of Production

- The Union Budget for 2018-19 announced that farmers in India would be given an MSP of at least one and a half times the cost of production.
- The Government has been increasing the MSP for all 22 Kharif, Rabi and other commercial crops at least 50 per cent since the agricultural year 2018-19.

Minimum Support Price for selected Kharif and Rabi Crops (₹/Quintal)



Agricultural Credit

- **Kisan Credit Card Scheme (KCC):** it was introduced in 1998 for farmers to empower them to purchase agricultural products and services on credit.
 - Till now banks issued Kisan Credit Cards (KCC) to 3.89 crore eligible farmers with a KCC limit of ₹4,51,672 crore.
 - The Government of India extended the KCC facility to fisheries and animal husbandry farmers in 2018-19.
- **Modified Interest Subvention Scheme (MISS):** To provide short-term credit to farmers at subsidised interest rates.
- **Agriculture credit flow:** In 2021-22, it was about 13 per cent more than the target.
- **Private investment** in agriculture increases to 9.3 percent in 2022-21.

Farm mechanisation

- Farm mechanisation **helps increase productivity** through timely and efficient use of other inputs and natural resources.
- Under the **Sub Mission on Agricultural Mechanisation (SMAM)**, State Governments are being assisted in training and demonstrating agricultural machinery and helping farmers procure various farm machinery.
 - Till now, **21628 Custom Hiring Centres and 467 Hi-Tech hubs and 18306 farm machinery banks** have been established.

Organic and Natural Farming

- **Organic farmers:** India has 44.3 lakh organic farmers, **the highest in the world**, and about 59.1 lakh ha area was brought under organic farming by 2021-22.
- **Sikkim became the first State in the world to become fully organic**, and other States, including Tripura and Uttarakhand, have set similar targets.
- Organic farming is being promoted through **Farmers Producer Organisation (FPO) under the Paramparagat Krishi Vikas Yojana (PKVY) and Mission Organic Value Chain Development for North Eastern Region (MOVCDNER)**.
 - PKVY Scheme is being implemented in a **cluster mode** (with min. 20 ha size).
 - Financial assistance of ₹50,000 per ha for three years is provided to the farmer, total 6.4 lakh ha area and 16.1 lakh farmers have been covered.

International Year of the Millets

The **United Nations General Assembly**, in its 75th session during March 2021, declared 2023 the International Year of Millets (IYM).

- **Millets are Smart Food** with high nutritional value, are climate resilient, and align with several UN Sustainable Development Goals (SDGs).
- India produces **more than 50.9 million tonnes** (as per fourth advance estimate) of millet **which accounts for 80 per cent of Asia's and 20 per cent of global production**.
- **The global average yield** is 1229 kg/ha, whereas India has a higher average yield of 1239 kg/ha.



- MOVCDNER is dedicated to promoting organic farming of niche crops **of the North East Region**.
- **Bhartiya Prakratik Krishi Paddhati (BPKP):** It a sub-scheme of PKVY, to assist farmers in adopting traditional indigenous practices for encouraging all forms of ecological farming, **including Zero-Budget Natural Farming (ZBNF)**.

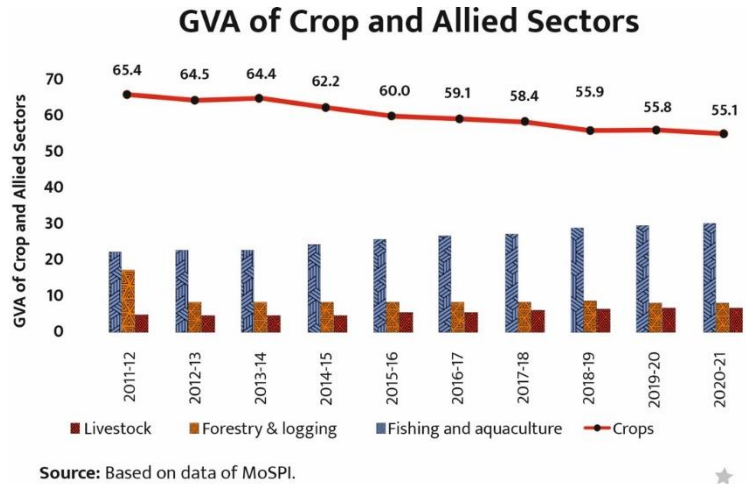
Other Initiatives in Agriculture

- **PM KISAN Scheme:** It is a Central Sector Scheme to supplement the financial needs of land-holding farmers.
 - The financial benefit of ₹6,000 per year is transferred into the bank accounts of farmer families through DBT.
- **Agriculture Infrastructure Fund (AIF):** It is a financing facility operational from the year 2020-21 to 2032-33 for the creation of **post-harvest management infrastructure and community farm assets**.
- **Pradhan Mantri Fasal Bima Yojana (PMFBY):**The largest crop insurance scheme in the world in terms of farmer enrolments, averaging 5.5 crore applications every year and the third largest in terms of the premium received.
 - During the last six years of its implementation, farmers paid a premium of ₹25,186 crore and received claims amounting to ₹1.2 lakh crore.
 - The scheme is implemented on an **'Area Approach'** basis.

- **Mission for Integrated Development of Horticulture (MIDH):** To promote horticulture covering fruits, vegetables, root and tuber crops, spices, flowers, plantation crops etc.
- **National Agriculture Market (e-NAM) Scheme:** It was launched to create an online transparent, competitive bidding system to ensure farmers get remunerative prices for their produce.
 - More than 1.7 crore farmers and 2.3 lakh traders have been registered on e-NAM portal.
- **Climate-Smart Farming Practices:** Smart farming also enables crop diversification, which will help farmers reduce their dependence on monsoons for water. There are over 1,000 agritech start-ups in India.

Allied Sectors

- **The livestock sector:** It grew at a CAGR of 7.9 per cent during 2014-15 to 2020-21 (at constant prices),
- **Fisheries:** The annual average growth rate of the fisheries sector has been about **7 per cent since 2016-17 and has a share of about 6.7 per cent in total agriculture GVA.**
- **Dairy sector:** It is employing more than eight crore farmers directly, and is the most prominent agrarian product.
- India ranks **first in milk production in the world, it ranks third in egg production and eighth in meat production in the world.**



Government interventions for allied sectors



The Animal Husbandry Infrastructure Development Fund (AHIDF) worth ₹15,000 crore was launched in 2020.



National Livestock Mission (NLM) to focus on entrepreneurship development and breeds improvement in poultry, sheep, goat and piggery, including feed and fodder development.



National Animal Disease Control Programme (NADCP) to control Foot & Mouth Disease and Brucellosis by complete vaccination.



Pradhan Mantri Matsya Sampada Yojana (PMMSY) to drive sustainable and responsible development of the fisheries sector.

Cooperative societies

To realise the **vision of “Sahakar-see-Samridhhi”**, a renewed impetus was given to the growth of the cooperative sector.

- **Registered cooperatives:** There are **8.5 lakh registered cooperatives in the country**, having more than 29 crore members mainly from the marginalised and lower-income groups in the rural areas.
 - 98 per cent of villages are covered by **Primary Agriculture Credit Societies (PACS).**
- **Agriculture finance:** **Around 19 per cent of agriculture finance** is through cooperative societies.
- **Ministry of Cooperation:** A full-fledged **Ministry of Cooperation** was established to provide greater focus to the cooperative sector.
- **Multi-State Cooperative Societies Act, 2002 (MSCS):** MSCS was enacted to facilitate the democratic functioning and autonomous working of Multi-State Cooperative Societies.
 - There are 1528 registered societies under the Multi-State Cooperative Societies Act 2002.
 - Government has also decided to introduce the MSCS (Amendment) Bill, 2022.

- The Bill seeks to amend the MSCS Act, 2002, to bring it in line with Part IXB of the Constitution.
- It aims to strengthen the cooperative movement by bringing in provisions relating to electoral reforms, strengthening governance and transparency, enabling the raising of funds by co-operative sector, strengthening monitoring mechanism, etc.

Food Processing Sector

- Optimum development of the food processing sector will contribute significantly to tackling several developmental concerns such as disguised rural unemployment in agriculture, rural poverty, food security, food inflation, improved nutrition, prevention of wastage of food etc.

- During the last five years ending FY21, the food processing industries sector has been growing at an average annual growth rate of around 8.3 per cent.
- As per the latest Annual Survey of Industries (ASI) 2019-20, 12.2 per cent of persons in the registered manufacturing sector were employed in the food processing sector.

- The value of agri-food exports, including processed food exports, was about 10.9 per cent of India's total exports during 2021-22.

Challenges

- Lack of adequate and efficient cold chain infrastructure leads to massive post-harvest losses (mostly of perishables) estimated at ₹92,561 crore annually.
- Worldwide have stringent guidelines for importing food and agricultural products, the probability of exports from India getting rejected increases.
- Logistical barriers relating to connectivity.

Food Security

- The food management programme in India comprises procurement of food grains from farmers at remunerative prices, distribution of food grains to consumers, and maintenance of food buffer stock.
 - The food subsidy bill was higher during 2020-21 and 2021-22 in comparison to other years as a result of the free food distribution programme during covid.
- National Food Security Act (NFSA): NFSA, 2013 cover about 80 crore of India's population.
 - During 2022-23, the Government of India allocated 970.1 lakh tons of foodgrains to States/UTs under NFSA and Other Welfare Schemes, etc.
- One Nation One Ration Card (ONORC) scheme: The ONORC system enables intra-State and inter-State portability of ration cards.
 - Presently, the national/inter-State portability is enabled in all 36 States/UT, covering 100 per cent of the total NFSA population.

Government Initiatives for Food Processing Sector

- Pradhan Mantri Kisan SAMPADA Yojana (PMKSY)**

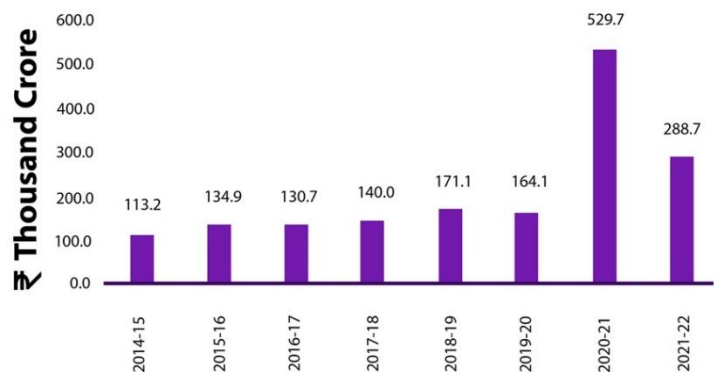
It provide financial assistance for the overall growth and development of the food processing sector.
- Prime Minister's Formalisation of Micro Food Processing Enterprises (PMFME) Scheme**

 - ◆ It aims to enhance the competitiveness of individual micro-enterprises in the unorganised segment and promote the formalisation of this sector by providing financial, technical and business support for upgradation/setting up of 2 lakh micro units in the country.
 - ◆ The scheme adopts the One District One Product (ODOP) approach to reap the benefit of scale in procuring inputs, using shared services and marketing products.
- Krishi UDAN 2.0**

 - ◆ It aims to focus on transporting perishable food products, including horticulture, fishery, livestock and processed products, from the Hilly Areas, North-Eastern States and Tribal Areas.
- The Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)**

 - ◆ It aims to incentivise investments to create global food champions.

TOTAL FOOD SUBSIDY RELEASED BY THE GOVERNMENT OF INDIA SINCE 2014-15 (In ₹ Thousand Crore)



Conclusion









The performance of the agriculture sector remains critical to growth and employment in the country. Investment in the sector must be encouraged through an affordable, timely and inclusive approach to credit delivery. A greater focus on the development of the food processing sector can reduce wastage/ loss and increase the length of storage, ensuring better prices for the farmers.

Chapter at a Glance

- **Food production:** The Indian agriculture sector has been growing at an average annual **growth rate of 4.6 per cent during the last six years.**
- **MSP:** The Government has been increasing the MSP for **all 22 Kharif, Rabi and other commercial crops at least 50 per cent** since the agricultural year 2018-19.
- **Agricultural Credit:** KCC facility extended to **fisheries and animal husbandry farmers in 2018-19.**
 - **Private investment** in agriculture increases to 9.3 percent in 2022-21.
- **Organic farmers:** India has 44.3 lakh organic farmers, **the highest in the world.**
- **Farm mechanisation:** Under the **Sub Mission on Agricultural Mechanisation (SMAM)**, State Governments are being assisted in training and demonstrating agricultural machinery and helping farmers procure various farm machinery.
- **Allied Sectors:** India ranks **first in milk production in the world, it ranks third in egg production and eighth in meat production in the world.**
- **Food processing:** During the last five years ending FY21, the food processing industries sector has been growing at an **average annual growth rate of around 8.3 per cent.**
- **Food Security**
 - **The National Food Security Act (NFSA), 2013** cover about 80 crore of India's population
 - **One Nation One Ration Card (ONORC) launched.**
- **Cooperative societies**
 - There are **8.5 lakh registered cooperatives in the country.**
 - **Around 19 per cent of agriculture finance** is through cooperative societies



What does the Budget say?

- 
Digital Public Infrastructure for Agriculture: Will be built as an open source, open standard and inter-operable public good. It aims to promote farmer-centric solutions related to inputs, marketing, etc.
- 
Agriculture Accelerator Fund: To encourage agri-startups in rural areas.
- 
Enhancing productivity of cotton crop: Aims to adopt a cluster-based and value chain approach through Public Private Partnerships (PPP).
- 
Atmanirbhar Horticulture Clean Plant Program: Aim to boost availability of disease-free, quality planting material for high value horticultural crops at an outlay of ₹2,200 crore.
- 
Global Hub for Millets (referred to as 'Shree Anna'): For this Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence.
- 
Agriculture Credit:
 - ▶ Rs.20 Lakh crore credit for Animal Husbandry, Dairy and Fishing sector.
 - ▶ New sub-scheme of PM Matsya Sampada Yojana will be launched with targeted investment of ₹6,000 crore.
- 
Cooperation: Government is promoting cooperative-based economic development model especially for small and marginal farmers, and other marginalised sections.
 - ▶ Government has initiated computerisation of 63,000 Primary Agricultural Credit Societies (PACS) and enabling them to become multipurpose PACS.
 - ▶ Also aim is to facilitate setting up cooperative societies in uncovered panchayats and villages in the next 5 years.
- 
Reduction in Basic Custom Duty (BCD) on key inputs for domestic manufacture of shrimp feed to boost export.



CHAPTER 8**Testing your remembering skills & Understanding skills****1. Consider the following statements regarding organic farming in India :**

1. India has the largest number of organic farmers in the world.
2. As of 2021-22 more than 10 million hectares of area was brought under organic farming in India.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

2. Consider the following pairs :

- | Scheme | Feature |
|--|--|
| 1. PM KISAN Scheme | financial benefit of ₹6,000 per year is transferred to farmer families |
| 2. Agriculture Infrastructure Fund (AIF) infrastructure and community farm assets. | finances creation of post-harvest management |
| 3. Pradhan Mantri Fasal Bima Yojana | implemented on Area Approach basis |

Which of the pairs given above is/are correctly matched?

- (a) 2 and 3 only
- (b) 1 and 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

3. In the context of Indian agriculture sector, in which of the following items India ranks top in the world in term of production :

1. Milk
2. Meat
3. Eggs

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 2 only

4. Consider the following statements regarding food processing sector in India :

1. In the last five years it has been growing at an average annual growth rate of around 15 percent.
2. The value of agri-food exports, including processed food exports, was about 20 percent of India's total exports during 2021-22.
3. As per the latest Annual Survey of Industries (ASI) 2019-20 more than 10 percent of persons in the registered manufacturing sector were employed in the food processing sector

Which of the statements given above is/are correctly matched?

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 3 only

5. Consider the following statements:

1. Government provides Minimum Support Price only for Rabi and commercial crops.
2. Agricultural credit facility under Kisan Credit Card cannot be availed by fisheries and animal husbandry farmers.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2



Self-Assessment: To practice Question for Answer Writing skills

- Q1.** A comprehensive insurance coverage is the key to stabilise farmers' income in India. In this context, analyse the role played by Pradhan Mantri Fasal Bima Yojana (PMFBY).
- Q2.** Food security is a legal and social commitment to the people of the nation by the government. In this context, discuss the steps taken by the Government of India to fulfill its commitment.

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CHAPTER 9: INDUSTRY: STEADY RECOVERY

Introduction

This chapter will review the performance of the Indian industry in the current financial year. It also explores the demand stimulants to industrial growth, the supply response of the industry, trends in credit to the industry and foreign investment in India’s industrial sector. This chapters evaluates India’s aspirations and prospects of becoming a key player in global value chains.

Significance of Industry sector

- Industry holds a prominent position in the Indian economy, **accounting for 31 percent of GDP**, on average, during FY12 and FY21 and **employing over 12.1 crore people**.
- **The sector’s relevance can be identified through various direct and indirect linkages with other sectors like**
 - It ensures that **domestic production can accommodate domestic demand** and reduces the reliance on imports.
 - Industrial **growth has multiplier effects**, which translates into employment growth.
 - Some industries, such as textiles and construction, have high **employment elasticities**.
 - Industrial growth spurs **growth in services sectors** such as banking, insurance, logistics, etc.

Demand Stimulus to Industrial Growth

- **Decrease in overall retail inflation:** It has sustained the pent-up consumer demand in the post-pandemic Indian economy, inducing an industrial recovery despite the **global headwinds**.
- **Strong external demand:** It served the Indian industry well in FY22 when **manufactured exports soared**, responding to a rebound in global growth.
- **Increase in investment demand:** It has emerged as a powerful stimulus to industrial growth.
 - It has been triggered by a jump in the Capex of the central government.
 - **This has crowded-in private investment**, due to consumption demand, export stimulus, and strengthening of the corporate balance sheets.
 - **Reasons for increase in private investment**
 - ✓ Institution of **Insolvency and Bankruptcy Code (IBC)** to resolve bank stressed assets so that they can lend to corporates.
 - ✓ Rollout of **the Goods and Services Tax (GST)** to improve corporates ease of doing business
 - ✓ The corporate tax rate was slashed
 - H1 of FY23, recorded the highest share of **Gross Fixed Capital Formation (GFCF)** in GDP among all half-years since FY15.

Growth and Share of Industrial Components (in Per cent)		
	Real GVA growth in FY23 over FY22	Share in total GVA FY23
Industry	4.1	30.0
Mining & quarrying	2.4	2.3
Manufacturing	1.6	17.3
Electricity, gas, water supply & other utility services	9.0	2.3
Construction	9.1	8.1
Overall GVA	6.7	-

KNOW THE TERM

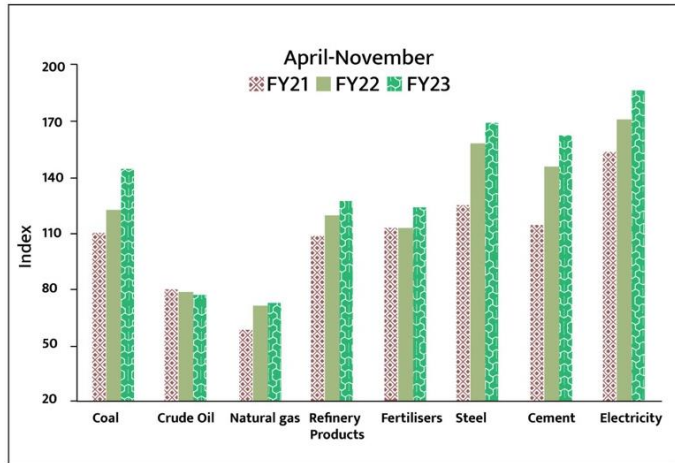


- ◆ **Employment Elasticity:** The employment elasticity refers to the percentage change in employment associated with a 1% increase in GDP. The higher the employment elasticity, the more labor-intensive growth.
- ◆ **Crowding-in Private Investment:** Crowding in occurs when higher government spending leads to an increase in private sector investment.
 - The crowding in effects occurs because higher government spending leads to an increase in economic growth and therefore encourages firms to invest because they are now more profitable investment opportunities.
- ◆ **Global Headwinds:** A headwind is a wind blowing in the opposite direction of a ship. In economics it means negative factors that could slow down the growth of an economy.

Supply Response of Industry

- The supply response of the industry to the demand stimulus has been robust, as seen in high-frequency indicators.
 - **The Purchasing Managers Index (PMI-Manufacturing)**, has remained in the expansionary zone for 18 months since July 2021.
 - The sustained growth of manufacturing output is also seen within the **overall IIP producing** consumer durables which is sync with the “pent-up” consumption demand.
 - **The growth in eight core industries** has held steady, reflecting a broad momentum in industrial activity
- **Constraints faced by industrial growth in the first half of FY23.**
 - **Seasonality:** It has contributed to constraining the growth of production in respect of mining and quarrying, and construction.
 - ✓ **Higher rainfall cooled temperatures** led to fell in electricity demand, and hence output rose by less than 5 per cent in Q2 of FY23 over Q2 of FY22.
 - **Large inventory:** Manufacturing output appears to have been constrained by a **large build-up in inventory**.
 - ✓ The build-up of stock allows manufacturing to slow its pace with the accumulated stock meeting current demand.
- **Uneven manufacturing landscape**

Steady Growth in Components of Index of Core Industries



Source: Department for Promotion of Industry and Internal Trade (DPIIT)

KNOW THE TERM



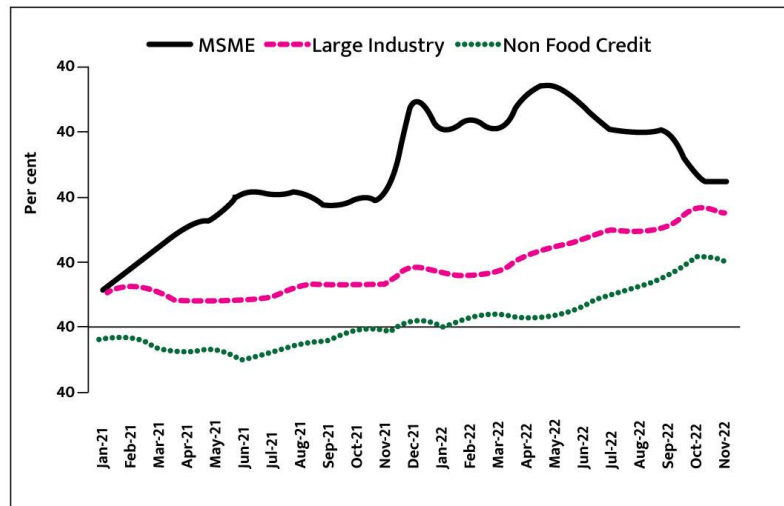
- ◆ **Gross Fixed Capital Formation (GFCF):** As per RBI, GFCF refers to the aggregate of gross additions to fixed assets (i.e. fixed capital formation) plus changes in stocks during the counting period. Fixed asset refers to the construction, machinery, and equipment.
- ◆ **High-Frequency Indicators (HFIs):** HFIs provide a range of data on multiple aspects of the economy on daily basis like fertilizer sales, trade in agricultural commodities, registration of new businesses, e-way bills etc.
- ◆ **Purchasing Managers Index (PMI-Manufacturing):** It is a survey-based measure that asks the respondents about changes in their perception of key business variables as compared with the previous month. It is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

Sustained growth	<ul style="list-style-type: none"> • The motor vehicles manufacturing segment’s performance continues to improve, induced by robust demand and an easing of chip shortage. • The manufacturing of ‘computer, electronic and optical products’, has also been rising. • Production of coke and refined petroleum has also increased. • Chemicals and chemical products such as caustic soda, soda ash, fertilisers and petroleum products have also performed well.
Lukewarm growth	<ul style="list-style-type: none"> • Growth in pharmaceutical output has slowed due to an unfavourable base effect and the waning of the pandemic. • Textiles, apparel and leather, have been showing tepid growth, as export demand for these products has been mellowing with the slowing of global output and demand.

Robust Growth in Bank Credit to Industry

- Robust growth in credit demand combined with rising capacity utilisation and investment in manufacturing **underscores businesses' optimism regarding future demand.**
- A large share of bank credit continues to be assigned to large industries.
- Credit to MSMEs has also seen a significant increase in part assisted by the introduction of the Emergency Credit Line Guarantee Scheme (ECLGS), which supports around 1.2 crore businesses of which 95 per cent are MSMEs.

Double-digit credit growth in Industry driven by MSMEs



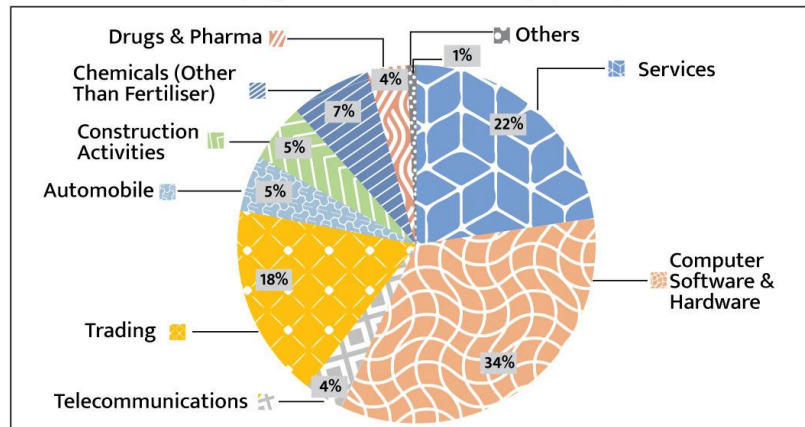
Source: RBI



Resilient FDI inflow in Manufacturing Sector

- Annual FDI equity inflows in the manufacturing sector have jumped from US\$ 12.1 billion in FY21 to US\$ 21.3 billion in FY22.
 - With the rise in global uncertainty in the wake of the Russia-Ukraine conflict, FDI equity inflow in manufacturing in the first half of FY23 fell below its corresponding level in the first half of FY22.

Sector-wise FDI Equity Inflows in 2022-23 during April-September 2022



Source: DPIIT data



- The monetary tightening at the global level has further restricted the FDI equity inflows.

FDI Policy Reforms to bolster Investment

- In FY20, 100 per cent FDI under automatic route was permitted for the sale of coal, and coal mining activities, including associated processing infrastructure, Subject to provisions of relevant acts.
- 26 per cent FDI under the government route has been permitted for uploading/ streaming of News & Current Affairs through Digital Media.
- 100 per cent FDI has been permitted in Intermediaries or Insurance Intermediaries.
- To curb opportunistic takeovers/acquisitions of Indian companies due to the Covid-19 pandemic, the government amended the FDI policy
 - An entity of a country which shares a land border with India or where the beneficial owner of investment into India is situated in or is a citizen of any such country, can invest only under the Government route.
 - In the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, will also require government approval.
- To simplify the approval process of foreign Investment and to promote ease of doing business, the erstwhile Foreign Investment Promotion Board (FIPB) was abolished in May 2017
 - Processing of applications for FDI has been delegated to the concerned Ministries/ Departments, and DPIIT is the nodal department for facilitating the process.
- "Foreign Investment Facilitation Portal (FIF Portal)", has been launched as the online single-point interface of the Government of India for investors to facilitate Foreign Direct Investment.

Industry Groups and their Challenges

- **Micro, Small and Medium Enterprises (MSMEs):** The contribution of the MSME sector to overall GVA rose from 29.3 per cent in FY18 to 30.5 per cent in FY20, and fall to 26.8 per cent in FY21.

- **Government initiatives**

- ✓ Modification of **the definition of MSMEs**
- ✓ Provision of ₹20,000 crore subordinate debt for stressed MSMEs
- ✓ ₹50,000 crore equity infusion through **Self Reliant India fund;**
- ✓ Waiving of **the global tender requirement** for procurement of up to ₹200 crore;
- ✓ Launching of **the Udyam portal** for MSME registration.

- **Samadhaan Portal**, set up under the Micro, Small and Medium Enterprises Development (MSMED) Act to monitor the outstanding dues to the MSME sector, is helping MSMEs in resolving their cashflow difficulties.

- **CHAMPIONS**, the single-window grievance redressal portal for MSMEs launched by the Ministry of MSME.

- **Raising and Accelerating MSME Performance' scheme (RAMP) in FY 23**

- ✓ It aims to improving Centre-State linkages and partnerships and **improving access of MSMEs to market and credit, technology upgradation** and addressing issues of delayed payments and greening of MSMEs.
- ✓ It is a **World Bank-supported scheme.**
- ✓ It will **be implemented over a period of five years.**

- **Electronics industry**

- The domestic electronics industry, as of FY20, is **valued at US\$118 billion.**

- ✓ Electronic goods were among the top five commodity groups.
- ✓ India has become the **second-largest mobile phone manufacturer globally.**

- The industrial electronics sector is also seeing growth due to **improved digitisation and robotics applications in Industry 4.0.**

- ✓ The impetus on Smart Cities and the Internet of Things (IoT) will streamline the demand for smart and automated electronics.

- **Initiatives for electronics manufacturing**

- ✓ PLI scheme for Large Scale Electronics Manufacturing
- ✓ PLI scheme for IT hardware

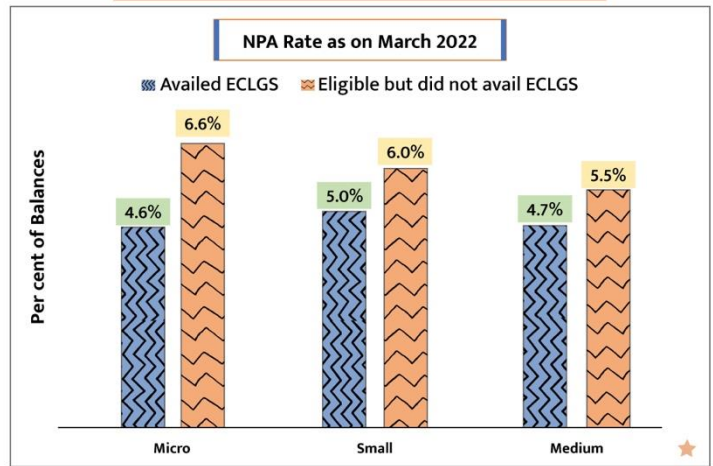
- **Coal Industry**

- At the beginning of the fiscal year, coal availability became a challenge for power generation because of a **resurgence in economic activity and increasing the demand for power in the country due to heat wave.**

- **Government steps**

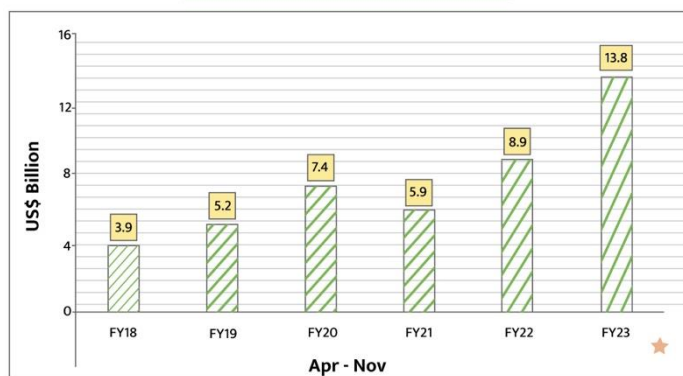
- ✓ All generators were asked to import coal to the **extent of 10 per cent of their requirements.**
- ✓ Section 11 of the Electricity Act 2003 (Act) was invoked to **direct imported coal-based plants to run at full capacity** with the assurance that their enhanced cost of operation would be compensated.

ECLGS aided MSMEs in improving their asset quality



Source: ECLGS Insights Report', TransUnion CIBIL, August 2022

Robust growth in Electronics Exports



Source: DGCI&S

- ✓ **Tolling was enabled**, which allowed states to transfer their allotted coal to private generators near the mines.
- ✓ Rural Electrification Corporation (REC)/ Power Finance Corporation (PFC) and commercial banks were advised to facilitate the availability of additional working capital to power generating plants.
- The coal industry is expected **to grow at 6-7 per cent** annually to reach a production level of 1 billion tonnes by FY26 and about 1.5 billion tonnes by 2030.

● **Steel industry**

- The steel sector's performance in the current fiscal year has been robust, with cumulative production and consumption of finished steel at 88 MT and 86 MT, respectively.
- The growth in **finished steel production is aided by double-digit growth in consumption** (11 per cent on a YoY basis)
- Iron and steel **exports moderated** in the first eight months of the current fiscal **owing to a slowdown in the global economy** but are higher by 20 per cent over the corresponding pre-pandemic levels of FY20.

Incentives to encourage semiconductor manufacturing

- **Design Linked-Incentive (DLI) scheme** for nurturing and facilitation of domestic companies of semiconductor design, achieving significant indigenisation of semiconductor products and IPs deployed across the country, and strengthening the infrastructure for design.
- **Programme for Development of Semiconductors and Display Manufacturing Ecosystem in India** for comprehensive development of a sustainable semiconductor and display ecosystem in the country.
- **The Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)**

Various Incentives under Semiconductor Scheme

Scheme for	Financial Support	R&D Support
Setting up of Semiconductor Fabs in India	50 per cent of firm's Capex	Up to 2.5 per cent of the scheme outlay
Setting up Display Fabs	50 per cent of firm's Capex	Up to 2.5 per cent of the scheme outlay
Setting up of Compound Semiconductors / Silicon Photonics/Sensors Fab and Semiconductor ATMP/OSAT facilities	50 per cent of firm's Capex	Up to 2.5 per cent of the scheme outlay

Source: MEITY

● **Textile Industry**

- The textile industry has been facing the challenge of moderating exports compared to FY22.
- FDI inflows into the textile sector are yet to recover to pre-pandemic levels.
- **Government steps**
 - ✓ Setting up of seven **PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks**.
 - ✓ **Textile PLI Scheme** with an approved outlay of ₹10,683 crore over five years starting from 1st January 2022.

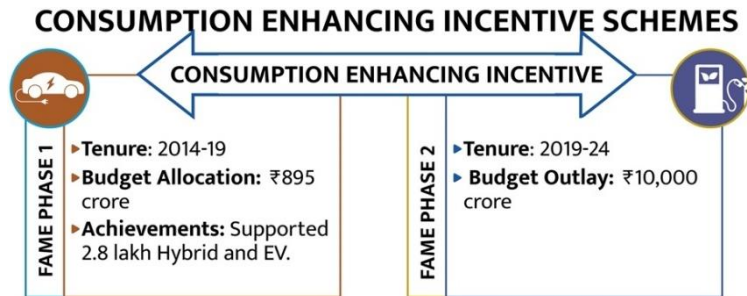
● **Pharmaceuticals industry**

- India's domestic pharmaceutical market is estimated at US\$ 41 billion in 2021 and is likely to grow to US\$ 65 billion by 2024.
- India is **ranked 3rd worldwide in the production of pharma products by volume and 14th by value**.
- The nation is the **largest provider of generic medicines globally**, occupying a 20 per cent share in global supply by volume.

THREE PLI SCHEMES TO BOOST MANUFACTURING CAPACITY IN THE PHARMACEUTICAL SECTOR

CRITICAL KSMs/DIs/APIs	MEDICAL DEVICES	PHARMACEUTICALS
<ul style="list-style-type: none"> ▶ Tenure: FY21 to FY30 ▶ Outlay: ₹6,940 crore ▶ Progress: Until Dec 2022, 51 applicants approved with committed investment of ₹4,138.4 crore. ▶ Employment: Estimated Employment generation from 51 projects is 10,598 persons. ▶ Financial Incentive: NA 	<ul style="list-style-type: none"> ▶ Tenure: FY21 to FY28 ▶ Outlay: ₹3,420 crore ▶ Progress: Until Dec 2022, 21 applicants approved with committed investment of ₹1,058.97 crore. ▶ Employment: Estimated Employment generation from 21 projects is 6,411 persons. ▶ Financial Incentive: The financial incentive sales on incremental sales of medical devices for 5 years 	<ul style="list-style-type: none"> ▶ Tenure: FY21 to FY29 ▶ Outlay: ₹15,000 crore ▶ Progress: Until Dec 2022, 55 applicants approved with committed investment of ₹18,669 crore. ▶ Employment: Estimated Employment generation from 55 projects: 20,000 direct and 80,000 indirect jobs. ▶ Financial Incentive: on incremental sales under various categories at varying rate over the years ranging from 10percent to 3 percent.

- FDI inflows have increased **four-fold over five years** until September 2022, to US\$ 699 million, supported by investor-friendly policies and a positive outlook for the industry.
- **Strengthening the Pharmaceutical Industry (SPI) scheme**
 - ✓ It aims to strengthen the existing infrastructure facilities by providing **financial assistance to pharma clusters** to create common facilities.
 - ✓ It upgrades the **production facilities of MSMEs** to meet national and international regulatory standards
 - ✓ It also promotes **knowledge and awareness** about the pharmaceutical and medical devices

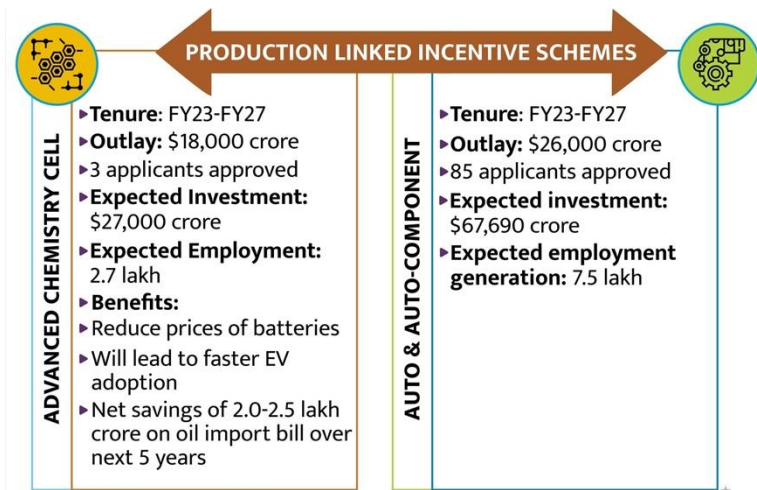


Automobile market

- In December 2022, India became the **3rd largest automobile market**.
- In 2021, India was the largest manufacturer of **two-wheeler and three-wheeler vehicles** and the **world's fourth-largest manufacturer** of passenger cars.
- The domestic electric vehicles (EV) market is **expected to grow at a compound annual growth rate (CAGR) of 49 per cent between 2022 and 2030**
- **Challenges**
 - ✓ **Higher borrowing costs and tempering global demand** are expected
 - ✓ the increase in **long-term third-party vehicle insurance premiums**.

India's Prospects as a Key Player in the Global Value Chain

- The risk of supply chain shocks has never been more palpable than today, following compounding crises from the US-China trade war, the Covid-19 pandemic, and the war in Ukraine.
- **Indian government steps to become a global manufacturing hub this decade.**
 - **Make in India 2.0 and PLI scheme**
 - ✓ It is focusing on **27 sectors**, which include 15 manufacturing sectors and 12 service sectors.
 - Amongst these, **24 sub-sectors** have been chosen while keeping in mind the Indian industries' strengths and competitive edge.



SUB-SECTORS UNDER MAKE IN INDIA 2.0

Furniture	Air-Conditioners	Leather and Footwear	Ready-to-Eat
Fisheries	Agri Produce	Auto Components	Aluminium
Electronics	Agrochemicals	Steel	Textile
EV Components & Integrated Circuits	Ethanol	Ceramics	Set-Top Boxes
Robotics	Televisions	Close Circuit Camera	Toys
Drones	Medical Devices	Sporting Goods	Gym Equipments

manufacturing capex by 15 to 20 per cent from FY23.

✓ **Recent development in PLI scheme**

- **The launch of a design led PLI** in June 2022 to promote the entire value chain in telecom manufacturing and to build a strong ecosystem for 5G.

- The Cabinet recently approved PLI Scheme (Tranche II) on ‘**National Programme on High-Efficiency Solar PV Modules**’.
- **Fostering Innovation:** The government has also strengthened its IPR regime by modernising the IP office, reducing legal compliances and facilitating IP filing for start-ups, women entrepreneurs, small industries and others.
 - This has resulted in a **46 per cent growth in the domestic filing of patents over 2016-2021**, signalling India’s transition towards a knowledge-based economy.
 - As per the GII 2022 report, **India entered the top 40 innovating countries** for the first time in 2022.

Flipping and Reverse Flipping: the recent developments in Start-ups

India ranks amongst the largest startup ecosystems in the world. About 48 per cent of our startups are from Tier II & III cities, a testimony of our grassroots’ tremendous potential. But recently, It has also been observed that many Indian companies have been getting headquartered overseas.

- Flipping is the process of transferring the entire ownership of an Indian company to an overseas entity, accompanied by a transfer of all IP and all data hitherto owned by the Indian company.
- The flipping reflects start-ups venturing out for short-term gains in the dynamic, uncertain geopolitical world.
- **Reasons for flipping**
 - commercial, taxation and personal preferences of founders and investors.
 - the major market of the product is offshore.
 - To access Capital Market of offshore country for better valuations and ticket size.
- The flip can be reversed with the collective action by the Government related regulatory bodies and other stakeholders.

Structural reforms enhancing the Ease of Doing Business

- **‘Make in India’ initiative:** It has been striving to ensure that the business ecosystem in the nation is conducive for investors.
- **Ease of doing business**
 - Amendments to laws and liberalisation of guidelines and regulations to reduce compliance burdens.
 - Steps to promote manufacturing and investments include reduction in **corporate taxes, public procurement and Phased Manufacturing Programme**.
- The **DPIIT’s Business Reform Action Plan (BRAP) 2020 (fifth edition)**, based on the implementation of reforms by States/UTs, was released on 30th June 2022.

India and Industry 4.0

- India has made significant strides in **internet penetration** which is one of the key requisites of industry 4.0.
- The push towards **self-reliance in semiconductor technology and production** will help India erect another pillar in hyper-efficient processing technology.
- **Government steps for industry 4.0**
 - **SAMARTH (Smart Advanced Manufacturing and Rapid Transformation Hubs) Udyog Bharat 4.0** under the Ministry of Heavy Industries and Public Enterprises, which aims to encourage technological solutions to Indian manufacturing units through awareness programmes and demonstrations.
 - **The Centre for Fourth Industrial Revolution** in India in 2018, which looks to develop policy frameworks for emerging technologies.

Conclusion

The strength and duration of the recovery in commodity prices will be a function of many factors, such as the pace of China’s economic recovery and growth outlook in North America and Europe. Notwithstanding such open questions, industrial output in India should continue to grow steadily based on resilient domestic demand.

Chapter at a Glance

- **Demand Stimulus to Industrial Growth**
 - Decrease in **overall retail inflation**
 - Strong external demand
 - An increase in investment demand has because of jump in the Capex of the central government.

- The supply response of the industry to the demand stimulus has been robust, **as seen in high-frequency indicators.**
- **Trends in credit and FDI to the industry**
 - Large share of bank credit continues to be assigned to large industries.
 - **Credit to MSMEs** has also seen a significant increase
 - **Annual FDI equity inflows** in the manufacturing sector have jumped.
- **Industry Groups**
 - India has become the **second-largest mobile phone manufacturer globally.**
 - **The steel sector's** performance in the current fiscal year has been robust.
 - **The textile industry** has been facing the challenge of moderating exports compared to FY22.
 - **India's domestic pharmaceutical market** is estimated at US\$ 41 billion in 2021 and is likely to grow to US\$ 65 billion by 2024.
 - In December 2022, India became **the 3rd largest automobile market.**
- **Indian government launched Make in India 2.0 and PLI scheme** to become a global manufacturing hub this decade.
- **Fostering Innovation:** The government has strengthened its IPR regime by modernising the IP office, reducing legal compliances and facilitating IP filing for start-ups, women entrepreneurs, small industries and others.
- **Structural reforms enhancing the Ease of Doing Business**
 - **The 'Make in India'**
 - **Amendments to laws and liberalisation** of guidelines
 - The **DPIIT's Business Reform Action Plan (BRAP) 2020**
- India has made significant strides in **internet penetration** which is one of the key requisites of industry 4.0.



What does the Budget say?



Effective Capital Expenditure: It has been budgeted at 4.5% of GDP.



Railways: A capital outlay of ₹ 2.40 lakh crore is **the highest ever outlay.**



Logistics: 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified.



Regional Connectivity: 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.



Green mobility: To avoid cascading of taxes, budget proposed to exempt excise duty on GST -paid compressed bio gas.

- ▶ Customs duty exemption to be extended to import of capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles.



IT & Electronics: To deepen domestic value addition in manufacture of mobile phones relief in customs duty on Import of certain parts and inputs like camera lens.

- ▶ Basic Custom Duty(BCD) to be reduced on parts of open cells of TV panels to 2.5%.
- ▶ The concessional duty on lithium-ion cells for batteries will continue for another year.



Lab grown diamonds: BCD on seeds used in the manufacturing of Lab Grown Diamonds to be nullified from the current 5% to support diamond industry.



CHAPTER 9**Testing your remembering skills & Understanding skills****1. With reference to the FDI policy reforms in India, consider the following statements :**

- 100 percent FDI under automatic route is permitted for the sale of coal, and coal mining activities.
- 100 percent FDI under the government route has been permitted for uploading/ streaming of News & Current Affairs through Digital Media.
- 100 per cent FDI has been permitted in Intermediaries or Insurance Intermediaries.

Which of the statements given above is/are correctly matched?

- 1 only
- 1 and 2 only
- 1 and 3 only
- 2 and 3 only

2. Consider the following statements regarding the Pharmaceuticals industry in India :

- India is ranked 3rd worldwide in the production of pharma products by value.
- Globally India has a share of 20 percent in generic medicines by volume.

Which of the statements given above is/are correct?

- 1 only
- 2 only
- Both 1 and 2
- Neither 1 nor 2

3. In the context of start-up ecosystem in India, the term flipping refers to

- tax evasion through using loopholes in laws
- process of transferring the entire ownership of an Indian company to an overseas entity
- routing revenues through shell companies
- achieving 1 billion dollars market capitalization

4. Consider the following statements regarding Raising and Accelerating MSME Performance' scheme :

- It aims at improving access of MSMEs to market, credit, technology upgradation and addressing delayed payments.
- It is a World Bank-supported scheme

Which of the statements given above is/are correct?

- 1 only
- 2 only
- Both 1 and 2
- Neither 1 nor 2

5. CHAMPIONS, the single-window grievance redressal portal, has been released by:

- Ministry of Commerce and Industry
- Ministry of MSME
- Ministry of Power
- Ministry of Railways



Self-Assessment: To practice Question for Answer Writing skills

- Q1. Analyse the factors responsible for the resilience of the Indian industrial growth trajectory despite global headwinds in recent times.
- Q2. India's promising role in the global value chain can be ascertained by the plethora of measures and initiatives taken by the government in this regard. Discuss.

ESSAY

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CHAPTER 10 SERVICES: SOURCE OF STRENGTH

Introduction

Services sector witnessed a **swift rebound in FY22** driven by the raise in **demand, ease of mobility restriction, near-universal vaccination coverage** and **pre-emptive government interventions**.

India is among the **top ten services exporting countries in 2021**, having increased its share in world commercial services exports from **3 per cent in 2015 to 4 per cent in 2021**.

As per the **First Advance Estimates of FY 23**, Gross Value Added (GVA) growth in services sector **will be driven by contact-intensive services sectors (tourism, retail trade, hotel, entertainment, and recreation)**.

Performance of Sub-sectors

Tourism and Hotel Industry

Tourism:

- As per the **World Tourism Barometer of the United Nations World Tourism Organisation** (November 2022), international tourism showed **robust performance** in January-September 2022.
 - It was boosted by strong **demand, improved confidence levels and the lifting of restrictions**.
- **Medical Tourism:**
 - India is ranked 10th out of the top **46 countries in the World in the Medical Tourism Index FY21** released by **Medical Tourism Association**.
- **Hotel Industry:**
 - The hotel industry is thriving with improvements in occupancy rate, an increase in **Average Room Rate (ARR) and a rise Revenue per Available Room (RevPAR)**.
 - The occupancy rate has **completely recovered to the average pre-pandemic level of 2019-20**.

Real Estate

- This sector suffered due to Covid-19 pandemic.
- The **Real Estate Regulation Act (RERA) 2016** played a significant role in post-pandemic rebound of Real Estate sector.

HIGH-FREQUENCY INDICATORS OF SERVICE SECTOR



Services PMI

It witnessed an uptick and **expanded to 58.5** in December 2022.



Bank Credit

He credit to services sector saw a YoY growth of **21.3 per cent** in November 2022.



FDI in services

- According to the **World Investment Report 2022 of UNCTAD**, India is the **seventh largest recipient** of FDI in the top 20 host countries in 2021.
- In FY22 India received the **highest-ever FDI inflows** of **US\$ 84.8 billion**.
- **Initiatives Promoted FDI** in Services-National Single-Window system. 100 % FDI in telecommunication services, including all services and infrastructure providers.
- The **FDI ceiling** in insurance companies was also raised from **49 to 74 per cent**.
- **20 % foreign investment in LIC**.



Service Trade

- It **surpassed its pre-pandemic peak** in the second quarter of 2022.
- **Financial and ICT Services** -resilient.
- **Construction services** and container shipping fell-contracted,
- **Software exports** - resilient,
- **Transport and travel exports**-most impacted

Various Measures to Boost the Tourism Sector

- **National Integrated Database of Hospitality Industry (NIDHI)**: It is database of accommodation units in a country.
- **System for Assessment, Awareness, and Training for Hospitality Industry (SAATHI)**: It sensitized the industry on the Covid-19 regulations.
- **RCS UDAN3**: It promoted regional air connectivity by making it affordable.

SERVICE SECTOR GROWTH

(GVA at Basic Prices)



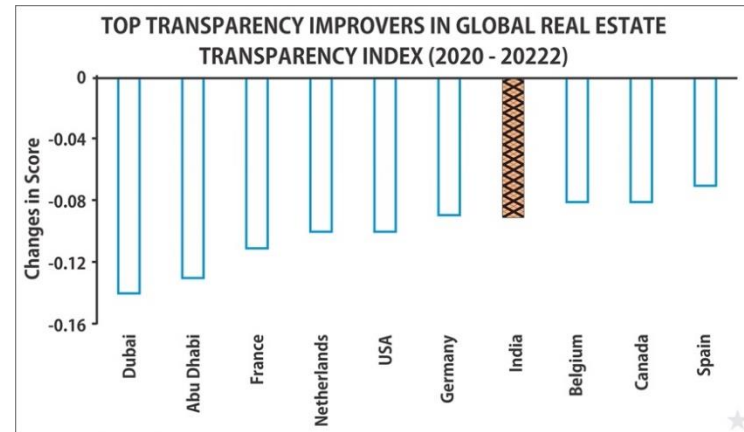
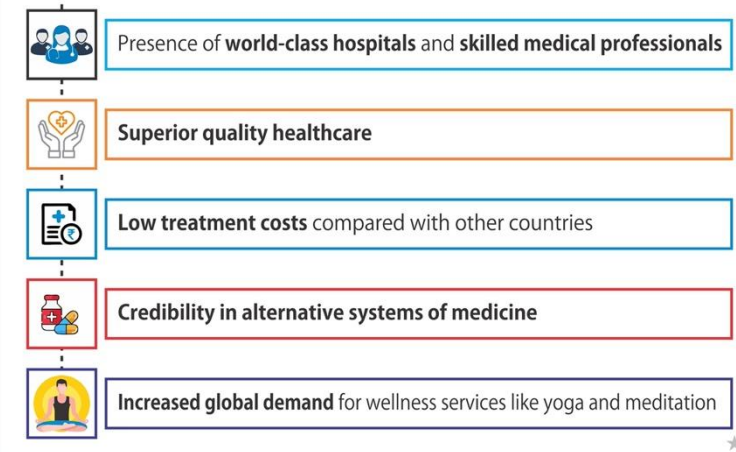
*1st Revised Estimates **Provisional Estimates #1st Advance Estimates

- According to **JLL's 2022 Global Real Estate Transparency Index**, India's real estate market transparency is among the top ten most improved markets globally.
- **Supply Chain Disruption:** The **Russia-Ukraine conflict** has further affected the supply chain.
 - It has resulted in **price escalations of steel, cement, finishing materials, imported chemicals, and fuel.**
 - **Thereby increasing the overall construction cost and resulting in a rise in housing prices.**
- **Investments:** Institutional investment has increased along with the **Real Estate Investment Trusts (REITs).**
- **Formalisation in Real Estate:** Regulatory initiatives such as the **Model Tenancy Act** and **digitisation of land registries & market data** through the **Dharani and Maha RERA platforms** have helped to broaden the market and bring more formalisation to the sector.

Information Technology and Business Process Management (IT-BPM) Industry

- **Covid Resilience:** According to **NASSCOM's report**, India's **IT-BPM industry** has been exceptionally resilient during the pandemic.
 - **This is driven by increased technology spending, accelerated technology adoption, and digital transformation.**
- **Employment Generation:** The industry recorded nearly **10 per cent estimated growth in direct employee pool in FY22** with a highest-ever net addition to its employee base.
- **Research and Innovation:** India has emerged as a global powerhouse for **Engineering R&D (ER&D) and innovation** and is steadfastly committed to ushering future growth and **innovation for global enterprises.**

FACTORS PROMOTING MEDICAL TOURISM IN INDIA



Source: JLL, LaSalle 2022

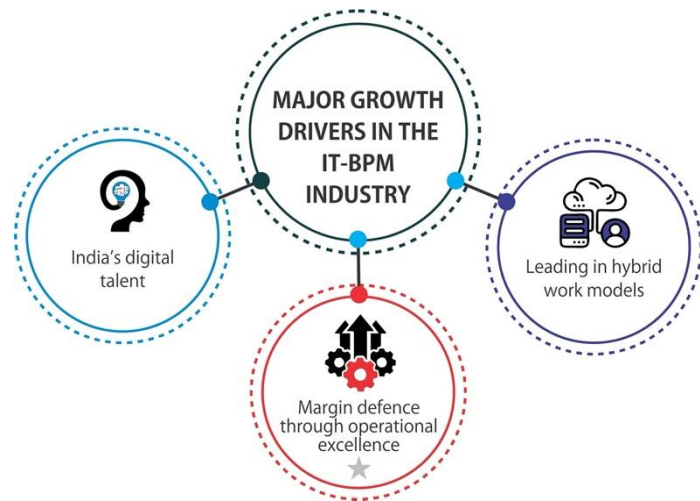
Various Measures to Boost the Housing Sector

- **Permission of RBI to lending institutions to grant a total moratorium of 6 (3+3) months.**
 - A moratorium is a temporary suspension of activity until future events warrant lifting of the suspension or related issues have been resolved.
- **Pradhan Mantri Awas Yojana-Credit Linked Subsidy Scheme Urban (PMAY-CLSS (U)):** Interest subvention on loans to beneficiary.
- **Affordable Housing Fund (AHF):** Created sufficient liquidity in the sector for viable growth.
- **Co-lending model:** It aims to leverage the liquidity base of the banks and reach of HFCs to deliver formal housing credit to the bottom of the pyramid.
- **LGSCATSS:** Under the Loan Guarantee Scheme for Covid Affected Tourism Service Sector (LGSCATSS) **administered through the National Credit Guarantee Trustee Company (NCGTC), working capital/personal loans are provided to households** that were impacted due to the Covid-19 pandemic to discharge liabilities and restart businesses.

- **Global Competency Centres:** Many **Global Competency Centres (GCCs)** have been incorporated in India in the last six years.
- **Dominant Share:** **IT services** constitute the **majority share (greater than 51 per cent).**
- **Key Pillars:** Customer-centricity, domain-specific solutions, a digital-first talent pool, and a laser-sharp focus on creating future-ready solutions.

- They have enabled technology firms to respond proactively to emerging customer demand throughout the pandemic.

- **Growth Drivers:** India's massive digital infrastructure played a crucial role in driving technology adoption, with public digital platforms becoming the bedrock of India's digital advantage.



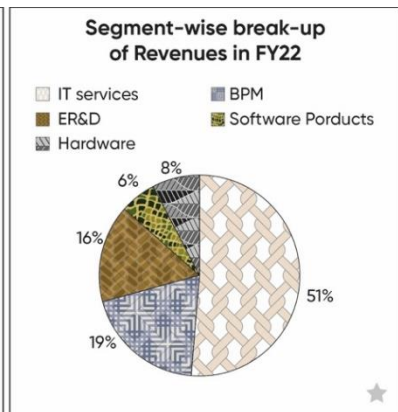
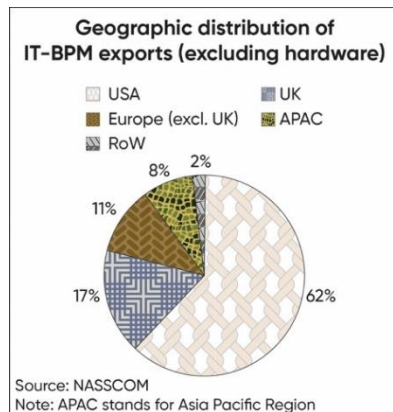
E-Commerce

E-Commerce sector witnessed a renewed push and a sharp increase in penetration in the aftermath of the pandemic.

- **Growth:** According to the **Global Payments Report by Worldpay FIS**, India's e-commerce market is projected to post impressive gains and grow at **18 per cent annually through 2025**.
- **Emerging Sector:** Fashion, grocery, general merchandise sector would capture nearly two-thirds of the Indian e-commerce market by 2027.
- **Increased Adoption by MSME in E-Commerce:** MSMEs have used digital services like e-commerce and e-procurement, realising the prospects of increased revenues and margins, improved market reach, access to new markets, and customer acquisition.
- **Government Support:** The **Government E-Marketplace (GeM)** has also witnessed tremendous growth in **Gross Merchandise Value (GMV)** and is catching up with E-commerce giants like Amazon.

KNOW THE TERM

Global Competency Centres: Competency centres provide expertise for project or program support, acting both as repositories of knowledge and resource pools for multiple business areas.



- GeM has taken a host of steps to onboard products of Self-Help Groups (SHGs), tribal communities, artisans, weavers, and MSMEs.

Digital Financial Services

- **Overall Impact:** Digital financial services enabled by emerging technologies and innovative solutions are accelerating financial inclusion, democratising access, and spurring the personalisation of products.
- **Growth Drivers:** Jan Dhan-Aadhaar-Mobile (JAM) trinity, UPI, and other regulatory frameworks, the pandemic has aided acceleration in digital adoption and provided a fillip to digital financial services solutions by banks, NBFCs, insurers as well as fintech.
- **Fintech:** India took the lead with the fintech adoption rate of **87 per cent**, substantially higher than the world average of **64 per cent** as per the latest **Global FinTech Adoption Index**.




Initiatives to promote e-Commerce

	Digital Economy	Propromoted internet penetration, smartphone adoption etc.
	E-marketplace	Onboarding people with their products for online sales
	Open Network for Digital Commerce (ONDC)	Democratising digital payments, enabling interoperability, and bringing down transaction costs.
	One District-One Product (ODOP)	It has onboarded of sellers of identified products on e-Commerce platforms.
	Other Steps	Innovation in mobile technologies, and increased adoption of digital payments. ★

- **Neo Banks: Neo-banking segment** has also risen consistently.
 - 75 Digital Banking Units (DBU) across 75 districts announced in Union Budget 2022-23.
- **Central Bank Digital Currency (CBDC):** The introduction of CBDC will also significantly boost digital financial services.
 - CBDC is a digital form of currency notes issued by a central bank.
 - **Digital Rupee** (pilot project) was launched on 1st November 2022.
- **Digitalising documents:** It has also played a pivotal role in giving further impetus to digital financial services.
 - The digitisation of documents **ensures safety, online verification, improved accessibility, and fraud reduction, enhancing use for end customers and the service provider.**

KNOW THE TERM



Neo-banks: Neo-banks operate entirely online, with no physical presence apart from office space in the offline world.

Benefits of CBDC

-  Reduction in operational costs involved in physical cash management
-  Fostering financial inclusion, bringing resilience
-  Boosting innovation in cross-border payments space
-  Efficiency and innovation in the payments system

Account Aggregator Framework

- **Account Aggregator (AA)** is a **Non-Banking Financial Company (NBFC)** engaged in the business of providing the service of retrieving or collecting financial information pertaining to the customer.
- It has transformed financial services.
- No financial information of the customer is retrieved, shared or transferred by AA without the explicit consent of the customer.
- Entities may enrol themselves on AA framework as:
 - **Financial Information Provider (FIP):** viz. banking company, non-banking financial company etc.
 - **Financial Information User (FIU):** It is an entity registered with and regulated by any financial sector regulator.
- **Master Direction- Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions, 2016** were issued by RBI to regulate AA.

Dematerialisation of Documents: Next wave of digitisation

- **National e-Governance Services Limited (NeSL):** It introduced the **Digital Document Execution (DDE)** platform in 2020.
 - **NeSL** is an Information Utility registered with and regulated by the Insolvency and Bankruptcy Board of India under the aegis of the IBC 2016.
- The core principle of the NeSL-DDE platform is to digitise all the steps of the document/ agreement execution journey.

Chapter at a Glance

- The service sector has recovered from the socks of the pandemic and slowdown in global economy.
- Sub-sectors of the Services such as tourism etc. showed recovery.
- India is 7th largest recipient of the FDI in the world.
- E-commerce sector is expected to grow at 18 per cent annually through 2025.
- Digital financial services like Neo-banking, digital currencies are being promoted in the country.



What does the Budget say?



Reforms related with the **GIFT IFSC have been announced to boost financial services.**



Centre of Excellence will be set up for **Artificial Intelligence.**



It proposed to simplify the KYC procedure by adopting a '**risk-based**' rather than the '**one size fits all**' approach currently in practice.

CHAPTER 10**Testing your remembering skills & Understanding skills****1. In the context of services sector in India, consider the following statements :**

1. India is among the top ten services exporting countries in 2021.
2. India's share in world commercial services exports is about 10 percent in 2021.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

2. In the context of financial sector of India, the Neo-Banks are those

- (a) Banks which operate completely on blockchain technology platform
- (b) which operate entirely online, with no physical presence apart from office space in the offline world.
- (c) banks which cater only to the exporters and importers
- (d) banks which operate only in urban areas

3. Consider the following statements regarding Account Aggregator Framework:

1. Account Aggregators (AA) are Non-Banking Financial Companies (NBFC).
2. They are regulated by the Reserve Bank of India.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

4. In the context of e-governance in India, Digital Document Execution (DDE) was recently launched by

- (a) National e-Governance Services Limited (NeSL)
- (b) NITI Aayog
- (c) Securities and Exchange Board of India
- (d) University Grants Commission

5. World Tourism Barometer, is an initiative of

- a. Ministry of Tourism
- b. United Nations World Tourism Organisation
- c. IMF
- d. World Bank Group

**Self-Assessment: To practice Question for Answer Writing skills**

- Q1. Discuss the factors that have led to an increase in the adoption of digital financial services in India. Also, briefly state the role of the Central Bank Digital Currency in this regard.
- Q2. Give an overview of the real estate sector in India and discuss why the sector has witnessed supply chain disruption in the recent times

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CHAPTER 11 EXTERNAL SECTOR: WATCHFUL AND HOPEFUL

Introduction

The global economy faced two global shocks in the new millennium namely **economic** and **health** shock. India has been able to face headwinds (challenges) due to **strong macroeconomic fundamentals and buffers**.

This chapter covers the developments in the **external sector** of the Indian economy focusing on **exports, imports, international investment, foreign exchange reserves, movement of the currency against the US dollar, external debt, and the BoP situation**.

Trade Helping India Reap the Benefits of Globalised World

- **Openness:** The **trade openness of countries** across the globe has been increasing.
 - It is measured by **trade as a proportion of GDP**.
- **India's Share:** The **share of India's trade as a percentage of World GDP** has been steadily increasing, being above 40 per cent since 2005 (except 2020 being the pandemic year).
 - The ratio stands at **46 per cent in 2021 and 50 per cent for H1 of 2022**.

Global Scenario

- **Trade Prospects:** Post Covid-19-induced disruptions, global trade prospects have improved in FY22.
- **Global Outlook:** The **United Nations Conference on Trade and Development (UNCTAD)**, in its **Global Trade update of December 2022** has also noted that the **ongoing trade slowdown is expected to worsen for 2023**.

Bright spots in India's Trade performance

- **Major Sectors:** Significant strides in exports were registered in **drugs and pharmaceutical, electronic goods, engineering goods and organic and inorganic chemicals sectors** in FY22.
 - India has also been seeing **consistent growth** in exports of **electronic goods**.

Trends in Merchandise Trade

- **Growth:** India achieved an all-time high **annual merchandise export of US\$ 422.0 billion in FY22**.

Trade in Services

- **Service Sector growth:** India's services exports stood at **US\$ 254.5 billion in FY22** recording a growth of **23.5 per cent over FY21**.
 - It is **7th largest service exporter** in the world.
- **Dominant Services:** **Software and business services** together constitute more than 60 per cent of India's total services exports.

Foreign Trade Policy (FTP)

- **Focus area:** The focus of the FTP has been to provide a framework of **rules and procedures for exports and imports and a set of incentives for promoting exports**.
- **Time Frame of FTP:** During the pandemic period, the five-year **FTP 2015-20** was extended from 2020 to 2022. The policy has been further extended **till March 2023**.
- **Capacity building:** The **Export Preparedness Index** (by Niti Aayog) has also been introduced to **evaluate States' potentials and capacities**.

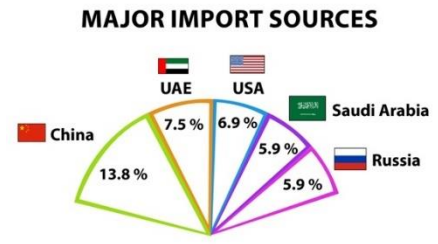
Major headwinds for External Sector

- Tightening international financial conditions
- Easing global commodity prices
- Heightening financial market volatility
- Reversal of capital flow
- Currency depreciation
- Looming global growth
- Trade slowdown

Key aspects of India's Trade

	2019	2020	2021
Export performance (in per cent)			
Share in World Merchandise Exports	1.7	1.6	1.8
Share in World Commercial Services Exports	3.5	4.0	4.0
Share in World Merchandise Plus Services Exports	2.1	2.1	2.2
Import performance (in per cent)			
Share in World Merchandise Imports	2.5	2.1	2.5
Share in World Commercial Services Imports	3.0	3.2	3.5
Share in World Merchandise Plus Services Imports	2.6	2.3	2.7 *

Major Exports [2022-23 (Apr-Sep)]	Major Imports [2022-23 (Apr-Sep)]
Machinery, transport and metal manufacture Mineral fuels and lubricants Agriculture and allied products Chemicals and allied products Gems and jewelry	Petroleum oil and lubricants Capital goods Non-ferrous minerals Chemical elements and compound Pearls, precious and semi-precious stone



International Trade Settlement in Indian Rupees

- Rupee Internationalisation:** In 2022, the Reserve Bank of India (RBI) issued a circular permitting an additional arrangement for **invoicing, payment, and settlement** of **exports/imports** in Indian Rupees (INR).
 - It is an important step to promote INR as an international currency.
 - It will **reduce the net demand for foreign exchange**, the US dollar in particular, for the settlement of current account related trade flows.
- Dominant Currency:** As per the **BIS Triennial Central Bank Survey 2022**, the **US dollar** is the dominant vehicle currency accounting for **88 per cent** of the **global forex turnover**. The **INR** accounted for **1.6 per cent**.

Initiatives to Enhance Trade

Initiatives	Details
Focus on Agricultural Products	<ul style="list-style-type: none"> Pro-active support of export promotion agencies including Export Inspection Council, Plantation Boards, and Agricultural and Processed Food Products Export Development Authority (APEDA). Export facilitating measures like online issuance of certificates required for exports.
Interest Equalisation Scheme	<ul style="list-style-type: none"> This Scheme was formulated to give benefit in the interest rates being charged by the banks to the exporters on their pre- and post-shipment rupee export credits.
Remission of Duties and Taxes on Exported Products (RoDTEP) scheme	<ul style="list-style-type: none"> It seeks remission of Central, State and Local duties/taxes/levies at different stages at the Central, State, and local level.
Export Credit Guarantee	<ul style="list-style-type: none"> The Export Credit Guarantee Corporation (ECGC) supports Indian exporters and banks by providing export credit insurance services.
Krishi Udan Scheme	<ul style="list-style-type: none"> Launched in August 2020 on international and national routes to assist farmers in transporting agricultural products so that it improves their value realization.
Trade Infrastructure for Export Scheme	<ul style="list-style-type: none"> The Scheme provides financial assistance in the form of grant-in-aid to Central/State Government owned agencies for setting up or for up-gradation of export infrastructure as per the guidelines of the Scheme.
Districts as Export Hubs	<ul style="list-style-type: none"> The Districts as Export Hubs-ODOP initiative is aimed at targeting export promotion, manufacturing, and employment generation at the grassroots level.

India's Global Trade Engagements

- Current Status:** India has so far concluded 13 FTAs and 6 Preferential Trade Agreements (PTAs).
 - In the year 2022, India signed **Economic Cooperation and Trade Agreement (ECTA)** and **Comprehensive Economic Cooperation Agreement (CECA)** with **Australia and UAE, respectively**.
 - India diversified its markets and increased its exports to **Brazil, South Africa and Saudi Arabia**.

Free Trade Agreements
<ul style="list-style-type: none"> FTAs or RTAs (Regional Trade Agreements) in terms of the WTO rules, are economic instruments available to a country for leveraging its competencies in trade and investment.

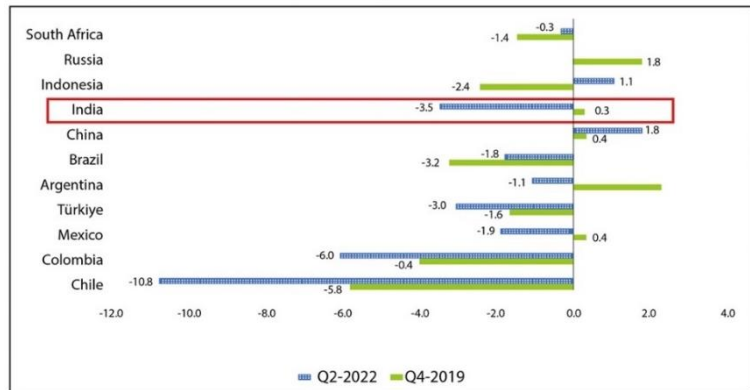
Why FTAs or RTAs are favorable?

- The **limited progress in the multilateral trade negotiations at the WTO** is one of the reasons responsible for the increase in FTAs.
- FTAs are viewed favorably as **they are easy to negotiate and provide flexibility** to factor in geopolitical considerations.
- The purpose of RTAs is to **lower tariffs on goods and services and increase cooperation between trading partners** with the aim of increasing trade, lower prices for consumers, and provide enhanced export opportunities for producers.

Balance of Payments in Challenging Times

- **Current Account Balance:** For the period April- September 2022 (H1FY23), India recorded a **Current Account Deficit (CAD)** of **3.3** per cent of GDP.
 - This is on the back of an increase in the merchandise trade deficit, as compared with 0.2 per cent in H1FY22.
 - India's CAD is **modest** and within **manageable limits**.

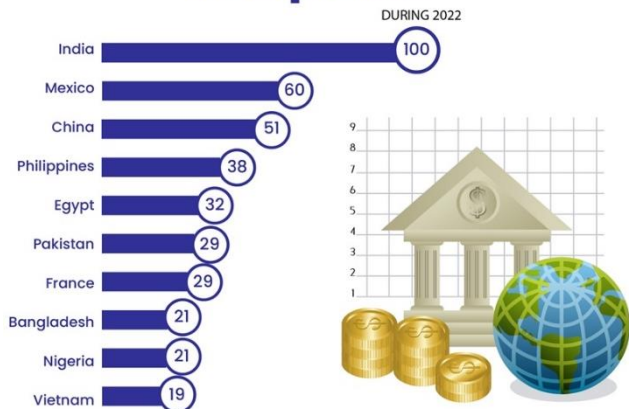
Current account balance as percentage of GDP: India vs Select Countries



Source: OECD Economic Outlook 112 Database

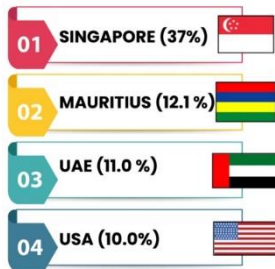
- **Invisibles: Net services receipts** have increased primarily on account of robust computer and business services receipts.
 - **Net services exports** and **Net Private Transfers**, mainly **remittances**, contributed to the surplus on the invisible account, which cushioned the merchandise trade deficit.
- **Capital Account Balance:** FDI and foreign portfolio investment (FPI) is the largest component of the capital account.
 - **External commercial borrowings (ECBs)** to India recorded net outflows in H1FY23 against net inflows a year ago.

Top Remittance Recipients



- **Balance of Payments and Foreign Exchange Reserves:** The reserves augmented to **US\$ 562.7 billion** as of December 2022 covering **9.3 months of imports**.
- As of November 2022, India was the **sixth largest foreign exchange reserves holder** in the world (according to the IMF).

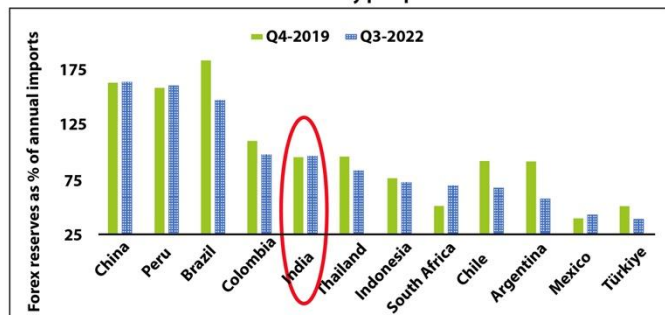
Major FDI Sources for India



Adequacy of Foreign Exchange Reserves

- **Conventional Approach:** It uses three measures- ratios of reserves to imports, to monetary aggregates, and measures of external debt.
- **Traditional approach:** The simple rule of thumb is **three months of imports or full cover of short-term debt**.
- **Guidotti-Greenspan IMF Rule:** It states that a country's reserves **should equal short-term external debt (one-year or less maturity)**, suggesting a ratio of reserves-to-short term debt of one.

Adequacy of India's Forex Reserves (as a percentage of Annual Imports): A Cross-country perspective



Source: IMF (forex reserves) and WTO (for imports data)

Exchange Rates

- **RBI's Active Role:** The exchange rate of the Indian Rupee is market-determined as the **RBI's intervention** in the foreign exchange market is mainly to **contain instances of excessive volatility**.
- **Depreciation:** In 2022, the INR has depreciated by 10.8 per cent whereas the US dollar has appreciated by 6.4 per cent.
 - The **Nominal Effective Exchange Rate (NEER)** of India depreciated by 4.8 per cent in 2022.

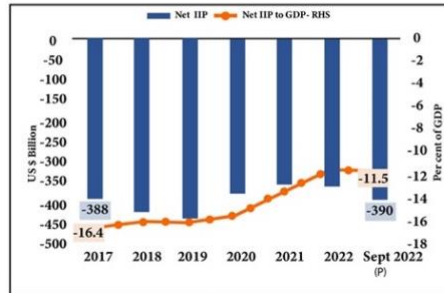
KNOW THE TERM

Nominal Effective Exchange Rate (NEER): It is an index of the weighted average of bilateral exchange rates of home currency vis-à-vis currencies of trading partners, with weights derived from their shares in the trade basket of the home currency.



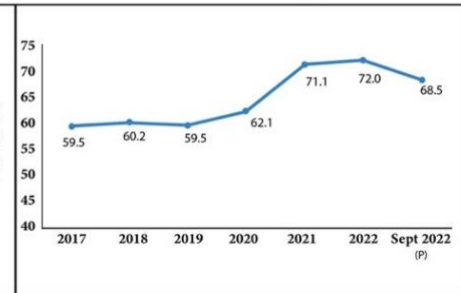
India's net International Investment Position in (September 2022)

a. Net IIP and as percentage to GDP



Source: RBI: P: Provisional

b. Asset Liabilities Ratio (in per cent)



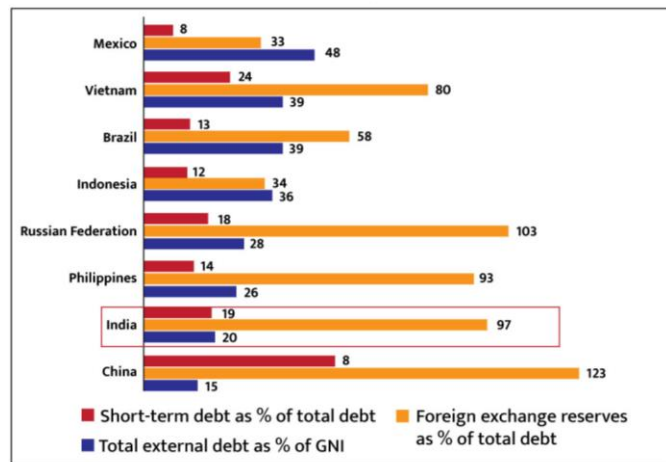
International Investment Position (IIP)

- **Purpose:** It is a **statistical statement** that shows at a point in time the value and composition of
 - Financial assets of residents of an economy that are claims on non-residents and gold bullion held as reserve assets.
 - Liabilities of residents of an economy to non-residents.

External Debt Situation

- **Debt to GDP Ratio:** External debt as a **ratio to GDP** fell to **19.2 per cent** as of end-September 2022 from **20.3 per cent** a year ago.
- **Short-term debt:** **About 97 per cent** of short-term debt is in the form of **trade credit to finance imports** and hence the rise in **short-term debt is stability-friendly**.
- **Composition:** Major part of India's external debt is **denominated in the US dollar (55.5%)** follow by Indian rupee (30.2%)
- **Sovereign External Debt (SED):** It amounted to US\$ 124.5 billion, decreasing by 5.7 per cent over the level a year ago.

Debt ratios: Cross-country comparison 2021



Source: International Debt Report, 2022, World Bank

KNOW THE TERM

Sovereign debt (National debt): It is the debt that a country owes to its foreign and domestic creditors.

Chapter at a Glance

- External sector is facing major headwinds (challenges); however, strong macroeconomic fundamentals are able to cater it.
- India's merchandise export has reached all-time high.
- It is 7th largest service exporter in the world.
- External debt as a ratio to GDP has declined.
- RBI is promoting Indian Rupee as an international currency.



What does the Budget say?



The allocation for key export-boosting schemes has been increased such as **Remission of Duties and Taxes on Export Products (RoDTEP), Rebate of State and Central Taxes and Levies (RoSCTL), Interest Equalization Scheme, Market Access Initiative (MAI)** etc.

CHAPTER 11**Testing your remembering skills & Understanding skills**

1. Arrange the following countries in the order from highest to lowest FDI sources for India.

1. Mauritius
2. UAE
3. Singapore
4. USA

Select the correct answer using the code given below.

- a. 1-2-3-4
- b. 4-3-2-1
- c. 3-1-2-4
- d. 3-2-4-1

2. Which of the following countries is India's major export destination?

- a. China
- b. Bangladesh
- c. Sri Lanka
- d. USA

3. Consider the following statements regarding the India's external debt:

1. US dollar-denominated debt is the largest component with a share of more than 50 per cent.
2. External debt as a ratio to GDP rose from 19.2 per cent to 20.3 per cent in the last one year.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

4. Consider the following statements:

1. Sovereign debt is the debt that a country owes to its both foreign and domestic creditors.
2. India's sovereign external debt has decreased to the level of 10% over the last one year.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

5. Consider the following statements regarding Free Trade Agreements (FTAs):

1. They are economic instruments available to a country for leveraging its competencies in trade and investment.
2. India has so far concluded FTAs with more than 20 countries.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only

- c. Both 1 and 2
- d. Neither 1 nor 2

6. Consider the following statements regarding India's balance of payments situation:

1. India recorded a Current Account Deficit (CAD) of more than 5% of GDP for the period April-September 2022
2. Net services receipts have decreased primarily on account of poor computer and business services receipts.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2



Self-Assessment: To practice Question for Answer Writing skills

- Q1.** Although the initiatives taken by the government of India has resulted in a commendable performance of India's exports in FY22 but there are some emerging factors that have made the future outlook grimmer. Comment.
- Q2.** Explaining the mechanism of international settlement of trade in Indian rupee, discuss its significance for India's global trade.

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CHAPTER 12: PHYSICAL AND DIGITAL INFRASTRUCTURE: LIFTING POTENTIAL GROWTH

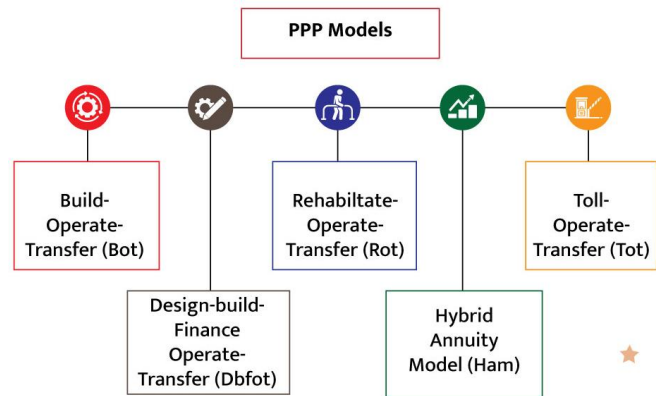
Introduction

In the last 75 years in India since Independence, infrastructure development has moved on a consistent growth curve building the assets required by the nation across sectors such as transportation, housing, commercial development, telecom and most recently, sanitation. Investing in high-quality infrastructure is crucial for accelerating economic growth and sustaining it in the long run.

Government’s Vision and Approaches to Infrastructure Development in India

Public-Private Partnerships (PPPs)

- **Purpose:** PPPs are vital instruments for governments in channelling the strength of private sector in critical areas of infrastructure.
- **Public Private Partnership Appraisal Committee (PPPAC):** It is apex body for appraisal of PPP projects in the Central Sector.
 - It has streamlined appraisal mechanism to ensure speedy and standardised appraisal of projects.
- **Viability Gap Funding (VGF):** Launched by **Department of Economic Affairs (DEA)** in 2006.
 - Under this scheme, economic sector projects **may get up to 40 per cent of Capex as VGF grant**. The Scheme includes higher provisions of VGF grant for social sectors.
- **India Infrastructure Project Development Fund Scheme (IIPDF) (2022):** It aims to develop quality PPP projects by providing necessary funding support to the project-sponsoring authorities. It will be implemented from FY23 to FY25.



National Infrastructure Pipeline (NIP)

- **Objective:** NIP has a forward-looking approach with a projected infrastructure investment of around **₹111 lakh crore during FY20-25 to provide high quality infrastructure across the country**.
 - It includes greenfield and brownfield infrastructure projects.
- **Invest India Grid (IIG):** NIP is hosted on the Invest India Grid (IIG) platform and provides opportunities for States/UTs and Ministries to collate all major infrastructure projects at a single location.
- **Project Monitoring Group:** It ensures fast-tracking of approvals/clearances for projects with an anticipated investment of ₹500 crore and above.

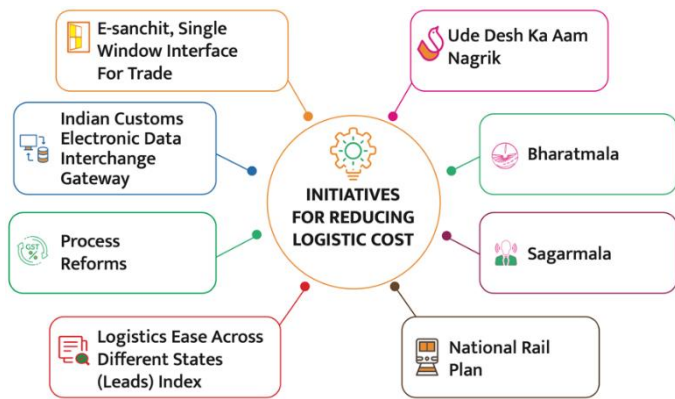
National Monetisation Pipeline, 2021

- **Objective:** To provide an opportunity for deleveraging balance sheets and providing fiscal space for investment in new infrastructure assets.
 - The **estimated aggregate monetisation potential under NMP is ₹6.0 lakh crore** through core assets of the Central Government, over a four-year period, from FY20-25.
- **Process:** The process of monetisation entails a limited period license/ lease of an asset, owned by the government or a public authority, to a private sector entity for upfront or periodic consideration.
 - Such license/ lease of an asset includes provisions for the transfer of assets back to the authority at the end of the contract period.

National Logistics Policy, 2022

- **Overall Cost:** Logistics costs in India have been in the range of **14-18 per cent of GDP** against the global benchmark of **8 per cent**.

- **Focus area:** NLP seeks to develop a **technologically enabled, integrated, cost-efficient, resilient, sustainable and trusted logistics ecosystem** in the country for accelerated and inclusive growth.
 - The policy is an **endeavour to improve the competitiveness of Indian goods, enhance economic growth and increase employment opportunities.**
 - It is aimed at bringing global standards to warehousing, multimodal digital integration, ease of logistics services, human resources, and skill enhancement.
- **Implementation:** The Policy will be implemented through a **Comprehensive Logistics Action Plan (CLAP).**



Logistics Ease Across Different States (LEADS) index 2022

- It is based on **World Bank’s Logistics Performance Index (LPI)** methodology. It is **released by the Ministry of Commerce.**
- It has adopted a classification-based grading.
- **Classification:** Coastal States, hinterland/ landlocked States, North-Eastern States, and Union Territories.

Performance

Category	Criteria	States
Achievers	• States/UTs achieving a percentage score of 90 per cent or more	• Uttar Pradesh, Tamil Nadu, Telangana, Punjab and Uttarakhand.
Fast Movers	• States/UTs achieving percentage scores between 80 to 90 per cent	• Kerala, Sikkim, Madhya Pradesh, Tripura, Puducherry and Rajasthan.
Aspirers	• States/UTs achieving percentage scores below 80 per cent	• Nagaland, Goa, Bihar, Chhattisgarh, A&N Islands, Mizoram, J&K, Arunachal Pradesh, Ladakh, and Lakshadweep.

PM Gatishakti

- **Objective:** The **PM GatiShakti National Master Plan (2021)** entails creation of a **common umbrella platform with all infrastructure projects pertaining to various ministries/ departments** incorporated within a comprehensive database for efficient planning and implementation on a real-time basis.
 - The projects pertaining to **seven engines (roads, railways, airports, ports, mass transport, waterways, and logistic infrastructure)** in the **NIP** will be aligned with PM GatiShakti framework.
 - The focus is on **integrated planning and synchronised implementation** across ministries/ departments, with innovative use of technology.
- **Tech Support:** A GIS based and data-driven decision support platform called **PM GatiShakti National Master Plan** has been also introduced.

Major initiatives of the Indian Railways

- Mumbai-Ahmedabad High Speed Rail (MAHSR) Project (2015)
- Dedicated Freight Corridor (DFC) Project
- GatiShakti Multi-Modal Cargo Terminal (GCT)
- Induction of semi-high-speed Vande Bharat
- Electrical/Electronic Interlocking System
- Development of Hyperloop technology
- Kisan Rail trains (2021)

Developments in Physical infrastructure sectors

- **Road Transport:** It acts as a major mode of transportation and connectivity for the country’s diverse population of consumers and businesses.
 - **10,457 km of National Highways (NHs)/roads were constructed in FY22 as compared to 6,061 km in FY16.**

KNOW THE TERM

Hyperloop: It is an **ultra-high-speed public transportation system** in which passengers travel in **autonomous electric pods at 600+ miles per hour.**

- Railways:** It is called **India's lifeline** and had a huge role to play in national integration and regional development.
 - It is the **fourth largest network** (with over 68,031 route kms) in the world under single management.
- Civil Aviation:** FY22 saw a recovery in aviation sector, mainly led by the domestic sector.
- Initiatives:**
 - UDAN (Ude Desh ka Aam Naagrik)** was launched to enhance connectivity between the **Tier-2 and 3 cities** in the country.
 - Promoting connectivity to **unserved and underserved airports**.
 - The government has also accorded 'in-principle' approval for the setting up of 21 greenfield airports across the country.
- Ports:** The most of the international trade is handled through ports (around 90 per cent of international trade cargo by volume and 79.9 per cent by value).
- Capacity:** The capacity of major ports increased from 871.5 Million Tonnes Per Annum (MTPA) (March 2014) to 1534.9 MTPA (March 2022).

Factors Responsible for Huge Potential of Civil Aviation

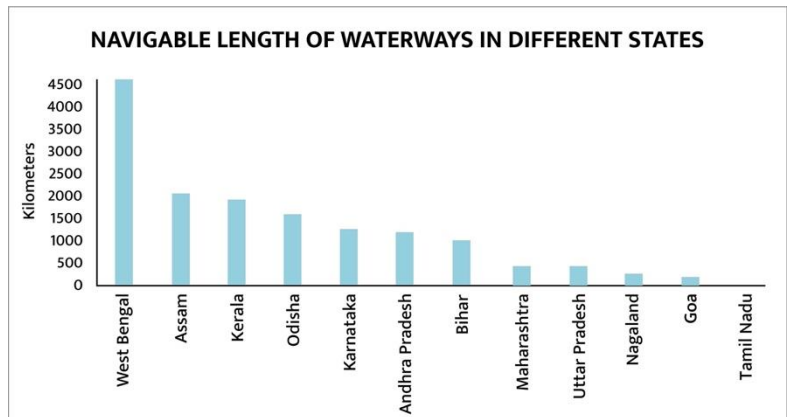
- Growing demand from the middle class
- Growth in population and tourism
- Higher disposable incomes
- Favourable demographics
- Greater penetration of aviation infrastructure

INITIATIVES TO BOOST PORT'S CAPACITY

- The **Port Community System (PCS 1x)** has digitised processes such as **Electronic Invoice (e-Invoice), Electronic Payment (e-Payment)** and **Electronic Delivery Order (e-DO)**
- Radio Frequency Identification Device (RFID)** solution has been implemented at all major ports to enable seamless movement of traffic across port gates.
- National Logistics Portal-Marine (NLP-Marine)**

Inland Water Transport:

- Navigable Length:** The total navigable length of waterways in India is around **14,850 kilometres**.
- Cargo Movement:** It achieved an **all-time high of 108.8 million tons during FY22**, recording **30.1 per cent growth** compared FY21.
- National Waterways:** Under the **National Waterways Act 2016**, **106** new waterways have been declared as National Waterways (NWs), taking the total number of NWs in the country to **111**.
- Inland Vessels Bill 2021:** It replaced the Inland Vessels Act, 1917.
 - It aims to bring uniformity in the application of the law relating to inland waterways and navigation within the country.

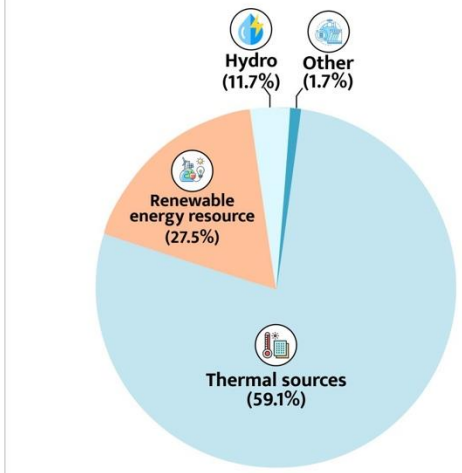


Source: Statistics of Inland Water Transport 2020-21, Ministry of Port Shipping and Waterways
 Note: Data pertains to 2020-21. **Data for Uttar Pradesh pertains to 2016-17

Electricity:

- Total Installed Power:** The total installed power capacity of utilities and captive power plants (industries having demand of 1 Mega Watt (MW) and above) was **482.2 GW in March 2022** is up by **4.7 per cent from 2021**.
 - Installed capacity in utilities was 399.5 GW on 31 March 2022 is higher by 4.5 per cent from 2021.
- Renewable Energy Resources:**
 - Between FY22 and FY21, the **maximum rise in electricity generation was recorded in renewable energy resources** for utilities and for captive plants.
 - Initiatives for Promoting Renewable Energy Resources**

SOURCES OF POWER GENERATION IN INDIA



- ✓ **Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM):**
 - It aims to **provide energy and water security, de-dieselise the farm sector and generate additional income** for farmers by producing solar power.
- ✓ **Solar Park Scheme:** It has been introduced to facilitate necessary infrastructure like land, power evacuation facilities, road connectivity, water facility, etc. along with all statutory clearances.
- ✓ **Hydropower Purchase Obligation (HPO)** within Non-Solar Renewable Purchase Obligation (RPO) has been initiated.

Developments in Digital Infrastructure

Telecommunications:

- **Telephone Subscriber:** As of November 2022, telephone subscriber **base in India is 117 crores.**
- **Internet Connections:** More than 97 per cent of the total subscribers are connected wirelessly, 83.7 crore have internet connections as of June 2022.
- **Tele-density:** The overall tele-density in India stood at 84.8 per cent.
 - It ranged from 55.4 per cent in Bihar to 270.6 per cent in Delhi.
- **5G rollout: Indian Telegraph Right of Way (Amendment) Rules, 2022,** will facilitate faster and easier deployment of telegraph infrastructure to enable speedy 5G rollout.

Lessening Rural-Urban Digital Divide

- **Digital India initiative (2015)** with various new services and applications like digital payments, **e-governance, e-commerce, e-health, and e-education** helped in bridging the rural-urban digital divide.
- More **internet subscribers were added in rural areas in the last 3 years (2019-21)** than in their **urban counterparts** (95.76 million vis-a-vis 92.81 million in rural and urban areas respectively).
- The **200 per cent increase in rural internet subscriptions between 2015 and 2021 vis-a-vis 158 per cent in urban area.**

INITIATIVE TO BRIDGE RURAL-URBAN DIGITAL DIVIDE

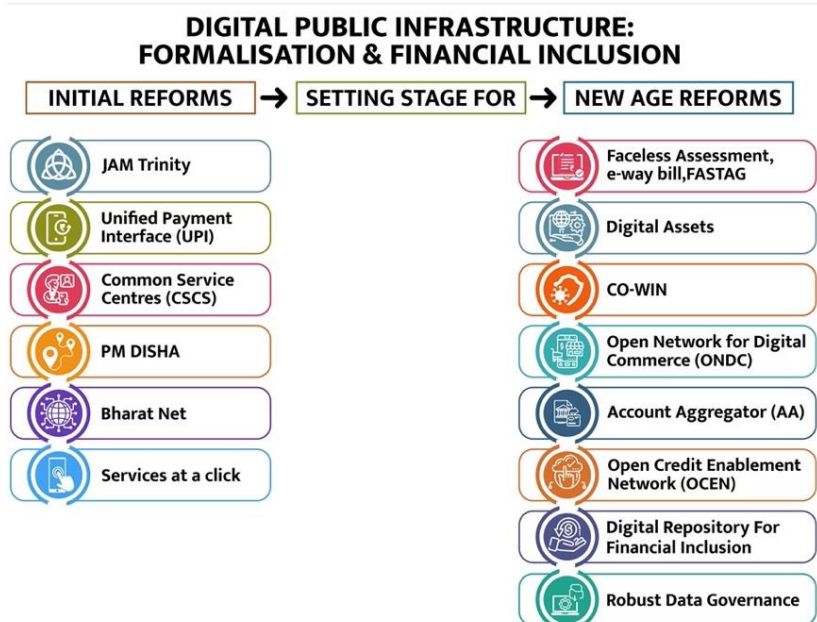
- BharatNet Project Scheme
- Telecom Development Plan
- Production Linked Incentive (PLI) for telecom and networking products
- Aspirational District Scheme
- Comprehensive Telecom Development Plan (CTDP)

Radio

- It **most affordable and popular medium of mass communication in India** and has been a tool that has consistently helped in empowerment and social development of the people of our country.
- **Prasar Bharati broadcasts** in 23 languages, 179 dialects from 479 stations across the country, reaching nearly 92 per cent of the area and 99.2 per cent of the total population of the country.

Growth Story of Digital Public Infrastructure


- **Digital Public Infrastructure (DPI):** It aimed at improving financial literacy, innovation, entrepreneurship, employment generation, and empowering beneficiaries has played a critical role in uplifting the economy.
 - **Aadhaar (2009)** commenced the journey of DPI.
- **Growth Driver:** Favourable demographics, vast expansion of the middle-class, and digital behaviour patterns.







Initiatives	Details
MyScheme	<ul style="list-style-type: none"> It is an e-Marketplace for schemes where users can look for suitable schemes based on their eligibility.
Unified Mobile Application for New-Age Governance (UMANG)	<ul style="list-style-type: none"> It enabled citizens to access e-Government services offered by the Central and State Government in various sectors such as agriculture, education, health, housing, employees, pensioners, and students' welfare. Direct Benefit Transfer schemes were made live on UMANG until September 2022.
Open Network for Digital Commerce (ONDC)	<ul style="list-style-type: none"> It is a network-based open protocol that would connect all the buyers and sellers on the network thus bringing better visibility across the Business-to-Consumer (B2C) & Business-to-Business (B2B) landscape.
OpenForge	<ul style="list-style-type: none"> It promotes use of open-source software and sharing and reuse of e-governance-related source code.
National AI portal	<ul style="list-style-type: none"> To strengthening the AI ecosystem in the country by pooling together and highlighting the latest developments happening in Central and State Governments, industry, academia, NGOs, and civil societies
Bhashini	<ul style="list-style-type: none"> It is a National Language Translation Mission, aiming at nurturing Indian language technologies and solutions as a public good, was launched in July 2022.
Open Credit Enablement Network (OCEN)	<ul style="list-style-type: none"> It will transform lending and borrowing sector. It will ensure that small borrowers are able to avail themselves of the best terms under which credit is available.
Unified Payments Interface (UPI), 2016	<ul style="list-style-type: none"> It empowers and knits multiple bank accounts into a single mobile application, merging several banking features, seamless fund routing and merchant payments into one hood. UPI-based transactions grew in value (121 per cent) and volume (115 per cent) terms, between 2019-22, paving the way for its international adoption.
Mission 'Drone Shakti'	<ul style="list-style-type: none"> Drone start-ups and Drone-as-a-Service (DrAAS) are being promoted. A Production-Linked Incentive (PLI) scheme for drones and drone import policy have been introduced. DrAAS is a concept comparable with Software as a Service (SaaS) which will help eliminate the need for government departments to purchase drones. Instead, the departments can rent drones, allowing them to become asset-light and take advantage of the best available capability and latest technology in the market.
Account Aggregator (AA)	<p>It is a global techno-legal framework that enables individuals to share their financial data quickly and securely, with their consent, with any regulated third-party financial institution of their choice.</p> <p>The AA framework is currently live across over 110 crore of bank accounts.</p>

Chapter at a Glance

- Both Physical and digital infrastructure have improved over time due to government initiatives.
- Public-Private Partnerships (PPPs), National Infrastructure Pipeline (NIP) etc. are some of the important initiatives for physical infrastructure such as road, railways etc.
- Internet connection and tele density has also improved.



What does the Budget say?

-  The **Budget allocation for infrastructure** is ₹10 lakh crore, at **3.3% of GDP.**
-  **Rs.2.4 lakh crore has been allocated to Railways**, the highest allocation ever since 2013-14.
-  **100 critical transport infrastructure projects** announced to promote logistic efficiency.
-  A **one-year extension of the 50-year interest-free loan** to state governments in order to encourage them to adopt complementary policies and encourage infrastructure investment.

CHAPTER 12**Testing your remembering skills & Understanding skills****1. With reference to Invest India Grid, consider the following statements:**

1. It is an online platform to facilitate funding by NRI in India's infrastructure projects.
2. It is hosted by NITI Aayog.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

2. With reference to Logistics Ease Across Different States (LEADS) index consider the following statements:

1. It is based on the methodology under the Logistics Performance Index.
2. It is released by the World Bank.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

3. Projects pertaining to which of the following sectors in the National Infrastructure Pipeline will be aligned with the GatiShakti framework?

1. Roads
2. Railways
3. Mass transport
4. Waterways
5. Logistic infrastructure

Select the correct answer using the code given below.

- a. 1 and 2 only
- b. 3, 4 and 5 only
- c. 5 only
- d. 1, 2, 3, 4 and 5

4. Arrange the following sources of energy in increasing order of their share in total energy production in India.

1. Thermal energy
2. Renewable energy
3. Hydro energy

Select the correct answer using the code given below.

- a. 2-3-1
- b. 1-2-3
- c. 2-1-3
- d. 1-3-2

5. Consider the following statements:

1. India has the largest railway network in the world.
2. Only 20 percent of international trade cargo by volume is handled through ports.

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2



Self-Assessment: To practice Question for Answer Writing skills

- Q1.** Keeping in view the correlation between infrastructure and development, the government has focused on reforms in the areas of physical, digital, and regulatory infrastructure in recent times. Discuss in the context of India.
- Q2.** Despite several efforts to improve the logistics sector in the Indian economy, it is not devoid of challenges. In this context, discuss the role of the National Logistic Policy, 2022, in addressing the gaps in the logistic sector in India.

NEWS TODAY

- ✍ Daily Current Affairs news bulletin covered in 2 pages.
- ✍ Primary sources of news: The Hindu, Indian Express and PIB. Other sources includes News on AIR, the Mint, Economic Times etc.
- ✍ Focus is to provide the primary level of information to get an idea of the different things that are going around
- ✍ Two types of approaches followed:
 - Primary News of the Day: - Covers main news items of the day in less than 180 words.
 - Also in News:- These are basically one-liners appearing in news. The word limit here will be 80 words.
- ✍ Available in English & Hindi. Hindi Audio available at VisionIAS Hindi YouTube channel

ANSWERS**Chapter 1**

1	2	3	4	5
C	D	A	B	D

Chapter 2

1	2	3	4	5
C	C	D	D	B

Chapter 3

1	2	3	4	5
D	C	D	C	D

Chapter 4

1	2	3	4	5
D	A	B	C	B

Chapter 5

1	2	3	4	5
C	D	D	A	B

Chapter 6

1	2	3	4	5
D	C	A	B	B

Chapter 7

1	2	3	4	5
B	A	B	A	B

Chapter 8

1	2	3	4	5
A	D	A	D	D

Chapter 9

1	2	3	4	5
C	B	B	C	B

Chapter 10

1	2	3	4	5
A	B	C	A	B

Chapter 11

1	2	3	4	5	6
C	D	A	A	A	D

Chapter 12

1	2	3	4	5
D	A	D	B	D

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8 IN TOP 10 SELECTIONS IN CSE 2021

FROM VARIOUS PROGRAMS OF **VISION IAS**

2
AIR



**ANKITA
AGARWAL**

CIVIL SERVICES EXAMINATION 2020

1
AIR



SHUBHAM KUMAR

3
AIR



**GAMINI
SINGLA**

4
AIR



**AISHWARYA
VERMA**

5
AIR



**UTKARSH
DWIVEDI**

6
AIR



**YAKSH
CHAUDHARY**

7
AIR



**SAMYAK
S JAIN**

8
AIR



**ISHITA
RATHI**

9
AIR



**PREETAM
KUMAR**



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635, Opp. Signature View Apartments,
Banda Bahadur Marg, Mukherjee Nagar



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