GS SCORE

An Institute for Civil Services

GIST of ECONOMIC SURVEY 2022-23

For Civil Services Exam

- Key Highlights
- Concise Summary
- Key Terms
- Important Concepts & Facts
- Mains Reflective Questions
- Prelims Practice MCQs

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Contents

PREFACE

The Economic Survey is one of the most vital documents to reflect on the state of the economy, policy framework and likelihood in times to come. All this and more makes the Economic Survey indispensable for various competitive examinations.

Our endeavour is to provide candidates with a highly enriched, actionable, usable and 'marks worthy' coverage of economic survey with enhanced learning. One of the many highlights of this volume is the summary of the Economic Survey .The summary is enriched with graphics and analysis in crisp and easy to understand form to decipher the voluminous document in the least possible time.

It is often observed that a technical document like an economic survey is laden with jargon and important terms which are difficult to understand and even more difficult to imbibe. We have attempted to make this easy by dedicating a separate section to important terminologies (Key Terms), along with simple explanations so that our readers can understand the economic survey comprehensively. Apart from the key terms we have also added the important government schemes after every chapter.

Knowledge from the economic survey can only be utilised to their full potential if candidates can use this knowledge to build the correct narrative and reflect upon it to make tangible and logical deductions. To this end, this volume contains reflective exercises, specially curated for maximum benefit to our readers. Reflective Exercise contains few thought provoking questions which allow students to mull over their understanding about the nuances of the economy in general and the overall working of the country in particular.

Another important feature of this volume is compilation of relevant MCQs to validate one's learning of the economic survey and to practice and ultimately excel. It is sincerely hoped that this volume will add value to your preparation and will act as an important tool to sculpture your success.

*A full-fledged video on analysis of the Economic Survey will be uploaded on the GSSCORE's official YouTube channel.

CHAPTER: 1

State of the Economy 2022-23: Recovery Complete

Key-Terms

- **Economic Shock:** Economic shocks are **random, unpredictable events that have a widespread impact on the economy and are caused by things outside the scope of economic models**.
- **Capital Expenditure (Capex):** Capital expenditures are **payments made for goods or services** that are **recorded or capitalized** on a company's balance sheet instead of expensed on the income statement.
- **Advanced Economies (AEs):** The term is generally used in a casual sense, referring to **countries with decent standards of living, a substantial accumulation of industrial capital, modern technologies, and institutions that are firmly embedded within the global economy**.
- **Emerging Market Economies (EMEs):** An emerging market economy is an economy that's transitioning into a developed economy.
  - Emerging market economies typically feature a unified currency, stock market, and banking system; they're in the process of industrializing.
- **Domestic private consumption:** This is also called personal consumption or consumer expenditure. Consumer expenditure is personal (mainly household) spending on goods and services.
  - Thus it includes imputed rents **on owner-occupied dwellings**; and administrative costs of life assurance and pension funds.
  - It excludes; **interest payments; the purchase of land and buildings; transfers abroad; all business expenditure; and spending on second-hand goods, which reflects a transfer of ownership rather than new production.**
- **"Pent-up" demand:** Pent-up demand is **when an economy experiences consumer demand for goods and services that has been building up over time, typically due to a recession**.
- **Capital Risk-Weighted Adjusted Ratio (CRAR):** It is **the ratio of a bank's capital to its risk-weighted assets and current liabilities**.
  - This ratio is utilized to secure depositors and boost the efficiency and stability of financial systems all over the world.
- **Budgeted capital expenditure:**The **capital expenditures budget** identifies the amount of cash a company will invest in projects and longterm assets.

INTRODUCTION

The global economic shocks were severe and hit the economy thrice since 2020. It all started with the pandemic-induced contraction of the global output, followed by the Russia-Ukraine conflict leading to a worldwide surge in inflation. To curb the menace of economic slowdown and inflation, the Federal Reserve (Central bank) responded with significant policy measures.

With the increase in tightening policy measures taken by banks across world, the debt of the non-financial sector has risen with **persistent inflation** lowering the global growth as indicated by the World economic outlook report for the year 2022 and 2023. Amid such impacts over the developed and developing economies, India's economy appears to have moved on after its encounter with the pandemic, staging a full recovery in FY22 ahead of many nations and positioning itself to ascend to the pre-pandemic growth path in FY23.

The estimate global growth is projected to decline in 2023 and is expected to remain generally subdued in the following years as well. The slowing demands will likely push down global commodity prices and improve India's CAD in FY24, which is required to monitor for strengthening of the balance sheets of the corporate and banking sectors.

Note: To support economic growth, the expansion of public digital platforms and path-breaking measures such as **PM GatiShakti, the National Logistics Policy, and the Production-Linked Incentive** schemes will help to boost manufacturing output.

THE GLOBAL ECONOMY BATTLES THROUGH A UNIQUE SET OF CHALLENGES

- **Persistent challenges from previous millennium:** The Present scenario was compared to last century's event when the two world wars took place with the deadly Spanish flu spread with the great depression. The events which are in process to get recovered includes East Asian crisis, global financial crisis, trade tensions between the super-powers. The steps taken were to curb the coming crisis situation.
- **The string of factors contributing to economic slowdown:** As the global economy was recovering from the pandemic-induced output contraction, the Russia-Ukraine conflict broke out in February 2022, triggering a swing in commodity prices and, thus, accelerating existing inflationary pressures.

Hardening of bond yields across economies

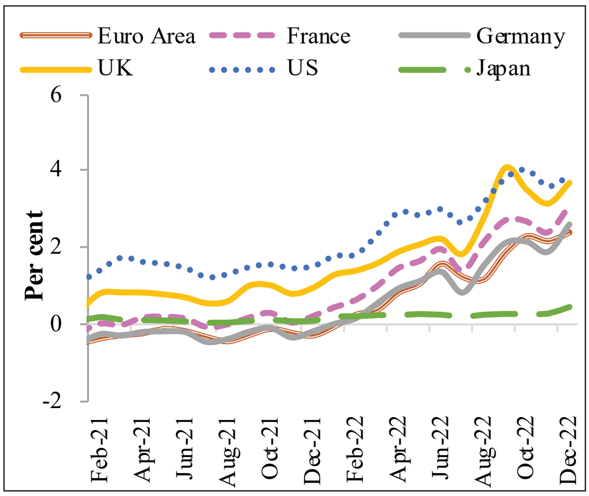


FIGURE: *10-year Bond Yield in AEs*

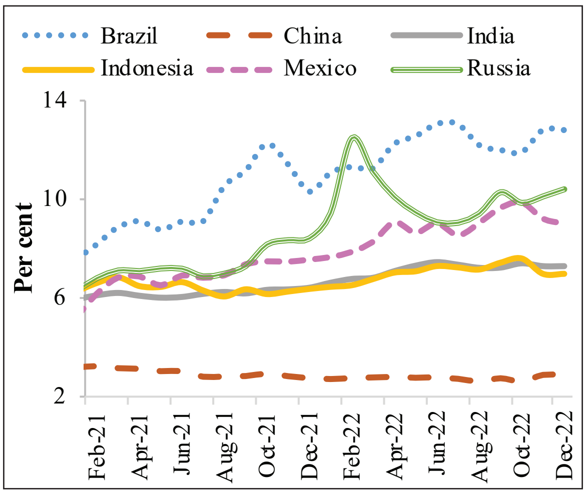
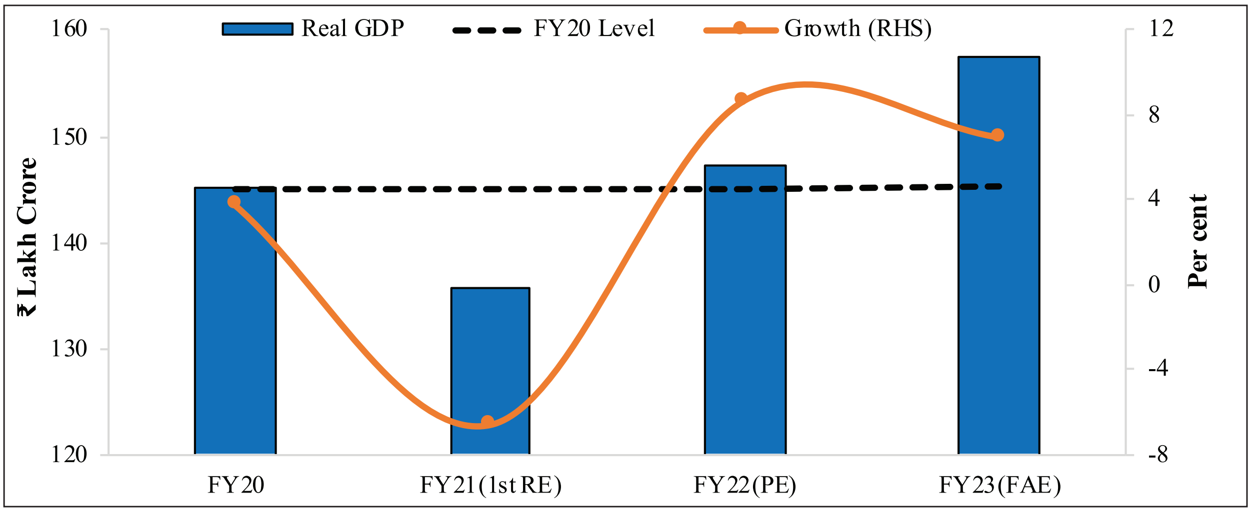


FIGURE: *10-year Bond Yield in EMEs*

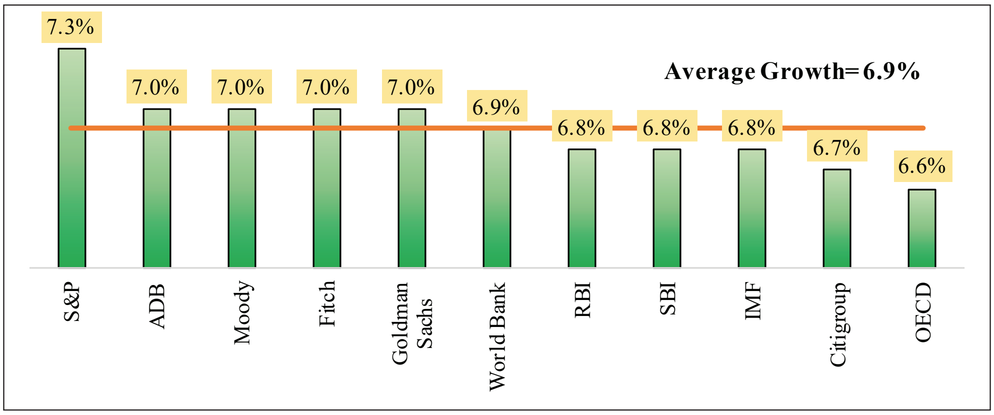
- **Counter-effects of monetary tightening to rein in inflation:** As the Central banks took the monetary operations to curb the inflation and effects; it counter attacked the growth regime of developing nations. This leads to rising sovereign bond yields, and depreciation of most currencies against the US dollar.
- **Global stagflation**: Nations felt compelled to protect their respective economic space, slowed cross-border trade, which posed the fourth challenge to growth with china's tighten policy enabled crisis.
- **The loss of education and income-earning opportunities:** The next challenge was a consequence of the several challenges being faced by the nations i.e. Unemployment and job losses.
- **Impacts of supply chain disruption:** The conflict caused the prices of critical commodities such as crude oil, natural gas, fertilisers, and wheat to soar. This strengthened the inflationary pressures that the global economic recovery had triggered, backed by massive fiscal stimuli and ultra-accommodative monetary policies undertaken to limit the output contraction in 2020.



Source: NSO, MoSPI

FIGURE: ***Economic growth remains resilient***

- **Inflation in advanced economies:** The advanced economies accounted for most of the global fiscal expansion and monetary easing, breached historical highs, with rising commodity prices in the Emerging Market Economies (EMEs) led to higher inflation rates.



Source: Various Agencies

Note: ADB stands for Asian Development Bank, IMF is International Monetary Fund

FIGURE: ***India growth projections by various agencies for FY23***

The challenges mentioned above leads to impacts such as;

- Rising inflation and monetary tightening led to a slowdown in global output beginning in the second half of 2022.
- The **global PMI composite index** has been in the contractionary zone since August 2022, while the yearly growth rates of global trade, retail sales, and industrial production have significantly declined in the second half of 2022.

INDIA'S ECONOMIC RESILIENCE AND GROWTH DRIVERS

- **India's growth projections:** Despite strong global headwinds and tighter domestic monetary policy, if India is still expected to grow between 6.5 and 7.0 percent, and that too without the advantage of **a base effect**.
- **Real growth drivers:** India's resilience can be boosted by its domestic stimulus and manufacturing and investment activities. Private consumption can be one among the factors contributing to the growth.
- **Domestic capacity utilisation:** As indicated by **Motilal Oswal's Economic Activity Index** which estimates that private consumption grew at a five-month high pace of 5.6 percent YoY, driven by auto sales and broad-based expansion of services.
- **Boost in demand and consumption patterns:** RBI's most recent survey of consumer confidence released in December 2022 pointed to improving sentiment with respect to current and prospective employment and income conditions.
- **Investment in Construction sector:** Apart from housing, construction activity, in general, has significantly risen in FY23 as the much-enlarged capital budget (Capex) of the central government and its public sector enterprises is rapidly being deployed.
- **Investment in manufacturing**: While an increase in **export demand, rebound in consumption, and public capex** have contributed to a recovery in the investment/manufacturing activities of the corporates, their stronger balance sheets have also played a big part equal measure to realising their spending plans.
- **Equivalent banking activities**: The year-on-year growth of credits triggered by their improved financial health will implement the better economic stance in the coming times.

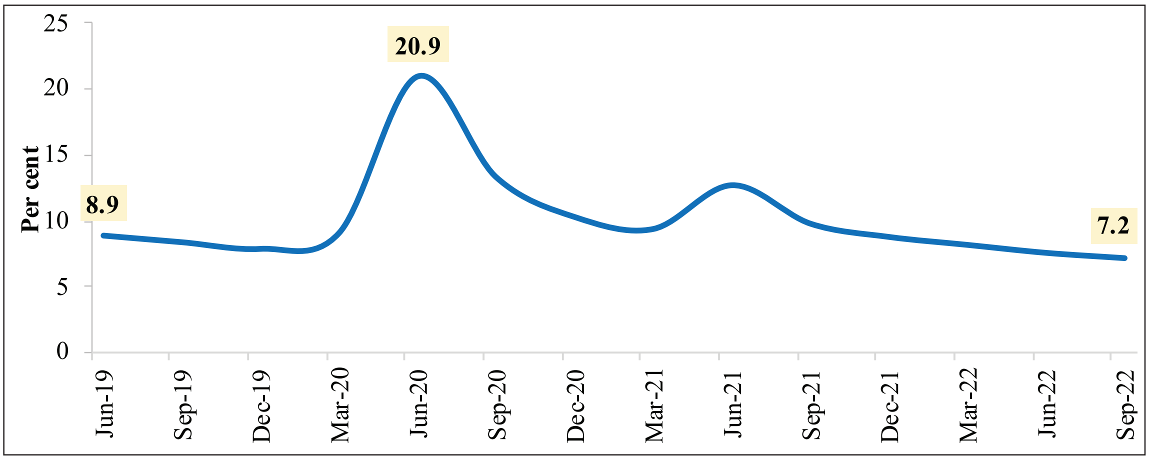
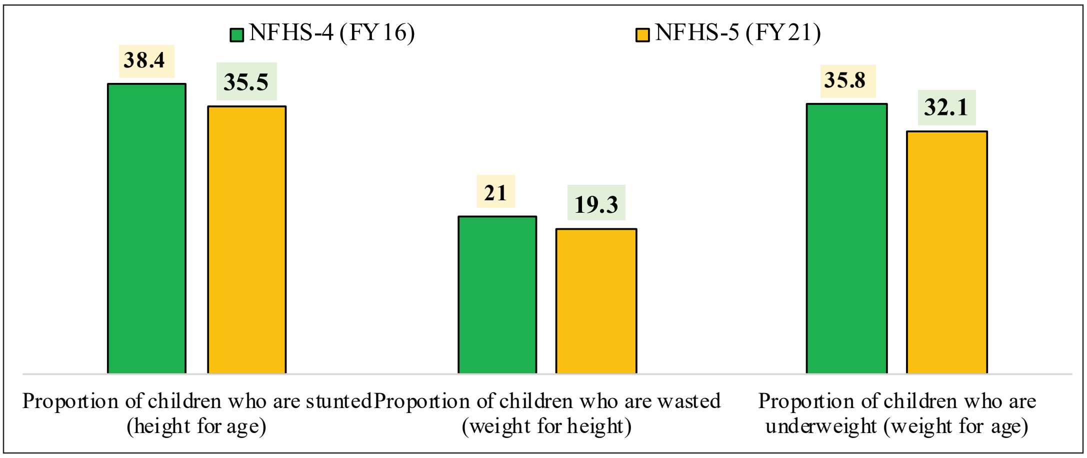


FIGURE: ***Urban Unemployment Rate at four-year low***

- **Maintaining growth indicators for banking sector:** The Non-Performing Assets (NPAs) must be recovered with stringent rules against defaulters by Insolvency and Bankruptcy Board of India (IBBI).
- **Adequate budgetary support**: At the same time, the government has been providing adequate budgetary support for keeping the PSBs well-capitalized, ensuring that their Capital Risk-Weighted Adjusted Ratio (CRAR) remains comfortably above the threshold levels of adequacy.

INDIA'S INCLUSIVE GROWTH

- **The growth estimations:**
  - The **Periodic Labour Force Survey (PLFS**) shows that the urban unemployment rate for people aged 15 years and above declined for ending quarter of September 2021 to 7.2 percent one year later (quarter ending September 2022).
  - This is accompanied by an improvement in the **labour force participation rate (LFPR)** as well, confirming the emergence of the economy out of the pandemic induced slowdown early in FY23.
  - Job creation appears to have moved into a higher orbit with the initial surge in exports, a strong release of the **"pent-up"** demand, and a swift rollout of the capex.



Source: NFHS-4 and NFHS-5

FIGURE: ***Improvement in Rural Welfare Indicators***

- **Focus on elementary institutions like MSMEs**:
  - The Government announced the **Emergency Credit Line Guarantee Scheme** which has succeeded in shielding micro, small and medium enterprises from financial distress.
- **Job creation under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA):**
- **Scheme for welfare of different section of the society**: The 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.
  - Schemes like **PM-KISAN**, which benefits households covering half the rural population, and **PM Garib Kalyan Anna Yojana** have significantly contributed to lessening impoverishment in the country.

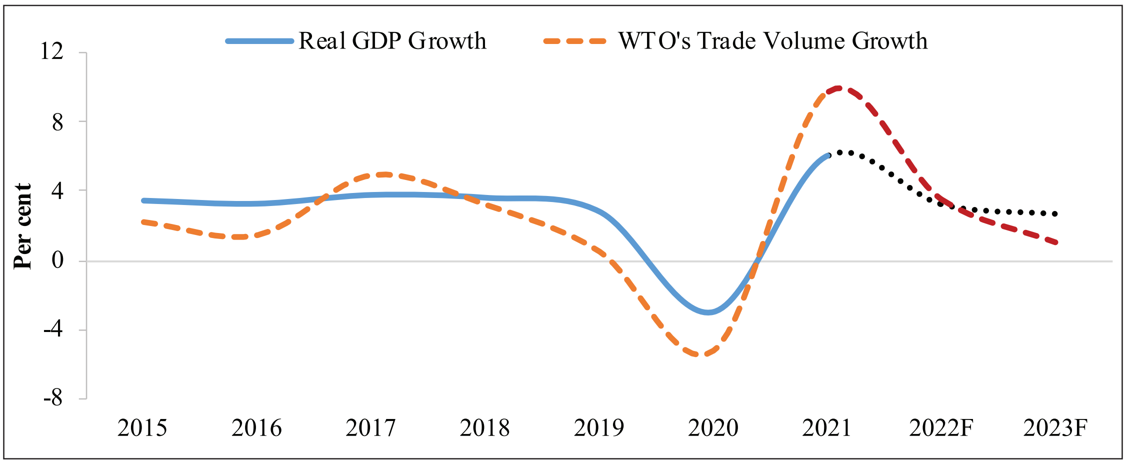
OUTLOOK: 2023-24 (THE STEPS TAKEN FORWARD)

The outlook which the nation got from the data includes;

- The **private sector – financial and non-financial** – was repairing balance sheets, which led to a slowdown in capital formation in the previous decade.
- The **financial system stress experienced** due to rising nonperforming assets, low credit growth and declining growth rates of capital formation, caused by excessive lending witnessed has reduced.
- **Capex Cycle:** The government raised **capital expenditure** substantially. Budgeted capital expenditure raised 2.7X in the last seven years, from FY16 to FY23, re-invigorating the Capex cycle.
- **Structural reforms** such as the introduction of the Goods and Services Tax and the Insolvency and Bankruptcy Code enhanced the efficiency and transparency of the economy and ensured financial discipline and better compliance.

Even as India's outlook remains bright, global economic prospects for the next year have been weighed down by the combination of a unique set of challenges expected to impart a few downside risks such as;

- **Multi-decadal high inflation numbers** have compelled central banks across the globe to tighten financial conditions.
- The impact of **monetary tightening** is beginning to show in slowing economic activity, especially in Advanced Economies.
- The **prolonged strains in supply chains** and heightened uncertainty due to geo-political conflict have further deteriorated the global outlook.
- **Entrenched inflation** may prolong the tightening cycle, and therefore, borrowing costs may stay 'higher for longer'.



Source: IMF, WTO
Note: F stands for Forcast

FIGURE: ***Slowdown in global economic growth and trade***

But India has few subsidiary measures been adopted by the government which led to contribution in economic boost to several sectors such as;

- 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;
- Inflationary impulses from the reopening of China's economy turning out to be neither significant nor persistent;
- Recessionary tendencies in major AEs triggering a cessation of monetary tightening and a return of capital flows to India amidst a stable domestic inflation rate below 6 percent; and
- This leading to an improvement in animal spirits and providing further impetus to private sector investment.

Important Schemes & Initiatives

- Emergency Credit Linked Guarantee Scheme(ECGLS)
- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)
- PM-Kisan
- PM Garib Kalyan Yojana
- PM GatiShakti
- Production-Linked Incentive schemes
- PM Garib Kalyan Anna Yojana

REFLECTIVE EXERCISE

1. **The tightening done by US Fed amidst the conflict in Europe and in quick succession to the pandemic represents a challenge for Indian economy to keep inflation in check and maintain the sustainability of CAD. Analyze.**
2. **India's economic resilience can be seen in the domestic stimulus to growth seamlessly replacing the external stimuli. Elucidate.**

PRACTICE MCQs

1. Regarding India's public debt consider the following statemetns:

1. Majority of the debt is owed by the Central Government as compared to State governments.
2. Majority of the debt is characterized as being external in nature
3. Majority of the debt is of long-term nature.
4. Majority of the debt is dependent on a floating rate of interest

Select the correct answer from the code given below:

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

2. With reference to PMI composite index, which of the following is incorrect?

(a) It is a survey-based measure that asks the respondents about changes in their perception of key business variables.
(b) It is calculated separately for the manufacturing and services sectors
(c) A Higher PMI indicates contracting economy.
(d) None of the above

3. Which of the following are the steps taken for an economic recovery?

1. Open market Operations
2. Managing liquidity flow in market
3. Increasing Interest rates
4. Structural reforms

Select the correct answer from the code given below:

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

4. Consider the following:

Type of slowdown		**Indicator**
1. Structural	-	Unemployment
2. Cyclical	-	Supply chain disruptions
3. Depression	-	long term unemployment

Select the correct answer from the code given below:

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

ANSWERS

1. (b)	**2.** (d)	**3.** (d)	**4.** (d)

****

CHAPTER: 2

India's Medium-Term growth outlook: With optimism and Hope

Key-Terms

- **Balance sheet stress:** The stress test **analyses how the impacts on the bank balance sheet will impact the bank adversely in different economic situations**.
- **Non-debt-creating capital receipts:** Non-debt creating capital receipts refer to those **receipts of the government which lead to a decrease in assets, and not an increase in liabilities**. For instance, disinvestment is a non-debt creating capital receipt.
- **Retrospective taxation:** Retrospective taxation **allows a nation to implement a rule to impose a tax on certain products, goods or services and deals and charge companies from a time before the date on which the law is passed**
- **Dividend Distribution tax:** A dividend distributions tax is **nothing but a tax levied on the profits distributed by Indian Companies** to its investors or shareholders.

INTRODUCTION

Indian economy has undergone a transformative process of New Age reforms in the last eight years. These diverse policies converge towards improving the economy's overall efficiency and lifting its potential growth. To achieve the **broader policy goal** of unleashing the productive **potential of the economy and its people**, the reforms aimed at enhancing the ease of living and doing business at the fundamental level.

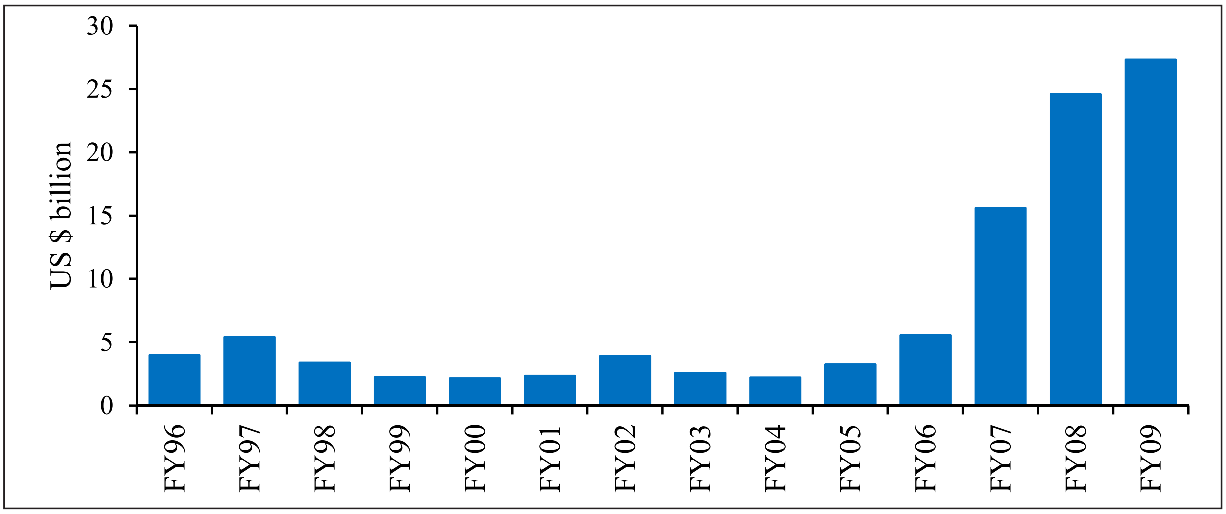
PRODUCT AND CAPITAL MARKET REFORMS

- **Initiation of the reforms- 1991:**
  - **Reason behind the reforms**: The **macroeconomic imbalances** of the late 1980s and early 1990s with high **combined deficit** of the central and state governments, elevated **inflationary pressures,** and large and unsustainable **Current Account Deficit (CAD)** led to a balance of payments crisis in the Indian economy.
  - **Measures taken to liberalise:** Import licensing on almost all intermediate inputs and capital goods were removed, and the entry restrictions for firms were simplified. **Monopoly of public sector** over the many sectors was done away with and the reforms initiated the automatic approval policy for **FDI up to 51 percent.**

- The **exchange rate** was made flexible and the currency was **allowed to depreciate** to the level necessary to maintain competitiveness.
- The rupee was made **fully convertible** on the current account and partially on the capital account.

➤ **Continuity in Reforms with a Renewed Impetus:**

- The product and capital market reforms continued slowly over the decade of the 1990s.
- Investments were liberalised further to encourage Foreign Direct Investment as a main source of non-debt-creating capital inflows.



Source: RBI

FIGURE: ***Foreign Direct Investment to India- Increased after the impetus to investment liberalisation in 2000-2003***

- The telecom sector was entirely reformed by the New Telecom Policy 1999.
- Government initiatives brought boost to the IT sector.
- The government set up a dedicated Ministry to take this agenda forward.
- It sold equity stakes in some CPSEs and privatised companies such as **Maruti Udyog, Hindustan Zinc, Bharat Aluminum, and Videsh Sanchar Nigam Limited.**
- Focused on economic connectivity was made **via 'Golden Quadrilateral'.**
- Fiscal Responsibility and Budget Management (FRBM) Act was passed to address the historic highs of the combined deficits of the Government.
- The SARFAESI Act allowed banks and financial institutions to recover their dues by proceeding against the secured assets of the borrower/guarantor without the intervention of the court/tribunals.

➤ **One-Off Shocks Overshadowed The Reforms of 1998-2002:**

- The period of these reforms also witnessed a series of domestic and global shocks, which subdued investor confidence.
- After India's nuclear test led to a sharp decline in capital flows to India during the months following the nuclear tests.
- The period between 2000 and 2002 also witnessed **two successive droughts.**
- Though all these factors overshadowed the immediate impact of reforms undertaken by the government then, they laid the groundwork and prepared the Indian economy structurally to participate in the Global boom which followed soon after.

Date	Location	Numbers
Apr 2000	Gujarat, Rajasthan, Madhya Pradesh, Andhra Pradesh, Orissa, Maharashtra	Affected- 9 crore; Damage- US$588,000,000
Nov 2000	Mahasamund, Raipur, Kawardha, Rajnandgaon, Durg districts (Chhattisgarh region)	
May 2001	New Delhi, Rajasthan, Gujarat, Orissa	20 deaths
Jul 2002	Uttar Pradesh, Madhya Pradesh, Rajasthan, Punjab, Haryana, Delhi, Karnataka, Kerala, Nagaland, Orissa, Chhattisgarh, Himachal Pradesh, Gujarat, Maharashtra, Andhra Pradesh, Tamil Nadu	Affected-30 crore; Damage- US$910,721,000

Source: Samra, J. S., 2004. "Review and analysis of drought monitoring, declaration and management in India,"IWMI Working PapersH035617, International Water Management Institute. (https://www.preventionweb.net/files/1868_VL102135.pdf)

TABLE: ***Occurrence, number of people affected and damages of droughts in India between 2000 and 2002***

- **India's Participation in The Global Boom of 2003-08:**
  - The economic growth during the period was supported by **strong capital inflows,** which indicated favourable domestic and external factors.
  - Some of these included sustained momentum in **domestic economic activity, better corporate performance, a conducive investment climate, positive sentiments for India as a preferred investment destination, and encouraging global liquidity conditions/ interest rates.**

REFORMS FOR NEW INDIA-SABKA SAATH SABKA VIKAAS

- The reforms undertaken before 2014 primarily catered to **product and capital market** space.
- With an underlying emphasis on enhancing the **ease of living and doing business** and improving economic efficiency the government came up with broad principles on reforms and they were creating public goods, adopting trust-based governance, co-partnering with the private sector for development, and improving agricultural productivity.

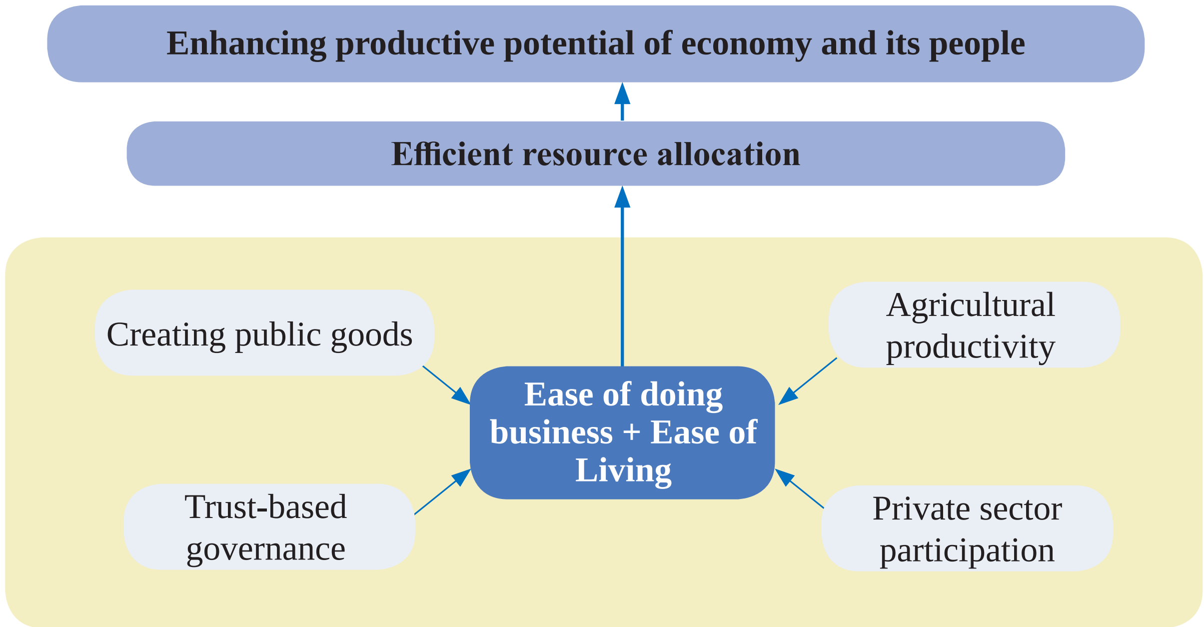


FIGURE: ***Underlying framework for Reforms for a new India***

- This approach reflects a **paradigm shift in the growth and development** strategy of the government, with the emphasis shifting towards **building partnerships amongst various stakeholders** in the development process, where each contributes to and reaps the development benefits **(Sabka Saath, Sabka Vikaas).**

PHASES OF REFORMS

1. **Creating public goods to enhance opportunities, efficiencies and ease of living:** Introducing infrastructure-intensive policymaking in India has led to cushioning economic growth when the non-financial corporate sector was unable to invest due to balance sheet troubles.
   - The dedicated programs for road connectivity (**Bharatmala), port infrastructure (Sagarmala), electrification, railways upgradation, and operationalizing new airports/ air routes (UDAN)** have significantly improved the physical infrastructure in the last few years.

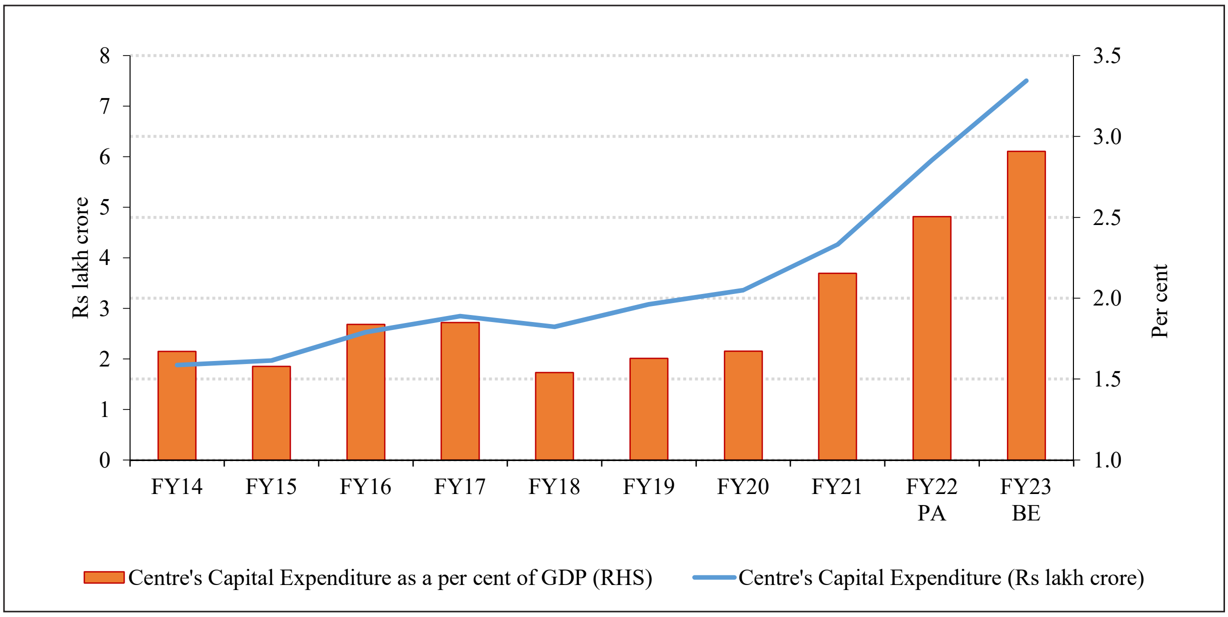
With the **National Infrastructure Pipeline (NIP)** in 2019 and the **National Monetization Pipeline** in 2021, a strong baseline for infrastructure creation and development has been put in place, providing a multitude of opportunities for foreign investment and engagement.

- The government is also giving emphasis on developing **public digital infrastructure** during the last few years which has been the game changer in enhancing the economic potential of **individuals and businesses.**

Public digital infrastructure is based on the pillars of a **digital identity Aadhar, linking bank accounts with PM-Jan Dhan Yojana, and the penetration of mobile phones (JAM Trinity),** the country has witnessed significant progress in financial inclusion in recent years.

2. **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.**

Figure: II.7: Union government's capital expenditure as a per cent of GDP on the rise



Source: RBI, MoSPI, O/o CGA

FIGURE: ***Union government's capital expenditure as a percent of GDP on the rise***

- Simplification of regulatory frameworks through reforms such as the **Insolvency and Bankruptcy Code (IBC)** and the **Real Estate (Regulation and Development) Act (RERA)** have made doing business in India investor friendly.
- To enhance doing business government has decriminalised minor economic offences under the Companies Act of 2013.
- Furthermore, a trust-based approach towards compliance builds entrepreneurs' faith in corporate institutions and motivates them to adopt fairer and more transparent business practices.

Table II.3: 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 ◆ Privatisation ◆ Asset Recovery for banks ◆ Infrastructure (Golden quadrilateral) ◆ FRBM Act	◆ 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
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

26 Refer Paragraph 6 of this chapter for details

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

3. **Promoting the private sector as a co-partner in the development:**
   - A fundamental principle behind the government's policy in the post- 2014 period has been the engagement with the private sector as a partner in the development process.

- The **privatisation of Air India** was particularly significant for re-igniting the privatisation drive.
- The **New Public Sector Enterprise Policy** for Aatmanirbhar Bharat has thus been introduced to realise higher efficiency gains by minimising the presence of the government in the PSEs to only a few strategic sectors.

Initiatives of government to enhance investment includes:

- **Aatmanirbhar Bharat** and **Make in India programmes** to enhance India's manufacturing capabilities and exports across the industries.
- Sector-specific **Production Linked incentives (PLI)** have been introduced in the aftermath of the pandemic to incentivise domestic and foreign investments and to develop global Champions in the manufacturing industry.

4. Enhancing productivity in agriculture:

- 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 empowered farmers, enhanced their resources, and enabled them to get good returns.

All these measures are directed towards supporting the growth in agricultural productivity and sustaining its contribution to overall economic growth in the medium term.

RETURNS TO THE ECONOMIC AND STRUCTURAL REFORMS AFTER 2014

- **Shocks that the economy faced during 2014-22:**
  - India's non-financial private sector debt to GDP ratio went up from 72.9 percent in March 2004 to 113.6 percent by December 2010.
  - The amount of debt accumulated by the non-financial sector went up from nearly 44 lakh crore to almost 133 lakh crore.
  - The non-financial private sector debt to GDP ratio began to come down meaningfully only from 2015 onwards, dropping to a low of 83.8 percent by December 2018.
  - The credit to the **private non-financial sector** as a percent of GDP was consistently below its trend value, implying a negative **credit gap to GDP ratio**.
  - Banks' **non-performing assets** had risen.
  - Collapse of the **Infrastructure Finance and Leasing Services (IL&FS)** in September 2018 impacted the economy.
  - Low credit growth and hence weaker capital formation impacted economic growth.
- The Period 2014-2022 is Analogous to the Period 1998-2002:
  - The **transformative reforms** were launched but yields lagged growth dividends.
  - This phenomenon was attributed to a series of **one-off shocks** resulting from external factors and the **domestic financial sector** clean-up, which overshadowed the growth returns from 1998 to 2002.

GROWTH MAGNETS IN THIS DECADE (2023-2030)

- After a long **period of balance sheet repair** in the financial and corporate sector, the **financial cycle** will improve and move upward as estimated for the coming decade.
- As the **health and economic shocks** of the pandemic and the spike in commodity prices in 2022 wear off, the Indian economy is thus well placed to grow at its potential in the coming decade.

- The **digitalisation reforms** and the resulting efficiency gains in terms of greater **formalisation, higher financial inclusion, and more economic opportunities**. It will be the second most important driver of India's economic growth in the medium term.
- The **productivity-enhancing reforms** along with the **Government's Skilling initiatives** will also help unleash the benefits of the demographic dividend in the coming years.
- The **evolving geo-political situation** also presents an opportunity for India to benefit from the diversification of **global supply chains**.

UNCTAD, in one of its reports, shows that '**reshoring, diversification, and regionalisation will drive the restructuring of global value chains in the coming years**'.

- It is optimistic that India will achieve an average of **6.5 percent real GDP growth** in the medium term.

Important Schemes & Initiatives

- The Fiscal Responsibility and Budget Management (FRBM) Act
- SARFAESI Act 2002.
- (Bharatmala)
- (Sagarmala
- (UDAN)
- National Infrastructure Pipeline (NIP)
- National Monetization Pipeline in 2021
- SVANidh
- Insolvency and Bankruptcy Code (IBC)
- Real Estate(Regulation and Development) Act (RERA)
- corporate insolvency resolution process (CIRP)
- The National Logistics Policy (2022)
- Agri Infrastructure Fund (AIF)
- Cluster Development Programme (CDP)

REFLECTIVE EXERCISE

5. **Besides the push to physical infrastructure, emphasis on public digital infrastructure is the key to enhance the economic potential of individuals and businesses. Discuss.**
6. **Identify the growth magnets that will propel India's growth in the ongoing decade and give reasons for their contribution.**

PRACTICE MCQs

1. **Which among the following correctly presents the relation between Interest Rate Growth Rate Differential (IRGD) and Debt Sustainability?**
   (a) If IRGD is positive it denotes debt sustainability
   (b) If IRGD is negative it denotes debt unsustainability
   (c) Both a and b
   (d) Neither a nor b

2. **The Insolvency and Bankruptcy Code (IBC), consider the following:**
   1. It aims to facilitate a formal and time bound insolvency resolution process and liquidation.

2. It encompasses all companies, financial firms and individuals under its ambit.
3. It allows creditors to assess the viability of a debtor as a business decision.

Which of the statements given above is/are correct?

(a) 1 and 3 only

(b) 1 and 2 only

(c) 2 and 3 only

(d) 1, 2 and 3

3. Consider the following statements regarding Production linked incentives in India:

1. It is a part of the National policy on Export promotion.
2. It proposes a financial incentives to boost domestic manufacturing and attract foreign investors.

Which of the statement(s) 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:

1. Forex reserves
2. Gross domestic product
3. Inflation
4. Investment
5. CPI
6. Taxes
7. Supply and demand

Which of the following are the macroeconomic indicators?

(a) 1, 2 , 3, 4 and 6 only

(b) 2, 3, 4, 5 and 7 only

(c) 3, 4, 5 and 7 only

(d) 1, 2, 3, 4 and 5 only

ANSWERS

1. (b)	**2.** (a)	**3.** (b)	**4.** (d)	

****

CHAPTER: 3

Fiscal Developments: Revenue Relish

Key-Terms

- **Fiscal pressure:** The mismatch of routine power and financial power causes huge financial pressure of local government.
- **Gross Tax Revenue:** Tax Revenue forms part of the Receipt Budget, which in turn is a part of the Annual Financial Statement of the Union Budget. It gives a detailed report on revenue collected from different items like corporation tax, income tax, wealth tax, customs, union excise, service, taxes on Union Territories like land revenue, stamp registration etc.
- **Fiscal deficit:** Fiscal deficit is the difference between the total revenue and total expenditure of a government in a financial year.
- **Net borrowing ceilings (NBC):** The Net Borrowing Ceiling (NBC) of the States for the year 2022-23 has been determined at Rs. 8,57,849 crore at 3.5% of GSDP based on the GSDP data published by NSO and methodology prescribed by 15th Finance Commission.
- **Capital expenditure:** Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment.
- **Gross State Domestic Product (GSDP):** Gross State Domestic Product (GSDP) is a measure in monetary terms, the sum total volume of all finished goods and services produced during a given period of time, usually a year, within the geographical boundaries of the State, accounted without duplication.
- **Sovereign external debt:** Sovereign debt is the government debt owed by a country, a sovereign nation. The debt exists in the form of government-issued securities and direct loans from financial institutions.
- **Dated securities:** Dated Government securities are long term securities or bonds of the government that carries a fixed or floating coupon (interest rate).
- **Anonymised Escalation Mechanism:** CBIC has launched an Anonymised Escalation Mechanism for handling the grievances related to delay in clearances. In the above mechanism, registered users can submit their grievance for delayed clearances under faceless assessment and escalate it anonymously to the concerned assessing as well as the higher officers at relevant FAG Port (Faceless Assessment Group). The Anonymized Escalation facility also enables users to track the status of the grievances submitted by them till the final resolution.

INTRODUCTION

In India, particularly when all economic activities had reached a standstill, fiscal policy was instrumental in providing a safety net to the vulnerable, reviving the economy by boosting demand, and addressing certain domestic supply-side constraints through public investments and sustained structural reforms. The large packages across the countries led to over-stimulation of demand, leading to its much faster recovery. But the conflicts in Europe and related geopolitical development aggravated the crisis in India and world. The result was the slowing global growth, rising interest rates, persistently high inflation rates and uncertain global environment have thus posed certain pertinent questions for fiscal-policy experts to motivate the overarching fiscal policy strategy. For resilient economy, the Government of India adopted a calibrated fiscal response to the pandemic and planned to withdraw the fiscal stimulus gradually as it moves along the glide path outlined in the Budget FY22.

DEVELOPMENTS IN UNION GOVERNMENT FINANCES

- **The fiscal deficit of the Union Government**, which reached 9.2 percent of GDP during the pandemic year FY21, has moderated to 6.7 percent of GDP in FY22 PA and is further budgeted to reach 6.4 percent of GDP in FY23.
- **Union Government on track to achieve the Fiscal deficit target for FY23:** Due to conflict in Europe and geopolitical developments, the impact was seen on supply disruptions and had an adverse impact on the prices of fuel, food, and other essential commodities. Despite increased government funding, the fiscal deficit of the Union Government at the end of November 2022 stood at 58.9 percent of the BE, lower than the five-year moving average of 104.6 percent of BE during the same period. Indicating that the government has been able to contain the deficit in recent times.
- **Conservative budget assumptions provide a buffer during global uncertainties:** Due to faster economic recovery and resilience in government performance, the Gross Tax Revenue (GTR) to the Centre was envisaged to grow at 9.6 percent in FY23 relative to FY22. However, given the higher 'Provisional Actual' figures recorded for the GTR relative to the **Revised estimates** in FY22, the growth in GTR of FY23 BE turns out to be a mere 1.8 percent over FY22 PA. Which points out to the fact that government's treasury is well-off than thought during the unfavourable happenings in global settings.
- **Performance of Union Government Non-debt Receipts:** There is a shortfall in the non-debt receipts to meet the expenditure requirement which is met by borrowings of the government. It has seen a decline from 69.8% in 2021 to 64.1% in 2022.
- **Sustained revenue buoyancy over the last two years:** The Gross Tax Revenue registered a growth of 15.5 percent from April to November 2022, and the Net Tax Revenue to the Centre after the assignment to states grew by 7.9 percent on a YoY basis.

- YOY: Year on Year
- BE: Budget Estimate
- RE: Revised Estimate

- **Tax base and tax compliance**: It was enhanced through structural reforms like the introduction of GST and the digitalisation of economic transactions. Other tax administration/policy measures, such as the Faceless Assessment and Appeal, simplification of return filing, assistance to taxpayers in getting familiar with the systems, generation of e-way bills under the GST system, and information sharing between government departments among others, have nudged higher tax compliance through technology and artificial intelligence.
- **Direct taxes propelling the growth in Gross tax revenue:** Direct taxes, which broadly constitute half of the Gross Tax Revenue, have registered a growth of 26 percent from April to November 2022, enabled by corporate and personal income tax growth.
- **Customs and Excise duties act as Flexi-fiscal policy tools:** When the collection of direct and indirect taxes was adversely impacted during the pandemic year FY21, and low global oil prices created some elbow room for raising taxes on petroleum, the government raised the excise duty on petrol and

diesel to augment the revenue pool. The **government reduced the excise duty** in November 2021 and May 2022 to control the pass-through of the rising global oil prices on the consumers.

- The high imports during the current year have led to a 12.4 percent growth in the customs collection from April to November 2022, which is higher than the average growth during the corresponding period from FY13 to FY19.
- **Stabilising Goods and Services Tax yielding returns:** Their gross GST collections, taken together, were ₹13.40 lakh crore from April to December 2022. Thus, implying growth of 24.8 percent. Consistent efforts have resulted in a doubling of the GST net, with the number of GST taxpayers increasing from nearly 70 lakh in 2017 to more than 1.4 crore in 2022.
- **Centre on track to meet Non-Tax Revenue targets:** Budget FY23 envisaged a lower collection of non-tax revenue receipts during the current year relative to FY22 (around 22.5 percent lower than FY22 PA). Of the budgeted amount, 73.5 percent has been collected up to November 2022.
- **Committed towards disinvestment but dependent on external factors:** During FY15 to FY23 (as of 18 January 2022), an amount of about ₹4.07 lakh crore has been realised as proceeds from disinvestment. This includes minority stake sale and strategic disinvestment transactions (in 10 CPSEs - HPCL, REC, DCIL, HSCC, NPCC. NEEPCO, THDC, Kamrajar Port, Air India and NINL). The act of disinvestment is a continuous one and would be carried out in coming times as well.

PERFORMANCE OF UNION GOVERNMENT EXPENDITURE

- **Pragmatic expenditure policy of re-prioritisation:** During Pandemic of 2021, the total expenditure of the Union Government in FY21 rose to 17.7 percent of GDP, higher than the previous 5-year average of 12.8 percent of GDP. In the subsequent year, FY22, the total Union Government expenditure was brought down to 16 percent of GDP (PA), and a more significant proportion of this accrued to capital expenditure.
    - **The capital expenditure by the Centre has steadily increased from a long-term average of 1.7 percent of GDP (FY09 to FY20) to 2.5 percent of GDP in FY22 PA.** This development has to be seen in the background of Government of India focusing on capital expenditure which would make way for future economic development rather than revenue expenditure and appeasing the people.
- **Capex-led growth to bring back animal spirits and manage debt levels:** The Government of India had budgeted an unprecedented ₹7.5 lakh crore of Capital Expenditure for FY23, of which more than 59.6 percent has been spent from April to November 2022. During this period, capital expenditure registered a growth of over 60 percent, much higher than the long-term average growth of 13.5 percent. Increase in capital expenditure indicates making ground which can be used for economic gains by animal spirited individuals.
- **Geopolitical developments stretched the Revenue Expenditure requirements:** With the winding up of the pandemic-related support, the revenue expenditure of the Union government was brought down from 15.6 percent of GDP in the pandemic year FY21 to 13.5 percent of GDP in FY22 PA. Due to sudden outbreak of geopolitical conflict, the Union Government has sought an additional ₹80,000 crore for the expenditure towards food subsidy and additional allocation under **Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)** and ₹1.09 lakh crore for fertiliser subsidy required during the year. As a result, the revenue expenditure from April to November 2022 has grown by over 10 percent on a YoY basis.
- **Interest payments of receipts** went up after the pandemic outbreak. However, in the medium term, as we move along the fiscal glide path, buoyancy in revenues, aggressive asset monetisation, efficiency gains, and privatisation would help pay down the public debt, thus bringing down interest payments and releasing more monies for other priorities.

OVERVIEW OF STATE GOVERNMENT FINANCES

- **Performance of State finances:** The combined Gross Fiscal Deficit (GFD) of the States, which increased to 4.1 percent of GDP in the pandemic-affected year, was brought down to 2.8 percent in FY22 PA. Given the geopolitical uncertainties, the consolidated GFD-GDP ratio for States has been budgeted 3.4 percent in FY23. However, the States' Monthly Fiscal Accounts data released by CAG shows that from April- November 2022, the combined borrowings of the 27 major states have just reached 33.5 percent of their total budgeted borrowings for the year.

- The Centre enhanced the **net borrowing ceilings (NBC)** for States to 5 percent of GSDP in FY21, 4 percent of GSDP in FY22, and 3.5 percent of GSDP in FY23.
- As per FY23 Budget Estimates of the State Governments, **the States' combined own Tax revenue and own Non-Tax revenue** were anticipated to grow at 17.5 percent and 25.6 percent, respectively, over FY22 RE.
- On the expenditure side**, revenue and capital expenditures** in FY22 BE were envisaged to grow at 10.4 percent and 16 percent, respectively, over FY22 RE.
- The **capital outlay of States** grew by 31.7 percent in FY22 PA. This increase 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:** Total transfers to States have risen between FY19 and FY23 BE.

	FY19	FY20	FY21	FY22 RE	FY23 BE
					(in ₹ lakh crore)
Centrally Sponsored Schemes	3.0	3.1	3.8	4.2	4.4
Finance Commission Grants	0.9	1.2	1.8	2.1	1.9
Other Grants/Loans/Transfers	0.9	2.0	1.9	2.3	3.0

Source: Union budget documents

TABLE: ***Details of transfers from Centre to State (other than devolution to States)***

S/No.	Components	Allocation FY23	Amount released (as on 22 November 2022)
			(in ₹ crore)
1	Post Devolution Revenue Deficit Grant	86,201	57,467
2	Disaster Management Grand (Union Share)	23,294	10,976
3	Local Bodies Grants	69,421	28,609
4.	Health Sector Grants	13,192	275
	Grand Total	**1,92,108**	**1,61,230**

Source: Department of Expenditure

TABLE: ***Allocation of grants to the State Governments as recommended by the 15th FC***

- **Supporting the GST compensation payments during crisis:** To meet the shortfall in GST compensation for States, the Government, in addition to the release of regular GST compensation from the Fund, borrowed ₹ 2.69 lakh crore during FY21 and FY22 and passed it on to States.

GST and the flow of resources to states

While comparing the total fiscal resources accruing to States in the pre and post-GST regimes, it is essential to measure the relative performance of taxes vis-à-vis the performance of the economy. In the pre-GST regime, when the economy grew at **11.5 percent** nominally, the total fiscal resources accruing to States from the Central and state taxes subsumed in GST (including devolution) grew at **11.1 percent.** It implied a buoyancy of 0.97. In the post-GST period, total fiscal resources accruing to the states from the GST (including devolution from the Centre's GST) exhibited a buoyancy greater than that in the pre-GST period.

- **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 percent of GSDP in FY21, 4 percent of GSDP in FY22 and 3.5 percent of GSDP in FY23.
  - In FY21, a part of the additional borrowing ceiling was conditional on implementing the 'One Nation One Ration Card' System, ease of doing business reform, urban Local body/ utility reforms, and power sector reforms.
  - As a result, 17 States implemented the One Nation One Ration Card System, 20 States completed the stipulated reforms in the Ease of Doing Business, 11 States had done local body reforms and 17 States carried out fully/partly Power Sector Reforms.
  - Fifteenth Finance Commission had recommended performance-based additional borrowing space of 0.50 percent of Gross State Domestic Product (GSDP) to the States in the power sector
- **Centre's support towards States' capital expenditure:** The 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.

Component	Basis	Allocated	Approved	Released
				(₹ crore)
1	Allocation proportional to the share of tax devolution for FY23	80000	68,592	31,571
II	PM Gati Shakti-related expenditure	5,000	1,458	1,458
III	PMGSY	4,000	1,616	1,616
IV	Incentive for digitisation	2,000		
V	Optical fiber cable		2,215	2,011
VI	Urban reforms	6,000		
VII	Disinvestment and monetisation	5,000		

Source: Department of Expenditure

TABLE: ***Details of Scheme for Special Assistance to States for Capital Investment' for FY23***

Initiatives by the State Governments to improve their own resources

RBI pointed out that India's property tax collection was much lower than the OECD countries. The Union Government created a scope for a large-scale reform of property taxation practices in India. States like Tamil Nadu, Telangana and Kerala have revised the property taxes in their States during the year to support their revenues. Some states like Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Madhya Pradesh, Haryana, Kerala, Assam, and UT of Puducherry have considered revising their power tariffs during FY23. In addition, many States have also made efforts towards privatising SPSEs and Monetising assets in FY21 & FY22 to receive additional incentives from the Union Government.

Debt Profile of the Government: IMF projects the global government debt at 91 percent of GDP in 2022, about 7.5 percentage points above the pre-pandemic levels. Some European economies are expanding their budgets to provide relief to households and small businesses from mounting energy bills.

- **Total liabilities:** The total liabilities of Indian Government were stable before pandemic spiked in FY21. Total liabilities of the Union Government moderated from 59.2 percent of GDP in FY21 to 56.7 percent in FY22.
- **Sovereign external debt:** Of the Union Government's total net liabilities in end-March 2021, 95.1 percent were denominated in domestic currency, while sovereign external debt constituted 4.9 percent, implying low currency risk.
- **Dated securities:** 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 General government finances:** 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. 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 percent of end-March 2020 to 89.6 percent at the end of the pandemic year FY21. It was estimated to decline to 84.5 percent of GDP by end-March 2022. The emphasis on capex-led growth will enable India to keep the growth-interest rate differential positive. A positive growth-interest rate differential keeps the debt levels sustainable.
- **Government debt to GDP ratio from 2005 to 2021**: For India, this increase is modest, from 81 percent of GDP in 2005 to around 84 percent of GDP in 2021. It has been possible on the back of resilient economic growth during the last 15 years leading to a positive growth-interest rate differential, which, in turn, has resulted in sustainable Government debt to GDP levels.

CONCLUSION:

The Government of India has adopted a holistic policy towards fiscal stability in the last few years. Using the crisis as an opportunity to bring about reforms, the government undertook a series of policy measures in the previous few years. These policies range from bringing in budget transparency and using prudent assumptions in the Budget to transforming the tax ecosystem by implementing technology, rationalising GST, reducing tax rates, simplifying tax compliances, and ending the uncertainty around retrospective taxation. 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 - on their educational loans, housing loans, car loans and business loans – and putting more money in their hands.

Important Schemes & Initiatives

- The New Public Sector Enterprise Policy
- GST Compensation Cess Fund
- Customs (Electronic Cash Ledger), Regulations, 2022
- Electronic Cargo Tracking System (ECTS)

REFLECTIVE EXERCISE

1. **Conservative budget assumptions provide a buffer during global uncertainties. In this context, highlight how realistic estimates lead to better achievement of outcomes.**
2. **Customs and Excise duties act as Flexi-fiscal policy tools. Elucidate.**
3. **Cooperative fiscal federalism drives a well-targeted fiscal policy. Analyze**

PRACTICE MCQs

1. **Consider the following statements with respect to the Fiscal Deficit of India:**
   1. It is negatively affected by the geopolitical development in Russia and Ukraine.
   2. It is positively affected by the Government spending on subsidies.
   3. The fiscal deficit of India has seen a trend of continuous incline for 5 years.

   Which of the above statements is/are correct?

   (a) 1 only
   (b) 3 only
   (c) 1 and 2 only
   (d) All of the Above

2. **Which of the following given structural reforms helped in the formalization of the economy and expanding 'tax net':**
   1. Introduction of GST
   2. Faceless Assessment and Appeal system in GST

3. Digitization of economic transactions through digital payment systems
4. Enrollment of informal sector workers on government portals.

Select the correct answer using the code given below:

(a) 2 and 3 only

(b) 1, 3 and 4 only

(c) 1, 2 and 4 only

(d) All of the Above

3. Consider the following statements regarding Capital Expenditure by the government in India:

1. It develops infrastructure-intensive sectors like roadways and railways.
2. It develops housing and urban affairs.
3. It strengthens aggregate demand in the economy
4. It enhances crowds-in private spending in the economy

Which of the above statements is/are correct?

(a) 1, 2 and 3 only

(b) 1, 3 and 4 only

(c) 1, 2 and 4 only

(d) All of the Above

4. During the Covid-19 Pandemic period, the Union Government enhanced or conditionally relaxed the borrowing limits for States for which of the following areas?

1. One Nation One Ration Card System
2. Ease of doing business reform
3. Urban Local body/utility reforms
4. Power sector reforms
5. Agricultural reforms

Which of the above statements is/are correct?

(a) 1, 2 and 3 only

(b) 1, 3, 4 and 5 only

(c) 1, 2, 3 and 4 only

(d) All of the Above

5. Consider the following statements regarding the debt profile of India:

1. The internal debt of India is greater than the public debt of India.
2. The Union Government's total net liabilities were dominated by USD.
3. 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.

Which of the above statements is/are incorrect?

(a) 1 only

(b) 2 and 3 only

(c) 1 and 2 only

(d) All of the Above

6. Consider the following statements regarding the Government debt-to-GDP ratio in India:

1. The government debt to GDP ratio increased consistently in the past 5 years.
2. A positive growth interest rate differential helps in keeping the debt levels sustainable in India.
3. The private consumption expenditure and private investments act as multiplier effects in boosting the economy and reducing the debt of a country.

Which of the above statements is/are correct?

(a) 1 and 2 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) All of the Above

ANSWERS

1. (c)	**2.** (b)	**3.** (d)	**4.** (c)	**5.** (c)
6. (b)				

****

CHAPTER: 4

Monetary Management & Financial Inter Mediation: A Good year

Key-Terms

- **Government Securities (G-Sec) Market:** A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).
- **Foreign Portfolio Investment (FPI):** Foreign portfolio investment (FPI) consists of securities and other financial assets held by investors in another country. It does not provide the investor with direct ownership of a company's assets and is relatively liquid depending on the volatility of the market.
- **India Volatility Index (VIX):** India VIX refers to the India Volatility index. It measures the amount of volatility that traders expect over the next thirty days in the NSE index. Simply, it is a calculation of price swings investors expect in the market over important market news.
- **Policy Repo Rate:** The repo rate is the interest rate at which the Reserve Bank of India (RBI) loans money to commercial banks which is determined through the monetary policy of RBI.
- **Standing Deposit Facility (SDF):** The Standing Deposit Facility, proposed to be introduced by the RBI, is a collateral free liquidity absorption mechanism that aims to absorb liquidity from the commercial banking system into the RBI. Government in the Budget's (2018) Finance Act included a provision for the introduction of the Standing Deposit Facility (SDF).
- **Liquidity Adjustment Facility (LAF) Corridor:** Liquidity adjustment facility (LAF), also known as the liquidity corridor, essentially indicates the difference between the repo rate and the reverse repo rate. It was introduced in year 2000 following recommendation of Narasimham Committee Report on Banking Reforms.
- **Cash Reserve Ratio (CRR):** The Cash Reserve Ratio (CRR) is the percentage of total deposits a bank must have in cash to operate risk-free. The Reserve Bank of India decides the amount and is kept with them for financial security.
- **Reserve Money (M0):** Reserve money is the most important form of money supply. It is also called as high-powered money, base money and central bank money. Reserve money (M0) = Currency in Circulation + Bankers' Deposits with RBI + 'Other' Deposits with RBI.

- **Variable Rate Repo (VRR):** The VRR is usually undertaken to reduce the money flow by taking out existing cash present in the system. The central bank performs it to rebalance the surplus liquidity in the system by shifting it out of the fixed-rate overnight reverse repo window to VRR auctions of longer maturity.
- **Weighted Average Lending Rate (WALR):** A weighted average interest rate is an average that is adjusted to reflect the contribution of each loan to the total debt. The weighted average multiplies each loan's interest rate by the loan balance and divides the sum by the total loan balance.
- **Provisioning Coverage Ratio (PCR):** A Provisioning Coverage Ratio or PCR is the percentage of funds that a bank sets aside for losses due to bad debts. A high PCR can be beneficial to banks to buffer themselves against losses if the NPAs start increasing faster.
- **Capital Conservation Buffer (CCB):** The capital conservation buffer (CCoB) is a capital buffer amounting to 2.5% of a bank's total exposures. It must be made up of Common Equity Tier 1 capital.
- **Risk-Weighted Assets (Rwas):** Risk-weighted assets are used to determine the minimum amount of capital a bank must hold in relation to the risk profile of its lending activities and other assets.
- **Corporate Insolvency Resolution Processes (CIRPS):** Corporate Insolvency Resolution Process (CIRP) is the process of resolving the corporate insolvency of a corporate debtor in accordance with the provisions of the Code.
- **Domestic Institutional Investors (DIIs):** Domestic institutional investors are those institutional investors which undertake investment in securities and other financial assets of the country they are based in.
- **Crypto Assets:** Crypto assets are purely digital assets that use public ledgers over the internet to prove ownership. They use cryptography, peer-to-peer networks and a distributed ledger technology (DLT) – such as blockchain – to create, verify and secure transactions.
- **International Financial Centres (IFCs):** An International Financial Centre, or IFC, is a physical area from which financial services are provided to people in other countries.
- **Electronic Pension Payment Order (E-PPO):** The Electronic Pension Payment Order initiative will create a permanent record of PPO in Digi Locker and at the same time eliminate delays in reaching the PPO to new pensioners as well as the necessity of handing over a physical copy.
- **Assets Under Management (AUM):** Assets under management (AUM) is the total market value of the investments that a person or entity handles on behalf of investors.

INTRODUCTION

The chapter introduces about the recent government's monetary policies and financial management through monetary policies during Covid-19 period, liquidity conditions of different economic sectors, the monetary policy transmissions and role of Banks in credit issuing, credit growth in India, NBFC's and their post Covid-19 performance, role of insolvency and bankruptcy code in easy resolvency of Start-up's in India, importance of IFSC-GIFT CITY and development of international financial market in India, Insurance sector and its importance in various sectors and importance of pension sector in India and its coverage.

MONETARY DEVELOPMENTS:

- The conflict in Europe resulted in commodity prices soaring and added significantly to the prevailing inflationary pressures. This development has triggered the current sharp and synchronous monetary tightening cycle.
- The Monetary Policy Committee (MPC) maintained a status quo on the **policy repo rate** between May 2020 and February 2022 after implementing a 115 basis points (bps) reduction between March 2020 and May 2020.
- The **Standing Deposit Facility (SDF**), introduced at a rate of 3.75 percent, replaced the reverse repo rate as the new floor of the Liquidity Adjustment Facility (LAF) corridor. The SDF, introduced at a rate of 3.75 percent, replaced the reverse repo rate as the new floor of the Liquidity Adjustment Facility (LAF) corridor.
- Members unanimously voted for an increase of 40 bps each in the **policy repo rate**, the SDF and the Marginal Standing Facility (MSF), and a 50 bps increase in the **Cash Reserve Ratio** (CRR).
- **Reserve money (M0)** increased by 10.3 percent as on 30th December 2022 compared to 13 percent last year. However, reserve money adjusted for the first-round impact of changes in the Cash Reserve Ratio (CRR) recorded a YoY growth of 7.8 percent compared to 9.1 percent a year ago.
- Growth in **Currency in Circulation (CIC)** broadly remained stable at levels seen after Covid-19, barring a marginal increase in the immediate aftermath of the outbreak of the Russia-Ukraine conflict, which can be attributed to a rise in precautionary holdings.
- As on 30th December 2022, **broad money stock (M3) increased by 8.7 percent**. From the component side, aggregate deposits have been the largest component and contributed most to the expansion of M3 during the year so far.
- **The money multiplier –** the ratio of M3 and M0 – has broadly remained stable at an average of 5.1 over April – December 2022 period compared to 5.2 in the corresponding period of the previous year.

LIQUIDITY CONDITIONS

- With the Marginal Standing Facility (MSF) rate retained at 25 bps above the policy repo rate, the **Liquidity Adjustment Facility (LAF)** corridor became symmetric around the policy repo rate - the corridor width was thus restored to 50 bps, the position that prevailed before the pandemic. The RBI's move to hike the CRR by 50 bps resulted in a withdrawal of primary liquidity to the tune of ₹87,000 crore from the banking system.
- **Liquidity management by RBI**: The Reserve Bank remained nimble and agile in liquidity management by conducting two-way operations. It injected liquidity to assuage transient liquidity tightness through two **variable rate repo (VRR)** auctions of ₹50,000 crore each. 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.

MONETARY POLICY TRANSMISSION

- During FY23 (up to December 2022), external benchmark-based lending rate and 1-year median **marginal cost of funds-based lending rate (MCLR)** increased by 225 bps and 115 bps, respectively. An analysis of transmission across bank groups during FY23 (up to November 2022) indicates that the increase in the **weighted average lending rate (WALRs)** on fresh loans was higher in the case of public sector banks, while that of the **Weighted Average Domestic Term Deposit Rate (WADTDR)** on outstanding deposits and WALR on outstanding loans was higher for private banks.

DEVELOPMENTS IN THE G-SEC MARKET

- After remaining steady through 2020 and 2021, the yield on the 10-year government bond rose in 2022.. The monthly average yield on the 10-year government bond stood at 7.3 percent in December 2022 after having peaked at 7.5 percent in June 2022. With the softening of yields, volatility also declined in the second half of 2022.

- The **trading volume in G-Secs** (including T-Bills and SDLs) reached a two-year high during Q2 FY23, registering a growth of 6.3 percent.
- **Secondary Market:** On a net basis, foreign banks and primary dealers were net sellers. In contrast, public sector banks, cooperative banks, financial institutions, insurance companies, mutual funds, private sector banks and 'others' were net buyers in the secondary market.

BANKING SECTOR

- **Resilient and well-capitalised Banking System:** The asset quality of SCBs has been improving steadily over the years across all major sectors. **Net Non-Performing Assets (NNPA)** have dropped to a ten-year low of 1.3 percent of total assets. Lower slippages and the reduction in outstanding GNPAs through recoveries, upgrades and write-offs led to this decrease. Lower GNPAs, combined with high provisions accumulated in recent years, contributed to a decline in NNPA.
- With shrinking GNPAs, the **Provisioning Coverage Ratio (PCR)** has been increasing steadily since March 2021 and reached 71.6 percent in September 2022. However, it remains well above the minimum capital requirement, including **Capital Conservation Buffer (CCB)** requirements of 11.5 percent.
- The profitability of SCBs, measured in terms of Return on Equity (ROE) and Return on Assets (ROA), improved to levels last observed in FY15. At the system level, Profit After Tax (PAT) witnessed a double-digit growth of 40.7 percent in the quarter ending September 2022, led by strong growth in Net Interest Income (NII) and a significant lowering of provisions. ***Macro-stress tests conducted by RBI for credit risk reveal that SCBs are well-capitalised and that all banks would be able to comply with the minimum capital requirements even under adverse stress scenarios.***

CREDIT GROWTH AIDED BY A SOUND BANKING SYSTEM AND DELEVERAGED CORPORATE SECTOR

- The recovery in economic activity in FY22, along with the enhanced financial soundness of banks and corporates, has bolstered the expansion of non-food bank credit since June 2021. The growth in non-food bank credit accelerated to 15.3 percent in December 2022.
- **Credit to agriculture and allied activities** gained momentum supported by the Government's concessional institutional credit and higher agricultural credit target. **Industrial credit growth** has been buoyed by a pick-up in credit to MSMEs, assisted by the benefits accrued from the effective implementation of the **Emergency Credit Line Guarantee Scheme (ECLGS)** and the support provided by the government's **production-linked incentive scheme** and improvement in **capacity utilisation**.
- As **funds raised from the primary segment of domestic equity markets** declined during FY23, reliance on bank credit for funding regular operations and capacity expansion increased. Also, the Incremental Credit-Deposit ratio rose sharply both on an annual and half-yearly basis.

NON-BANKING FINANCIAL COMPANIES (NBFCS) CONTINUE TO RECOVER

- The continuous **improvement in asset quality** is seen in the declining GNPA ratio of NBFCs from the peak of 7.2 percent recorded during the second wave of the pandemic (June 2021) to 5.9 percent in September 2022, reaching close to the pre-pandemic level.
- With the decline in GNPAs, the **capital position of NBFCs also remains robust**, with a CRAR of 27.4 percent in end-September 2022, slightly lower than 27.6 percent in March 2022. However, it remains well above the regulatory requirement. The decline of 20 bps was mainly because of an increase in **risk-weighted assets (RWAs**) as lending picked up.
- **Credit extended by NBFCs is picking up momentum**, with the aggregate outstanding amount at ₹31.5 lakh crore as of September 2022. NBFCs continued to deploy the largest quantum of credit from their balance sheets to the industrial sector, followed by retail, services, and agriculture.

PROGRESS MADE UNDER THE INSOLVENCY AND BANKRUPTCY CODE

- **Ease of doing business: Facilitating the process of 'exit':** Since the inception of the IBC in December 2016, 5,893 **Corporate Insolvency Resolution Processes (CIRPs)** had commenced by end-September 2022, of which 67 percent have been closed. The Code also provides for a **Corporate Debtor (CD)** to **voluntarily liquidate** itself subject to the fulfilment of certain conditions as prescribed under the Code.
- **Behavioural change: Recoding Business Relationships:** The fear of losing control over the CD upon initiation of CIRP has nudged thousands of debtors to settle their dues even before the initiation of insolvency proceedings
- **69 percent of the distressed assets rescued, realisation value around 178 percent of the liquidation value:** Overall, in terms of value realisation for initiators of CIRPs (which includes Financial Creditors, Operational Creditors and Corporate Debtors), the resolution plans realised ₹2.4 lakh crore, which is 177.6 percent of the liquidation value and 841 percent of the fair value of the 553 CDs rescued.
- **92 percent of the value realised under the liquidation Process:** 1807 CDs ended up with orders for liquidation as of September 2022. The Code has facilitated the realisation of 92 percent of the value through the liquidation of these companies.
- **NPAs: IBC recovers highest amount for Scheduled Commercial Banks:** As per the RBI data, in FY 22, the total amount recovered by SCBs under IBC has been the highest compared to other channels such as Lok Adalat's, SARFAESI Act and DRTs in this period.

Recovery Channel	Amount recovered during the year*				
	2017-18	2018-19	2019-20	2020-21	2021-22(P)
Lok Adalats	1,811	2,750	4,211	1,119	2,777
DRTs	7,235	10,552	9,986	8,113	12,114
SARFAESI Act	26,380	38,905	34,283	27,686	27,349
IBC	4,926	66,440	1,04,117	27,311	47,421
Total	**40,352**	**1,18,647**	**1,52,597**	**64,229**	**89,661**

Source: Off-site returns, RBI and IBBI
Note: P: Provisional, DRTs stand for Debt Recovery Tribunals
*: Refers to the amount recovered during the given year, which could be with reference to the cases referred during the given year as well as during the earlier years.

TABLE: ***Amount recovered by SCBs through various channels (Amounts in ₹crore)***

- **Development in Capital Markets:** Global macroeconomic uncertainty, unprecedented inflation, monetary policy tightening, volatile markets, etc., resulted in hurting investor sentiments, leading to a downbeat performance of global capital markets in FY23.

PRIMARY MARKET

- **Equity: Large number of SMEs coming out with the public offer:** From April to November 2022, the buoyant performance of the primary market has been observed despite turmoil in global financial markets. Compared to FY22, the number of firms opting to list on the bourses increased by 37 percent, though the amount raised declined to almost half of what was raised in the last year. In May 2022, the Central Government diluted its stake in the Life Insurance Corporation (LIC) of India and listed it on the stock exchanges, thereby making LIC's IPO the largest IPO ever in India and the sixth biggest IPO globally of 2022.

- **Debt: Underactivity in public debt issuances more than compensated by private debt placements:** The amount of resources mobilised by the issuance of debt securities in the primary market increased by 5 percent. The total number of issues in the same period also increased by 11 percent. However, the underactivity in public debt issuances was more than compensated by private debt placements. The number of private debt placements increased by 11 percent, while resources mobilised increased by 6 percent in April-November 2022, compared to the corresponding period in the year before.

SECONDARY MARKET

- **Stock Market Performance: Indian stock market witnessing a resilient performance:** In April-December 2022, global stock markets declined because of geopolitical uncertainty. On the contrary, the Indian stock market saw a resilient performance, with the bluechip index Nifty 50 registering a return of 3.7 percent during the same period. At the end of December 2022, Sensex closed 3.9 percent higher from its closing level on March 31, 2022.
- **Heightened geopolitical uncertainty and supply chain disruption post-Russia-Ukraine crisis** led to increased volatility in the stock market**. India VIX**, which measures expected short-term volatility in the stock market, rose to a high of 32.0 on 24th February 2022 with the outbreak of the Russia-Ukraine conflict. In April-November 2022, the India VIX witnessed a declining trend as the impact of the conflict started to wane as the year progressed.
- **Retail Participation in the Capital Market:** The share of individual investors in the cash segment marginally declined during FY23 (April-November 2022) compared to the same period during FY22. However, the number of demat accounts rose sharply, 39 percent higher by the end of November 2022 on YoY basis.
- **Commodity Derivatives Market: sharp correction on account of monetary tightening by the Fed:** The Russia-Ukraine conflict triggered disruptions to the supply of commodities, especially energy, base metals and food commodities. As a result, a sudden jump in the prices of crude oil and some base metals like Nickel and Aluminium was witnessed. However, commodity prices have seen a sharp correction as the Federal Reserve started increasing interest rates in March 2022 to combat rising inflation.
- **Mutual Funds witnessed lower net inflows:** Mutual Funds witnessed significantly lower net inflows than last year. However, during the same period, some schemes comprising growth/equity oriented schemes and solution-oriented schemes observed significantly higher inflows than in the previous year. Despite that, the mutual fund industry’s assets under management (AuM) increased by 8.1 percent at the end of November 2022, thanks to the market performance.

FOREIGN PORTFOLIO INVESTMENTS

- **Strong macroeconomic fundamentals ensure India remains an attractive destination:** Global economic factors, such as inflationary pressures, monetary tightening by central banks and recessionary fears in Advanced Economies, exerted pressure on FPIs to sell in Indian markets. Further, investors were also sitting on gains from Indian stocks that could be realised to offset losses elsewhere. The total assets under custody with FPIs increased by 3.4 percent at the end of November 2022 compared to November 2021.
- The overall net investments by Foreign Portfolio Investors during FY23 registered an outflow of ₹16,153 crore at the end of December 2022 from an outflow of ₹5,578 crore during FY22 at the end of December 2021, with both the equity segment and the debt segment witnessing net FPI outflows.
- Investments by **Domestic Institutional Investors (DIIs)** acted as a countervailing force against FPI outflows during recent years, rendering the Indian equity market relatively less susceptible to large scale corrections. Net DII inflows and net investment by mutual funds in equities were observed during FY23 (until November 2022).

OTHER DEVELOPMENTS

- **Necessity of a common approach to regulating the crypto ecosystem:** The recent collapse of the crypto exchange FTX and the ensuing sell-off in the crypto markets have placed a spotlight on the vulnerabilities in the crypto ecosystem. Crypto assets are self-referential instruments and do not strictly pass the test of being a financial asset because it has no intrinsic cashflows attached to them. US regulators have disqualified Bitcoin, Ether and various other crypto assets as securities. A rare joint statement by the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) on 3rd January 2023 highlighted their concerns about crypto-asset risks to the banking system.

IFSC – GIFT CITY

Setting up and operationalising India's maiden International Financial Services Centre (IFSC) in GIFT City is the most important one. The aim is to facilitate India to emerge as a significant economic power by accelerating the development of a strong base of International Financial Services in the country.

GIFT IFSC - Emerging as a Preferred Jurisdiction for International Financial Services

GIFT IFSC has more than 390 + entities registered across a full spectrum of financial services, including Banks, Capital Markets, Insurance, FinTech, Aircraft Leasing, Bullion Exchange, etc. The financial services market is rapidly growing with the healthy and increasing participation of international and domestic financial institutions. The significance of GIFT IFSC can be viewed as:

- Recent developments/milestones/innovations/collaborations with other countries.
- Multilateral Memorandum of Understanding (MMoU)
- Bilateral Memorandum of Understanding (BMoU)
- FinTech bridge with the Monetary Authority of Singapore
- NSE IFSC -SGX Connect
- Visibility and Mindshare Among FinTechs globally
- Cooperation agreement between India INX and Luxembourg Stock Exchange
- IFSCA Vision for FY24 and beyond

DEVELOPMENTS IN THE INSURANCE MARKET

- **Insurance markets globally have demonstrated remarkable flexibility and resilience in overcoming the impact of the pandemic:** Internationally, the potential and performance of the insurance sector are generally assessed based on two parameters, viz., '**insurance penetration',** which refers to the ratio of total insurance premiums to Gross Domestic Product (GDP) in a year and '**insurance density'**, which 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.
- **India poised to emerge as one of the fastest-growing insurance markets in the coming decade:** Insurance penetration in India increased steadily from 2.7 percent around the turn of the millennium to 4.2 percent in 2020 and remained the same in 2021. Life insurance penetration in India was 3.2 percent in 2021, almost twice more than the emerging markets and slightly above the global average. However, most life insurance products sold in India are savings-linked, with just a small protection component.
- To facilitate the penetration of insurance to the lower income segments of the population, the Insurance Regulatory and Development Authority of India (IRDAI) issued IRDAI (Micro Insurance) Regulations, 2015, which provide a platform for distributing insurance products that are affordable for the rural and urban poor and promote financial inclusion.

- The government's flagship initiative for crop insurance**, Pradhan Mantri Fasal Bima Yojana (PMFBY)**, has led to significant growth in the premium income for crop insurance. **Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana) (AB PMJAY)** aims at providing a health cover of ₹5 lakh per family per year for secondary and tertiary care hospitalisation.
- As per **the Swiss Re Institute World Insurance: 'Inflation risks front and centre report'13**, India is one of the fastest-growing insurance markets in the world. In total premium volumes, it was the 10th largest globally in 2021, with an estimated market share of 1.9 percent and the second largest of all emerging markets.

PENSION SECTOR

- **India's Pension Sector demonstrated remarkable performance during the Covid-19:** The Government of India announced various measures to provide pensions to families who have lost their earning members due to Covid. It also took initiatives towards enhancing and liberalising insurance compensation. The benefit of the **Employees State Insurance Corporation (ESIC)** pension scheme was extended to even those who have lost earning members due to Covid-19. The insurance benefits under the **Employees Deposit Linked Insurance (EDLI) scheme** were also enhanced and liberalised.
- **Ex-gratia of ₹1,000** was given to around three crore poor senior citizens, widows, and disabled sections of the population (aged above 60 years) for three months during April-June 2020. ***Rule 64 of CCS (Pension) Rules, 1972, was relaxed to ensure immediate provisional sanction of pensionary benefits amid the unprecedented pandemic.***
- To enhance the "**Ease of Living**" of Central Government Civil Pensioners, **an Electronic Pension Payment order (e-PPO)** was integrated with Digi Locker, creating a permanent PPO record in the Digi Locker.
- The Government of India is implementing various pension schemes such as the **Indira Gandhi National Old Age Pension Scheme (IGNOAPS)**, **Indira Gandhi National Widow Pension Scheme (IGNWPS**), Indira Gandhi National Disability Pension Scheme (IGNDPS) under the **National Social Assistance Programme (NSAP)** with a total beneficiary coverage of 4.7 crore.
- The **National Pension System (NPS)** was introduced in January 2004, the primary pension system for government employees with a pay-as-you-go defined benefit plan. NPS for government employees is a defined contribution plan with co-contribution from the government.
- **The Government introduced APY in June 2015** as a part of the overarching objective of providing universal social security. The scheme applies to all individuals aged 18-40 years, with an emphasis on underprivileged, unorganised, and low-income individuals.
- PFRDA, under the aegis of the **Financial Stability and Development Council (FSDC),** has taken several steps to enhance financial education so that consumers can make informed decisions and reap the benefit of the formal financial sector while being cognizant of risks and various trade-offs involved. These include pension education through print and electronic media, outreach programs through trade bodies, intermediaries such as banks, and town hall events.

OUTLOOK

- The resilience of the domestic financial system is reflected in the healthy balance sheet of banks, stronger capital levels of NBFCs and robust growth in the AuM of domestic mutual funds. Buoyant demand for bank credit and early signs of a revival in the investment cycle are benefiting from improving asset quality, a return to profitability and resilient capital and liquidity buffers.
- India is one of the fastest-growing insurance markets in the world and is expected to emerge as one of the top six insurance markets by 2032. Digitisation of India's insurance market, accompanied by an increase in FDI limit for insurance companies, is likely to facilitate an increased flow of long-term capital, a global technology, processes, and international best practices, which will support the growth of India's insurance sector.

Important Schemes & Initiatives

- Atal Pension Yojana (APY).
- Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana)
- Pradhan Mantri Fasal Bima Yojana (PMFBY),
- Pradhan Mantri Suraksha Bima Yojana
- Pradhan Mantri Jeevan Jyoti Bima Yojana
- Pradhan Mantri Vaya Vandana Yojana
- Employees Deposit Linked Insurance (EDLI)
- Indira Gandhi National Old Age Pension Scheme (IGNOAPS)
- Indira Gandhi National Widow Pension Scheme (IGNWPS)
- Indira Gandhi National Disability Pension Scheme (IGNDPS)
- National Social Assistance Programme (NSAP)

REFLECTIVE EXERCISE

1. **The increasing outreach of the banking sector and capital markets is reflected in the insurance and pension sectors. Explain.**
2. **Regulation of Crypto assets has emerged as an important challenge for the financial system of the country. Discuss.**

PRACTICE MCQs

1. Which of the following is/are the correct effect of tight monetary policy:

1. It will bring down inflation in economy
2. It will lead to increase in government bond yield.
3. It may led to low market liquidity.

Which of the following statement(s) is/are correct:

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

2. Consider the following statement:

1. The recovery rate for the schedule commercial bank through Insolvency and Bankruptcy Code (IBC) was highest in FY22 compared to other channels.
2. The Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) is related to recovering of bad loans.

Which of the following statement(s) is/are correct:

(a) 1 only
(b) 2 only
(c) Both
(d) None

3. Consider the following statement:

1. Net Non-Performing Assets (NNPA) have dropped to a ten-year low of total assets.
2. 4R's approach of Recognition, Resolution, Recapitalisation and Reforms to clean and strengthen the balance sheet of the banking system.

Which of the following statement(s) is/are correct:

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

ANSWERS

1. (b)	**2.** (c)	**3.** (c)

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CHAPTER: 5

Prices & Inflation: Successful Tight-rope Walking

Key-Terms

- **Consumer Price Index:** It measures price changes from the perspective of a retail buyer. It is released by the National Statistical Office (NSO).
- **Wholesale Price Index Inflation:** It measures the changes in the prices of goods sold and traded in bulk by wholesale businesses to other businesses. It is published by the Office of Economic Adviser, Ministry of Commerce and Industry.
- **Liquidity Adjustment Facility:** LAF is a monetary policy tool used in India by the RBI through which it injects or absorbs liquidity into or from the banking system.
- **Essential Commodities:** There is no specific definition of essential commodities in the Essential Commodities Act, 1955.
    - Section 2(A) of the Act states that an "essential commodity" means a commodity specified in the Schedule of the Act. The Act gives powers to the central government to add or remove a commodity in the Schedule.

INTRODUCTION (PHASES OF INFLATION)

Consumer price inflation in India went through three phases in 2022.

- **A rising phase up to April 2022 when it crested at 7.8 percent:** The rising phase was largely due to the fallout of the Russia-Ukraine war and a shortfall in crop harvests due to excessive heat in some parts of the country.
- **A holding pattern at around 7.0 percent up to August 2022:** Due to Prompt and adequate measures by the Government of India and the Reserve Bank of India (RBI) intervention, inflation was handled efficiently.
- **A decline to around 5.7 percent by December 2022:** Global economic slowdown and interest rate increases brought down commodity prices, contributing to a substantial decline in wholesale price inflation. Thus, input price pressures on Indian manufacturers abated.

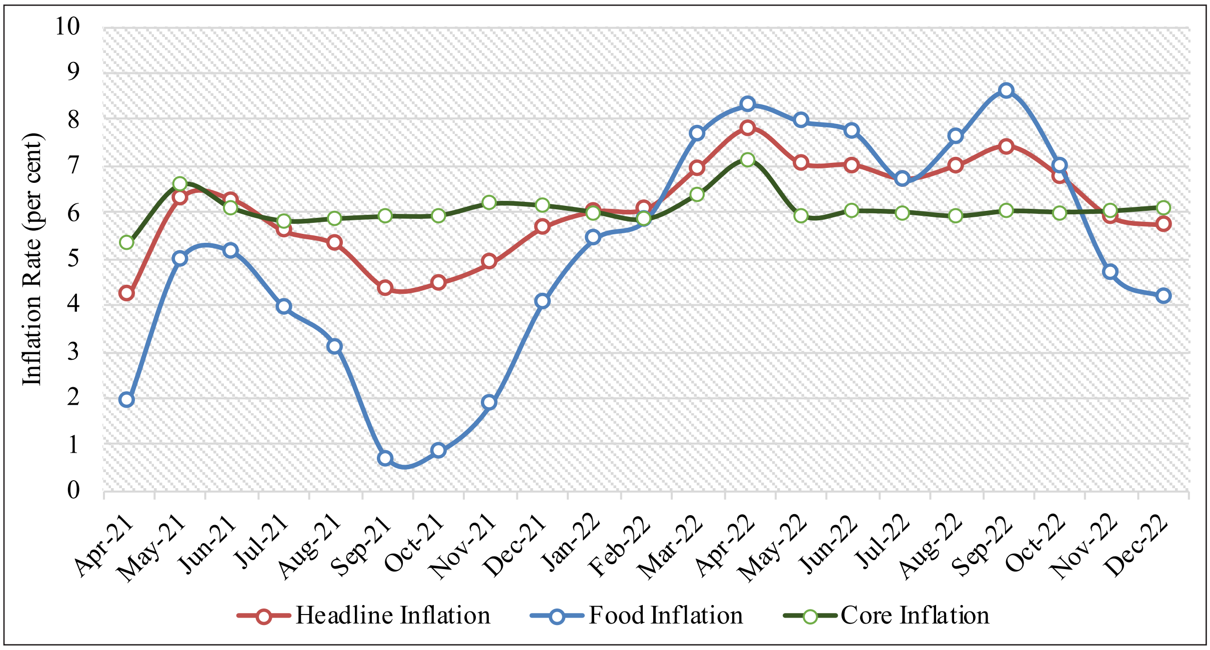
Core inflation remains sticky at nearly 6 percent and reflects the second-round effects of the supply shocks witnessed earlier this year. Further, with the recovery of demand, there has been a pickup in service inflation

DOMESTIC RETAIL INFLATION

- FY22 witnessed lower CPI-Combined (CPI-C) based retail inflation as compared to FY21.
- During FY22, some sub-groups such as 'oils & fats', 'fuel & light' and 'transport & communication' reported high inflation. There are two reasons behind this-Supply disruptions caused by pandemic and headline inflation caused by Russia Ukraine crisis.
- In FY23, retail inflation was mainly driven by higher food inflation, while core inflation stayed at a moderate level.
- Food inflation ranged between 4.2 percent to 8.6 percent, between April and December 2022, while the core inflation rate stayed at around 6 percent except in April 2022.

RETAIL INFLATION DRIVEN BY FOOD COMMODITIES:-

- Retail price inflation mainly stems from the agriculture and allied sector, housing, textiles, and pharmaceutical sectors.
- During FY23, 'food & beverages', 'clothing & footwear', and 'fuel & light' were the major contributors to headline inflation– the first two contributing more this fiscal than in the previous one
- **Food Inflation Caused by Vegetables and Cereals in FY23:-**
  - Food inflation based on Consumer Food Price Index (CFPI) climbed to 7.0 percent in FY23 from 3.8 percent in FY22.
  - To check the soaring prices of wheat and rice, the government has prohibited the export of wheat products under **HS Code 1101** and imposed an export duty on rice.



Source: MoSPI

Declining Food Inflation but Sticky Core Inflation

PRADHAN MANTRI GARIB KALYAN ANN YOJANA

- International prices of edible oils surged in FY22 owing to a shortfall in global production and an increase in export tax levies by various countries.
- India meets 60 percent of its edible oils demand through imports, making it vulnerable to international movements in prices. India meets 60 percent of its edible oils demand through imports, making it vulnerable to international movements in prices

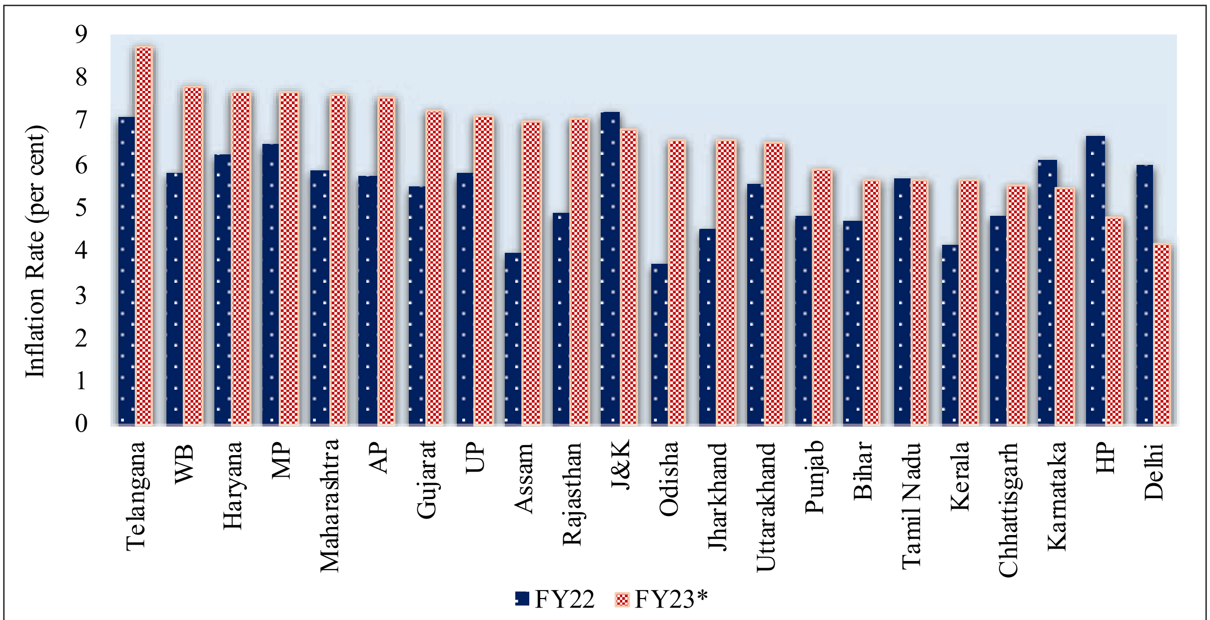
Some initiative to combat food inflation

- The Central Government, imposed an export duty of 20 percent on rice, brown rice, and semi-milled as well as wholly milled rice, except parboiled rice.
- The Central Government, decided to provide 1.5 million tonnes of Chana to States and UTs at a discounted rate for distribution under various welfare schemes. The states will be able to procure Chana at a discount of `8 per kg over their respective issue prices.
- Central Government directed leading Edible Oil Associations to ensure a reduction in the maximum retail price of edible oils by `15 per litre with immediate effect.

- **Rural-Urban Inflation Differential has Declined:-**
  - Rural inflation has remained above its urban counterpart throughout the current fiscal year, reversing the trend seen during the pandemic years.
- **Majority of the States/UTs have Higher Rural Inflation than Urban Inflation:-**
  - CPI-C inflation increased in most of the states in FY23 as compared to FY22.

DOMESTIC WHOLESALE PRICE INFLATION

- **Wholesale Price Inflation Caused by Global Supply Chain Disruption: -** WPI-based inflation remained low during the Covid-19 period, and it started to gain momentum in the post-pandemic period as economic activities resumed.
- **Part of the double-digit inflation** in WPI during FY23 could be attributed to food inflation, which stayed at 7.5 percent against 6.8 percent in FY22. Cereals and vegetables were the **major contributors** to food inflation owing to **erratic climatic conditons**. Inflation in the '**manufactured products'** subgroup in FY23 saw a **considerable decline** compared to the previous year due to the rationalisation of duties on critical inputs and moderation in global commodity prices.



- In comparison to FY22, **core inflation remained lower in FY23.**
- The high import dependence on edible oils has meant that the transitory effect of rising international prices of these products are also reflected in domestic prices.

Measures to Contain Inflation in Input Prices

- **Fuel Prices:-** The Central Government has made interventions by calibrating the excise duties on petrol and diesel.
- **Plastic products:-** The import duty on import of raw materials used in the plastic industry has been reduced to lower the cost of domestic manufacturing.

- **Steel-** Import duty on major inputs – ferronickel, cooking coal, PCI coal – has been cut from 2.5 percent to zero, while the duty on coke and semi-coke has been slashed from 5 percent to zero.
- **Cotton:-** The government waived customs duty on cotton imports until 30 September 2022, to benefit the textile industry and lower prices for consumers.
- **Diamonds and gemstones:-** customs duty on cut and polished diamonds and gemstones was reduced to 5 percent and duty on the simply sawn diamond was reduced to nil.
- **Chemical products:-** : Customs duty on certain critical chemicals namely methanol, acetic acid and heavy feedstocks for petroleum refining was reduced in the Budget 2022-23.

FUEL PRICE INFLATION: DECLINING GLOBAL CRUDE OIL PRICES:-

- In FY22 and FY23, inflation in WPI 'fuel and power' was mostly driven by high international crude oil prices.
- In response to subdued global demand because of Covid-19 induced restrictions, the price of the Indian basket of crude oil during FY21 stayed in the range of US$20-65/bbl.
- Thereafter, prices started surging on account of unprecedented cuts in crude oil supply by the Organisation of the Petroleum Exporting Countries (OPEC) and other oil producing countries.
- Further, a cut in central excise duty on petrol and diesel in November 2021 and May 2022, followed by a reduction in Value Added Tax (VAT) by the State Governments, led to a moderation of the retail selling price of petrol and diesel in India.

CONVERGENCE OF WPI AND CPI INFLATION

- The convergence between the WPI and CPI indices was mainly driven by two factors.-
  - Firstly, a cooling in inflation of commodities such as crude oil, iron, aluminium and cotton led to a lower WPI.
  - Secondly, CPI inflation rose due to an increase in the prices of services. Services form a part of the core component of the CPI-C but are not included in the WPI basket.

FALLING INFLATIONARY EXPECTATIONS

- Businesses and household inflation expectations too have moderated.

MONETARY POLICY MEASURES FOR PRICE STABILITY

- Reserve Bank of India's Monetary Policy Committee (MPC) increased the policy repo rate under the liquidity adjustment facility (LAF) by 2.25 percent (225 basis points) from 4.0 percent to 6.25 percent between May and December 2022.
- **How is the Current Inflation Different from the 1970s?**
  - Recent oil price rises are proportionally smaller, Commodity supply disruptions have played a smaller role in recent price increases, central banks have much clearer and more robust institutional frameworks that focus on price stability today. However, in 1973 crisis closely followed the collapse of the Bretton Woods managed exchange rate regime as the goals and even instruments of monetary policy were poorly defined in many countries.

HOUSING PRICES: RECOVERING HOUSING SECTOR AFTER THE PANDEMIC

- Monitoring housing prices is essential for achieving the objectives of price stability, financial stability, and growth.

The National Housing Bank (NHB) publishes two Housing Price Indices (HPI), namely 'HPI assessment price' and 'HPI market price quarterly', with FY18 as the base year. Out of the 50 cities, 43 saw an increase in the index, whereas 7 cities showed a decline annually. Metros city also showed improvement.

PHARMACEUTICAL SECTORS

- **National List of Essential Medicines (NLEM)**, 2015 NLEM 2022 was promulgated by Ministry of Health and Family Welfare in September 2022 and revised Schedule I of Drugs (Prices Control) Order (DPCO) was notified on 11 November 2022 by Department of Pharmaceuticals incorporating NLEM, 2022.
- **Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP)** was launched to make quality generic medicines available at affordable prices to all.

CONCLUSION

- Both CPI-C and WPI have fallen below 6 percent.
- International crude oil prices, the principal drivers of inflation this financial year, have returned to normal levels.
- The re-emergence of Covid-19 in China can trigger supply chain disruptions as was the case during the pandemic period
- The geopolitics associated with oil can particularly affect our imported inflation.
- RBI forecasts elevated domestic prices for cereals and spices in the near term owing to supply shortages. RBI forecasts elevated domestic prices for cereals and spices in the near term owing to supply shortages
- Next year, it is expected, monetary and fiscal authorities to be as proactive and vigilant as they have been this year.

Important Schemes & Initiatives

- Pradhan Mantri Bhartiya Janaushadhi Kendras (PMBJKs)

REFLECTIVE EXERCISE

1. **The divergence between a relatively high Wholesale Price Index (WPI) inflation and lower Consumer Price Index (CPI) inflation points towards a lack of convergence. Analyse.**
2. **Rural-Urban Inflation Differential is a key component in the overall inflation for the economy. Elaborate.**

PRACTICE MCQs

1. **Consider the following statement regarding cost-push inflation in the economy:**
   1. Cost-push inflation is the increase in the aggregate supply of goods and services stemming from an increase in the cost of production
   2. An decrease in the costs of raw materials or labour can contribute to cost-pull inflation

   Which of the statement 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 statement regarding Agriculture Infrastructure and Development Cess.**
   1. It is a tax that the government of India levies on non-commercial agricultural product in the country
   2. There is 100% Agriculture Infrastructure and Development Cess on Luxury item.
   3. Agriculture Infrastructure and Development Cess. Share equally between centre and state government.

   Which of the above statement is/are correct?

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

3. **Consider the following Statement regarding stagflation in economy.**
   1. The Stagflation is the simultaneous appearance in an economy of slow growth, high unemployment, and rising prices.
   2. In general, the stage is set for stagflation when a supply shock occurs.

   Which of the above statement is/are correct?

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

ANSWERS

1. (d)	**2.** (b)	**3.** (c)

****

CHAPTER: 6

Social Infrastructure & Employment

Key-Terms

- **Reproductive, Maternal, Newborn, Child Plus Adolescent Health (RMNCH+A):** RMNCH+A approach launched in 2013, essentially looks to address the major causes of mortality among women and children as well as the delays in accessing and utilizing health care and services.
- **Geotagging–** It is the process of adding geographical identification like latitude and longitude to various media such as a photo or video. Geotagging can help users find a wide variety of location-specific information from a device.
- **Gender Inequality Index (GII):** The GII is an inequality index released by UNDP. It measures gender inequalities in three important aspects of human development—
  - Reproductive Health, measured by maternal mortality ratio and adolescent birth rates;
  - Empowerment, measured by the proportion of parliamentary seats occupied by females and the proportion of adult females and males aged 25 years and older with at least some secondary education
  - Economic status expressed as labour market participation and measured by the labour force participation rate of female and male populations aged 15 years and older.
- **Female Labour Force Participation Rate (FLFPR):** The labour force consists of people who are 15 years or older, and belong to either of the following two categories:-
  - Are employed
  - Are unemployed and are willing to work and are actively looking for a job.

INTRODUCTION

- In its Amrit Kaal for the next 25 years, India envisions rewarding itself with the dividends that can come from demographics. Quality employment opportunities and working conditions are the essential instruments to chisel this potential into long-term sustainable growth.
- In the Financial Year 2023, various dimensions of the social sector are recouping lost grounds and are on the path of reenergising to meet the vision of “sabka sath, sabka vikas and sabka vishwas”.

SOCIAL SECTOR EXPENDITURE

- Social Sector Expenditure Keeping Pace with Growing Importance of the Sector.
- The share of expenditure on social services in the total expenditure of the Government has been around 25 percent from FY18 to FY20. It increased to 26.6 percent in FY23 (BE).
- The share of expenditure on health in the total expenditure on social services, has increased from 21 percent in FY19 to 26 percent in FY23.
- Keeping with the objective of 15th Finance Commission to increase health expenditure to 2.5% of GDP by 2025, Central and State Governments' budgeted expenditure on the health sector reached 2.1 percent of GDP in FY23 (BE) and 2.2 percent in FY22 (RE), against 1.6 percent in FY21.

IMPROVING HUMAN DEVELOPMENT PARAMETER:-

- According to UNDP report, 90 percent of countries have registered a reduction in their Human Development Index (HDI) value in 2020 or 2021, indicating that human development across the world has stalled for the first time in 32 years.
- India ranked **132 out of 191 countries** and territories in the 2021/2022 HDI report.
- On the parameter of **gender inequality,** India's Gender Inequality Index (GII) 9 value is 0.490 in 2021 and is ranked 122. This score is better than that of the South Asian region.

UNDP Multidimensional Poverty Index for India

- 16.4 percent of the population in India (228.9 million people in 2020) is multidimensional poor while an additional 18.7percent is classified as vulnerable to multidimensional poverty (260.9 million people in 2020).
- The intensity of deprivation in India, which is the average deprivation score among people living in multidimensional poverty, is **42 percent.**

TRANSFORMATION OF ASPIRATIONAL DISTRICTS PROGRAMME

- The Government of India launched the 'Transformation of Aspirational Districts' (Identified 117 Aspirational Districts) initiative in January 2018 with a vision of a New India by 2022.

ACHIEVEMENTS OF THIS PRGRAMME

- Many aspirational districts have surpassed the average state values in several indicators under the Health and Nutrition theme monitored under the programme. For instance, in 10 indicators of health, 73 ADs have surpassed the state averages.
- All districts have made significant improvements across different indicators. For instance, under Health and Nutrition, 46 districts have improved by up to 45 percent,
- While monitoring the outcome of financial inclusion, it was seen that aspirational district have performed better than non-aspirational districts.
- Several aspirational district ADs have reported saturation in the basic infrastructure indicators like percentage of households with electricity connection; percentage of habitations with access to all-weather roads.
- **Template of good Governance: -** At present, two programmes have been conceptualised along the lines of ADP design, one is 'Mission Utkarsh' and the other is 'Aspirational Blocks Programme' (ABP).

LABOUR REFORMS

- Efficient labor codes and Use of technology, such as, web-based Inspection has been introduced in order to ensure transparency and accountability in enforcement. Decriminalisation of minor offences has also been provided in the Labour Codes.

Codes related to Labor Reforms :-

- Code on Wages, 2019
- The Industrial Relations Code, 2020
- The Code on Social Security, 2020,
- Occupational Safety, Health & Working Conditions Code, 2020

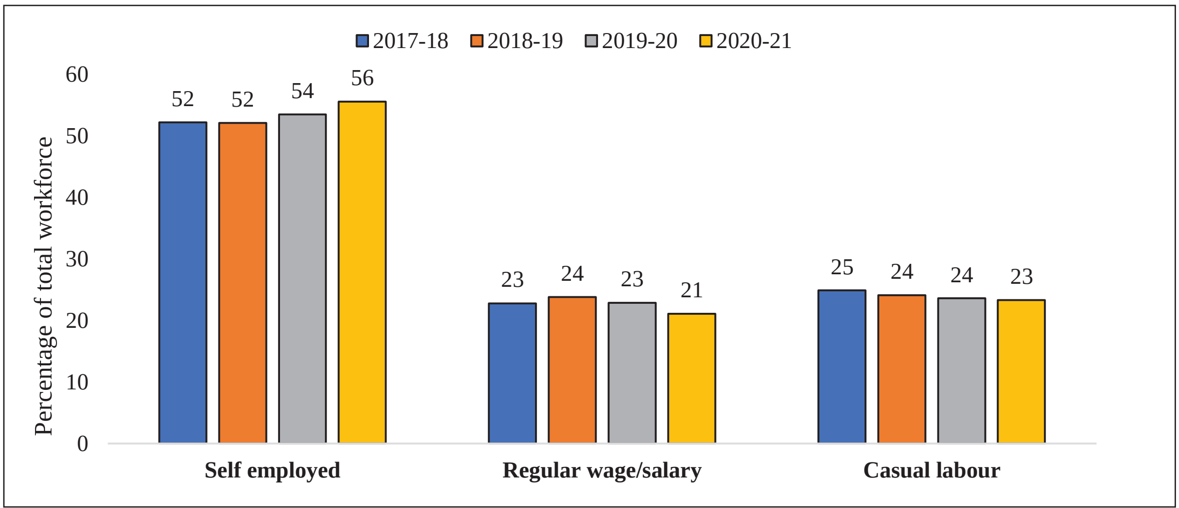
- **e-Shram portal:** Ministry of Labour and Employment (MoLE) has developed eShram portal for creating a first ever National database of unorganised workers, which is verified with Aadhaar.
  - Currently, e-Shram portal has been linked to NCS portal and ASEEM portal for seamless facilitation of services.

AADHAAR: THE MANY ACHIEVEMENTS OF THE UNIQUE IDENTITY

- **Aadhaar – Usage in DBT:** The number is sufficient to transfer any payment to an individual's bank account through Aadhaar Payment Bridge (APB), .
- **Aadhaar Enabled Payment Systems (AEPS)**: This has immensely facilitated providing door-step banking services and helped mitigate the hardships of the people due to the Covid-19 pandemic.
- **JAM (Jan-Dhan, Aadhaar, and Mobile) trinity,** combined with the power of DBT, has brought the marginalised sections of society into the formal financial system,
- **One Nation One Ration Card (ONORC) Scheme:** Free distribution of food grains under 'Pradhan Mantri Garib Kalyan Yojana' (PMGKY) has greatly mitigated the Covid pandemic's impact
- **PM Kisan Samman Nidhi:** Improving Employment Trends

IMPROVING EMPLOYMENT TRENDS

- Labour markets have recovered beyond pre-Covid levels, in both urban and rural areas, with unemployment rates falling from 5.8 percent in 2018-19 to 4.2 percent in 2020-21, and a noticeable rise in rural FLFPR from 19.7 percent in 2018-19 to 27.7 percent in 2020-21.
- Employment in the organised manufacturing sector has also been rising over the years, as per the ASI 2019-20 data.



Source: Annual PLFS, MoSPI

FIGURE: ***Trends in broad employment status (Persons, rural+urban)***

ROLE OF SELF-HELP GROUPS IN WOMEN'S EMPOWERMENT

- India has around 1.2 crore SHGs, 88 percent being all-women SHGs. Success stories include **Kudumbashree in Kerala, Jeevika in Bihar, Mahila Arthik Vikas Mahila Mandal in Maharashtra, and recently, Looms of Ladakh.**

- **Impact of SHGs: Empowered Women, Empowered Hinterland**- Women's economic SHGs have a positive, statistically significant effect on women's economic, social, and political empowerment, with positive effects on empowerment achieved through various pathways.
- **Quarterly PLFS for urban areas:-** The labour participation rate increased to 47.9 percent in July-September 2022 from 46.9 percent a year ago, while the worker-population ratio strengthened from 42.3 percent to 44.5 percent in the same period.

FORMAL EMPLOYMENT

- **Aatmanirbhar Bharat Rojgar Yojana (ABRY), launched in October 2020-** total registration under the scheme is 75.1 lakh, and total benefits of `8,210 crore have been given to 60.2 lakh beneficiaries through 1.5 lakh establishments till now.
- **Demand for work under MGNREGS :-** The number of persons demanding work under MGNREGS was seen to be trending around pre-pandemic levels from July to November 2022.

National Career Service Project

The 'National Career Service (NCS')project was launched in July 2015, as a one-stop solution providing an array of employment and career-related services. It works towards bridging the gap between candidates and employers; candidates seeking training and career guidance and agencies providing training and career counselling

National Career Service Project :- 2.8 crore jobseekers and 6.8 lakh employers have registered in NCS portal, 2.5 lakh active vacancies and 1.2 crore total vacancies have been mobilised, and more than 9,100 job fairs have been organised as part of the Project.

ENSURING QUALITY EDUCATION FOR ALL

- **NEP 2020** was laid down as the first education policy of the 21st century, aiming to address the many growing developmental imperatives of the country.
- **Samagra Shiksha in 2018** as an overarching programme for the school education sector extending from pre-school to class XII with an aim to ensure inclusive and equitable quality education at all levels of school education.
- The FY22 saw improvement in Gross Enrolment Ratios (GER) in schools and improvement in gender parity. GER in the primary-enrolment in class I to V as a percentage of the population in age 6 to 10 years - for girls as well as boys have improved in FY22.
- **School Drop-out:** School dropout rates at all levels have witnessed a steady decline in recent years. The decline is for both girls and boys.
- **School Infrastructure:** The education infrastructure in the form of schools, amenities, and digitalisation has been steadily promoted along with a focus on pedagogy.
- Further, the availability of teachers, measured by pupil-teacher ratio, an indicator which is inversely related to improvement in quality of education, has improved at all levels continuously from FY13 to FY22.
- **PM Schools for Rising India:** These schools will be equipped with modern infrastructure and showcase the implementation of the NEP and emerge as exemplary schools over a period of time, while offering leadership to other schools in the neighbourhood. Under the scheme, there is a provision for setting up more than 14,500 PM SHRI Schools, over the period FY23 to FY27 by strengthening the existing schools from those managed by Central Government/State/UT Government/local body.
- **The National Curriculum Framework (NCF) for Foundational Stage:-** NCF for Foundational Stage has been launched as the new 5+3+3+4 curricular structure which integrates early childhood care and education for all children of ages 3 to 8.
- **Pilot project of Balvatika:** With a focus on developing cognitive, affective, and psychomotor abilities and also early literacy and numeracy for students in the age groups of 3+, 4+ and 5+ years,

- **Toy-based pedagogy:** A handbook for Toy-based pedagogy has been designed to promote the integration of indigenous toys and their pedagogy into the curriculum of school education, early childhood care and education and teacher education.
- **Screening tools (Mobile App) for specific learning disabilities**: PRASHAST, a Disability Screening mobile app, has been launched, covering 21 disabilities, including the benchmark disabilities as per the Rights of Persons with Disabilities Act 2016.
- **National Credit Framework (NCrF):** Taking the vision of the new NEP, the NCrF is an umbrella framework for skilling, re-skilling, up-skilling, accreditation and evaluation, seamlessly integrating the credits earned through school education, higher education, and vocational and skill education by encompassing the National Higher Education Qualification Framework (NHEQF), National Skills Qualification Framework (NSQF) and National School Education Qualification Framework (NSEQF).
- **Strengthening Teaching-Learning and Results for States (STARS):** STARS Project is being implemented as a CSS in six states namely Himachal Pradesh, Madhya Pradesh, Rajasthan, Maharashtra, Odisha and Kerala over a period of 5 years.
- **Vidyanjali (A School Volunteer Initiative):** With the aim of strengthening schools and improving the quality of school education through community, Corporate Social Responsibility (CSR) and private sector involvement across the country.
- **Samagra Shiksha Scheme:** A CSS of Samagra Shiksha of the Department of School Education and Literacy is an overarching programme for the school education sector extending from pre-school to class XII.

HIGHER EDUCATION

Initiatives for higher education

- **Research & Development Cell (RDC) in Higher Education Institutions (HEI):-** The University Grants Commission (UGC) launched an initiative to establish an RDC in HEIs with the mandate for promoting quality research that contributes meaningfully towards the goal of a self-reliant India, aligned with the provisions of NEP 2020.
- **Guidelines for pursuing two academic programmes simultaneously**: The UGC, in April 2022, issued Guidelines to allow the students to pursue two academic programmes simultaneously keeping in view the objectives envisaged in NEP 2020.

Akhil Bharatiya Shiksha Samagam

A three-day Akhil Bharatiya Shiksha Samagam was organised at Varanasi on 7-9 July 2022 by the Ministry of Education in association with the UGC and Banaras Hindu University.

EQUIPPING THE WORKFORCE WITH EMPLOYABLE SKILLS AND KNOWLEDGE IN MISSION MODE:-

- Skill development is aimed at the removal of the disconnect between demand and supply of skilled manpower, building vocational and technical training framework, skill up-gradation, and building of new skills, and innovative thinking not only for existing jobs but also jobs of the future.

SKILL INDIA MISSION

- Under the Mission, the government, through more than 20 Central Ministries/Departments, is implementing various skill development schemes across the country.

QUALITY AND AFFORDABLE HEALTH FOR ALL

- Under the National Health Mission, the Government has made concerted efforts to engage with all relevant sectors and stakeholders to move in the direction of achieving universal health coverage and delivering quality healthcare services to all at affordable cost.

HEALTH EXPENDITURE ESTIMATES

- The social security expenditure on health, which includes the social health insurance programme, government-financed health insurance schemes, and medical reimbursements made to government employees, has increased from 6 percent in FY14 to 9.6 percent in FY19

RURAL HEALTH CARE – STRENGTHENING OF INFRASTRUCTURE AND HUMAN RESOURCE

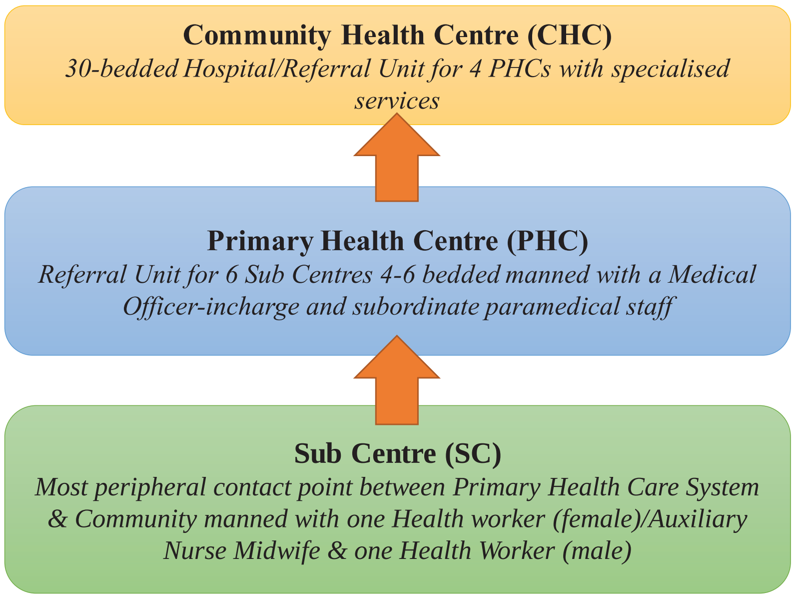


FIGURE: ***Rural health care system in India***

PROGRESS UNDER MAJOR GOVERNMENT INITIATIVES FOR HEALTH

- **eSanjeevani:** It is an innovative, indigenous, cost-effective, and integrated cloud-based telemedicine system application to enable patient-to-doctor teleconsultation to ensure a continuum of care and facilitate health services to all citizens in the confines of their homes, free of cost.
- **Progress under Ayushman Bharat:-** approximately 21.9 crore beneficiaries have been verified under the Scheme including 3 crore beneficiaries.
- **Deworming: a low-cost high-returns intervention**

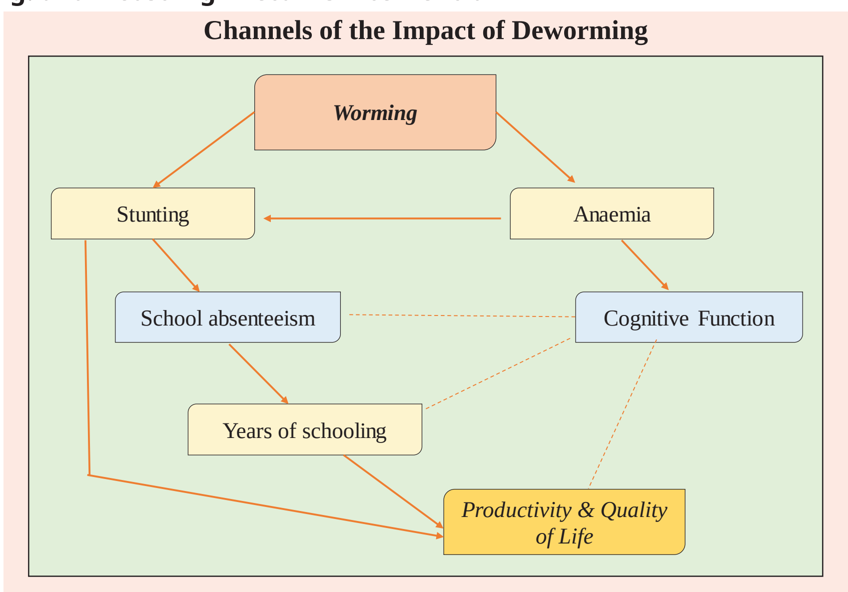


FIGURE: ***Channels of the Impact of Deworming***

NATIONAL COVID-19 VACCINATION PROGRAMME:-

- India's National Covid-19 Vaccination Programme, which is the world's largest vaccination programme, began on 16 January 2021, initially with the aim of covering the adult population of the country in the shortest possible time.

SOCIAL PROTECTION FOR THE RAINY DAY

- Pradhan Mantri Vaya Vandana Yojana (PMVVY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY), PM Street Vendor's Atmanirbhar Nidhi Scheme (PM SVANidhi) etc.
- **Development of India's Aspiring Rural Economy :-** It presently stands at 65 percent for 2021. Further, 47 percent of the population is dependent on agriculture for livelihood. Thus, the focus of the government on rural development is imperative.

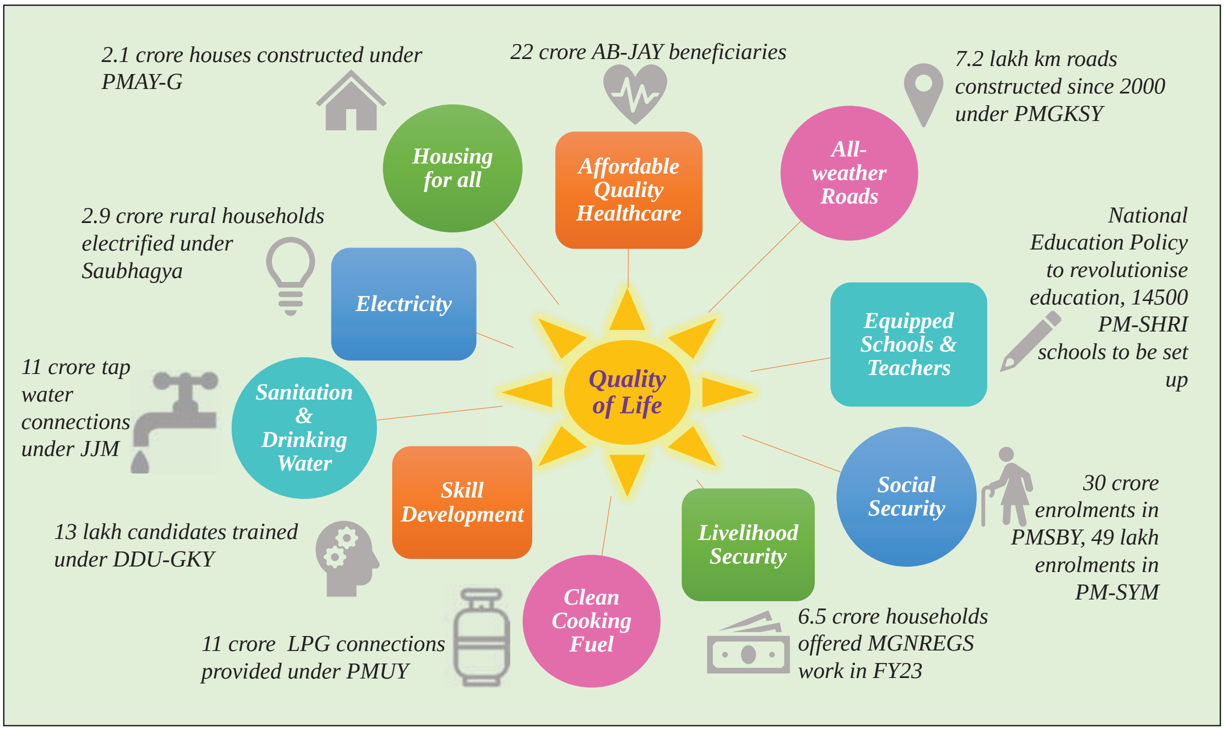


FIGURE: ***Multifaceted initiatives to improve the ecosystem of quality of life***

- **Enhancing Rural incomes:-** Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) - The cornerstone of the Mission is its 'community-driven' approach which has provided a huge platform in the form of community institutions for women empowerment. Rural women are at the core of the program.

DEEN DAYAL UPADHYAYA GRAMEEN KAUSHALYA YOJANA (DDU-GKY)

- DDU-GKY is a placement-linked skill development programme for rural poor youth under the NRLM.
- **Rural Housing:-** providing around 3 crore pucca houses with basic amenities to all eligible houseless households living in kutcha and dilapidated houses in rural areas by 2024.

DRINKING WATER AND SANITATION:-

- **Jal Jeevan Mission:** Since the launch of the Mission, 19.4 crore rural households, 11.0 crore households are getting tap water supply in their homes.
- Gram Panchayats, and more than 1.5 lakh villages have also become **'Har Ghar Jal Block'**, **'Har Ghar Jal Panchayat'**, and **'Har Ghar Jal Gaon'** respectively.
- **Jal Jeevan Mission as an instrument of public health:** With the availability of safe and potable drinking water at the doorstep of every rural household, water-borne diseases have drastically

reduced from 1.8 crore in 2019 to 59.0 lakh in 2021, as per data from Directorate General of Health Services, M/o Health and Family Welfare

- **Mission Amrit Sarovar-** was launched on National Panchayati Raj Day on 24 April 2022 with the objective to conserve water for the future. The Mission is aimed at developing and rejuvenating 75 water bodies in each district of the country during this Amrit Varsh, 75th Years of Independence.
- **JALDOOT App-** JALDOOT app was launched on 27 September 2022 for measuring the water level in a Gram Panchayat through 2-3 selected open wells twice a year (pre-monsoon and postmonsoon

LPG CONNECTION

- Under this Ujjwala 2.0 scheme, 1.6 crore connections have been released until 24 November 2022.
- **Rural connectivity:- Pradhanmantri Gram Sadak Yojna:_** Since its inception, a total of 1,84,984 roads measuring 8,01,838 km and 10,383 Long Span Bridges (LSBs) have been sanctioned under all the interventions/ verticals of PMGSY.

ELECTRICITY:-

- The Saubhagya scheme has been successfully completed and closed on 31 March 2022.
- Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)- A total of 2.9 crore households have been electrified since the launch of the Saubhagya period in October 2017 under various schemes viz (Saubhgaya, DDUGJY, etc.)

DIRECT BENEFIT TRANSFER: A GAME CHANGER

- Since the inception of DBT, cumulative transfers of over `26.5 lakh crore in respect of Central schemes have been made through the DBT route. In this process, total savings of over `2.2 lakh crore have accrued as on 31 March 2021 for Central schemes alone due to the removal of 9.4 crore duplicate, fake/non-existent beneficiaries across databases.

ENHANCING RURAL GOVERNANCE FOR INCLUSIVE GROWTH:-

- Rashtriya Gram Swaraj Abhiyan- The scheme has been revamped and approved in April 2022 for implementation over the period FY23 to FY26. The focus of the scheme of Revamped RGSA is on re-imagining PRIs as vibrant centres of local self-governance with a special focus on the Localisation of SDGs (LSDGs) at the grassroots level

CONCLUSION

With the vision of 'Minimum Government; Maximum Governance', further developments will hold the key to attaining more equitable economic growth. Evident ones include stepping up learning outcomes through digital and teaching interventions in schools, enhancing the role of community workers in healthcare, pushing SHGs through better product design and up scaling enterprises.

Important Schemes & Initiatives

- SVAMITVA
- Aspirational Districts Programme (ADP)
- Aspirational Blocks Programme
- Pradhan Mantri Mudra Yojana (PMMY)
- Right to Education Act, 2009 (RTE)
- Pradhan Mantri Gram Sadak Yojana (PMGSY)
- Mission Utkarsh

- Industrial Relations Code,
- Code on Social Security
- Code on Occupational Safety Health and Working Conditions
- The Code on Wages, 2019
- DAY-National Rural Livelihood Mission
- National Career Service (NCS) project
- The National Curriculum Framework (NCF) for Foundational Stage
- Skill India Mission
- Skill Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP)
- National Health Mission
- the Reproductive, Maternal, New-born, Child, Adolescent Health Plus Nutrition (RMNCAH+N) strategy
- Universal Immunisation Programme (UIP)
- eSanjeevani
- Ayushman Bharat Pradhan Mantri – Jan Arogya Yojana (AB PM-JAY
- Ayushman Bharat – Heath and Wellness Centres (AB-HWCs)
- Ayushman Bharat Digital Mission (ABDM
- Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) scheme
- Pradhan Mantri Vaya Vandana Yojana (PMVVY):
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY):
- Pradhan Mantri Suraksha Bima Yojana (PMSB
- Pradhan Mantri Shram Yogi Maan-Dhan Yojana (PM-SY
- PM Street Vendor’s Atmanirbhar Nidhi Scheme (PM SVANidhi):
- Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)
- Mission Amrit Sarovar
- Swachh Bharat Mission (Grameen)
- Pradhan Mantri Ujjwala Yojana 2.0, Swachh Indhan Behtar Jeevan:
- Pradhan Mantri Gram Sadak Yojana (PMGSY)
- SAUBHAGYA- Pradhan Mantri Sahaj Bijli Har Ghar Yojana
- Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)
- PM-KISAN,
- National Social Assistance Programme (NSAP),
- Pradhan Mantri Matru Vandana Yojana (PMMVY),
- NRLM,
- National Health Mission (NHM),
- Rashtriya Gram Swaraj Abhiyan)

REFLECTIVE EXERCISE

1. **The emphasis on digital land records through SVAMITVA is structural reform in rural land management and individual economic empowerment. Explain.**
2. **‘Human Development’ is the key enabler for upward social mobility. Comment.**
3. **The Aspirational Districts Programme has emerged as a template for good governance, especially in remote and difficult areas. Analyze.**
4. **Aadhaar has emerged as an essential tool for social delivery by the State. Justify with examples.**

PRACTICE MCQs

1. Consider the following statement:

1. The Government's spending on social services has shown a rising trend since FY16.
2. Human development across the world has stalled for the first time 2021/2022 however, India's HDI value continues to exceed South Asia's average human development.

Which of the following statement(s) is/are correct:

(a) 1 only (b) 2 only

(c) Both (d) None

2. Consider the following statement:

1. Monetary poverty measured by the percentage of the population living below the 2011 PPP of US$1.90 per day.
2. The headcount or incidence of multidimensional poverty is 6.1 percentage points lower than the incidence of monetary poverty.
3. Percentage of people in Multidimensional Poverty has shown a rising trend since FY2005-06.

Which of the following statement(s) is/are correct:

(a) 1 and 2 only (b) 2 and 3 only

(c) 1 and 3 only (d) 1, 2 and 3

3. Consider the following statement:

1. Ministry of Labour and Employment (MoLE) has developed eShram portal for creating a National database of all workers, which is verified with Aadhaar
2. Uttar Pradesh, Bihar and West Bengal accounted for nearly half of total registrations on e-Shram portal.
3. Agriculture sector workers contributed to largest of the total registrations, followed by domestic and household workers , and construction workers.

Which of the following statement(s) is/are correct:

(a) 1 and 2 only (b) 2 and 3 only

(c) 1 and 3 only (d) 1, 2 and 3

ANSWERS

1. (c)	**2.** (a)	**3.** (b)		

****

CHAPTER: 7

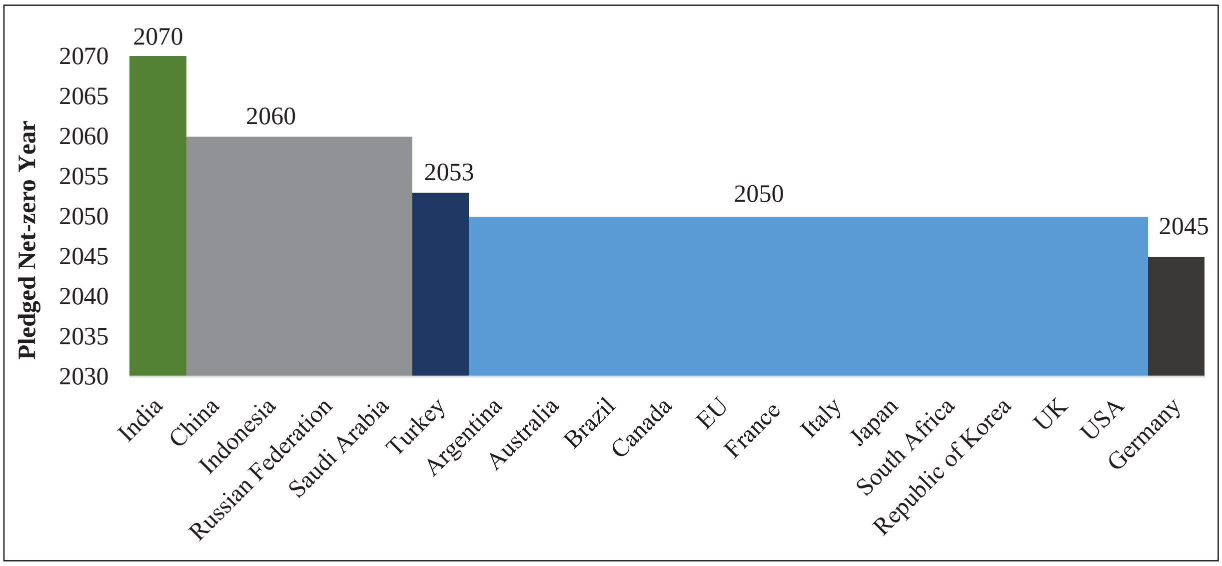
Climate Change and Environment: Preparing to Face the Future

Key-Terms

- **Forest carbon stock:** Forest carbon stock is the amount of carbon that has been sequestered from the atmosphere and is now stored within the forest ecosystem, mainly within living biomass and soil, and to a lesser extent also in dead wood and litter.
- **Rare earth elements:** The rare earth elements (REE) are a set of seventeen metallic elements. These include the fifteen lanthanides on the periodic table plus scandium and yttrium.
- **ESG Investing:** Environmental, Social, and Governance (ESG) is a criterion used by investors for screening companies. Investors increasingly prefer a company which is environment-oriented and has high corporate governance standards.

INTRODUCTION

- India has integrated the development goals with ambitious climate action goals, be it in the form of augmented solar power capacity, higher energy saving targeting notified in PAT cycle-VII, improved green cover facilitated by Green India Mission, among other targeted Government actions.
- The availability of adequate and affordable finance remains a constraint in India's climate actions. The country has so far largely met its requirements from domestic sources only. Finance is a critical input for its climate actions. Therefore, the country has scaled up its efforts towards mobilising private capital, including through sovereign green bonds, to meet climate action goals. A framework for the latter has been issued in compliance with International Capital Market Association (ICMA) Green Bond Principles (2021).
- GHG emissions are the most significant threat to humanity and the inescapable reality the world faces. Action to reduce carbon emissions and adapt to the changing climatic conditions are required urgently. Many nations pledge to reduce their net emission to zero by 2050. Some wish to achieve it by 2060 and by 2070.
- It is estimated that by 2030, about 700 million people worldwide will be at risk of displacement by drought alone (U.N. SDG Portal).
- The IPCC's Sixth Assessment Report (AR6) notes that high **human vulnerability global hotspots** are found particularly in West, Central & East Africa, South Asia, Central, and South America, Small Island Developing States, and the Arctic. Further, as per the report, Asia is most vulnerable to climate change, especially to extreme heat, flooding, sea level rise, and erratic rainfall.



Source: Emissions Gap Report 2022, UNEP

FIGURE: ***Net Zero Pledges of countries (the Year pledged is on top of the bars)***

- Ironically, the burden of adaptation is highest for those who have contributed the least to global warming.
- **Nobel Laureate Thomas Schelling (2005) argued that the most effective way to combat climate change was to let nations grow first.**

*"If per capita income growth in the next 40 years compares with the 40 years just past, vulnerability to climate change should diminish, and the resources available for adaptation should be greater. I say this not to minimise concern about climate change but to anticipate whether developing countries should make sacrifices in their development to minimise the emission of gases that may change the climate to their disadvantage. Their best defence against climate change may be their own continued development." — **Thomas Schelling***

ARGUMENTS IN SUPPORT OF ABOVE VIEW:

- Economic growth would enable resource generation. This resource can be used to tackle climate change.
- Another reason why it is a realistic proposition is that securing funding from either developed nations or multilateral organisations is rather difficult.
- Lastly, it does not seem so strange that developing countries must put their own growth and development aspirations ahead of their global climate obligations when one considers that developed countries set aside their obsessive concerns about climate change and global warming to burn more coal to generate electricity this year.
- Aiming to reduce their dependence on Russian crude oil and natural gas, countries in Europe had to switch to coal to keep their homes warm and well-lit. The behaviour of European nations in 2022, eminently understandable, demonstrates the return of energy security as a prime requirement for countries. Therefore, it stands to reason that it would be no different for developing economies too.

INDIA'S VULNERABILITY TO CLIMATE CHANGE

- India is considered to be one of the most vulnerable countries given its long coastline, monsoon-dependent agriculture, and large agrarian economy.
- **India has contributed only 4 percent (until 2019) to the cumulative global emissions and its per capita emission is far less than the world average.**

PROGRESS ON INDIA'S CLIMATE ACTION

- In 2008, India launched the National Action Plan on Climate Change (NAPCC), establishing eight National Missions, covering several initiatives and a slew of measures in the area of solar, water, energy efficiency, forests, sustainable habitat, sustainable agriculture, sustaining Himalayan ecosystem, capacity building and research and development (R&D).
- National Adaptation Fund for Climate Change (NAFCC), a central sector scheme, was initiated in 2015-16 to support adaptation activities in the States and Union Territories (UTs) of India that are vulnerable to the adverse effects of climate change.
- Demonstrating higher ambition in its climate action, the Government of India submitted its updated NDC on August 26, 2022.

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

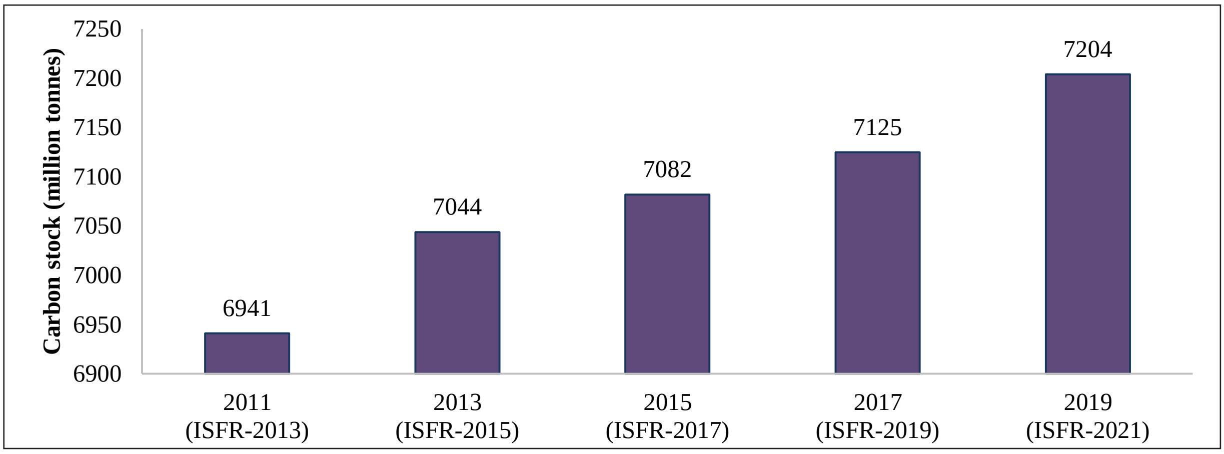
FIGURE: ***Progress on Eight National Missions of teh NAPCC highlighting achievements across various domains***

STATUS OF FOREST AND TREE COVER

- The forest and tree cover in India has shown a gradual and steady trend of increase in the last one and a half decades.
- The country ranks third globally with respect to the net gain in average annual forest area between 2010 and 2020.
- Schemes like the **Green India Mission (GIM), Compensatory Afforestation Fund Management and Planning Authority (CAMPA), National Afforestation Programme (NAP), Green Highway Policy - 2015, Policy for enhancement of Urban Greens, National Agro-forestry Policy, and Sub-Mission on Agro-forestry (SMAF),** etc. are among the most important ones.

CARBON STOCK IN INDIA'S FOREST AND TREE COVER

The Indian State of Forest Report (ISFR) estimates the carbon stock of forests to be about 7,204 million tonnes in 2019, which is an increase of 79.4 million tonnes of carbon stock as compared to the estimates of the previous assessment for 2017. This translates into carbon emissions sequestrated through forest and tree cover to be 30.1 billion tonnes of CO2 equivalent.



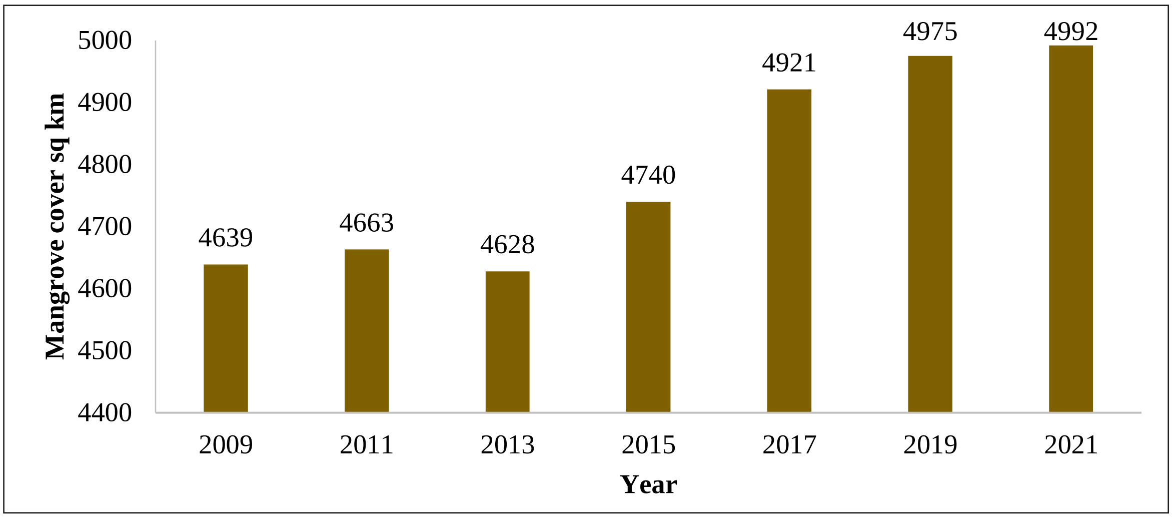
Source: Based on data of the Forest Survey of India

FIGURE: ***Carbon stock in forests in India has been rising***

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 among different States/UTs indicates that Jammu & Kashmir is contributing the maximum per-hectare carbon stock of 173.41 tonnes, followed by Himachal Pradesh (167.0 tonnes), Sikkim (166.2 tonnes) and Andaman & Nicobar Islands (162.9 tonnes).

PRESERVATION OF ECOSYSTEMS: A CRITICAL ADAPTATION ACTION

- 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.



Source: ISFR 2021

FIGURE: ***Increasing Mangrove cover in India***

- As per a recent study, certain mangrove species in Chilika and Sundarbans along the east coast and Dwarka and Porbandar along the west coast of India are likely to reduce and shift landward by 2070 due to a decline in suitable habitats in response to precipitation and sea level changes.
- The Government has taken both regulatory and promotional measures to protect and conserve mangroves. The **National Coastal Mission Programme on 'Conservation and Management of Mangroves and Coral Reefs'** is being implemented.
- 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; the Biological Diversity Act, 2002;** and rules under these acts as amended from time to time.
- As per the ISFR 2021, the mangrove cover in the country has increased by 364 sq. km. in 2021 as compared to 2013.

APPROACH TO TRANSITION TO RENEWABLE ENERGY SOURCE

India is progressively becoming a favoured destination for investment in renewables. 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. Investment in renewable energy has been close to or higher than US$ 10 billion per year since 2016, except for a dip in 2020 likely due to various Covid-19 restrictions.

GREEN HYDROGEN-A CRITICAL SOURCE OF ALTERNATE ENERGY

With a vision to make India an energy-independent nation, and to de-carbonise critical sectors, the Government approved the National Green Hydrogen Mission on January 4, 2023 with an initial outlay of ₹19,744 crore. The Mission will facilitate demand creation, production, utilisation and export of Green Hydrogen and mobilisation of over ₹8 lakh crore of investment by 2030.

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

FIGURE: ***Salient Features of the National Green Hydrogen Mission***

FINANCE FOR SUSTAINABLE DEVELOPMENT

- **Green Bonds**
  - The final Sovereign Green Bonds framework of India has been issued. The Framework has been designed to comply with the components and key recommendations of the International Capital Market Association (ICMA) Green Bond Principles (2021).
  - The Reserve Bank of India (RBI) has notified the indicative calendar for the issuance of Sovereign Green Bonds (SGrBs) for the fiscal year 2022-23.

The shift to a clean energy system is set to drive a huge increase in the requirements for critical minerals. This is because an energy system powered by clean energy technologies differs profoundly from one fuelled by traditional hydrocarbon resources. Cobalt, copper, lithium, nickel, and rare earth elements (REEs) are critical for producing electric vehicles and batteries and harnessing solar power and wind energy. Solar photovoltaic (PV) plants, wind farms and electric vehicles (EVs) generally require more minerals than their fossil fuel-based counterparts. A typical electric car requires six times the mineral inputs of a conventional car, and an onshore wind plant requires nine times more mineral resources than a gas-fired plant.

The types of mineral resources used vary by technology. Lithium, nickel, cobalt, manganese and graphite are crucial to battery performance, longevity and energy density. REEs are essential for permanent magnets that are vital for wind turbines and EV motors. Electricity networks need a huge amount of copper and aluminium, with copper being a cornerstone for all electricity-related technologies.

While the demand for critical minerals is set to increase because of the global preference and emphasis towards renewable energy, the global supply chain of the critical minerals is highly concentrated and unevenly distributed. The skewed distribution of the resource poses a supply risk in the face of its enhanced demand.

BOX: ***Critical Minerals-Key to Green Transition***

- **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 (by market capitalisation) since 2012.
  - Over the years, the requirement was strengthened to cover the top 500 and then the top 1000 entities.

MAJOR DECISIONS AT COP 27

During COP 27, developing nations strongly voiced setting up a separate fund for loss and damage. After negotiations, it was decided to establish new funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage, with a focus on addressing loss and damage.

INDIA’S INITIATIVES AT THE INTERNATIONAL STAGE

- International Solar Alliance (ISA)
- Coalition for Disaster Resilient Infrastructure
- Leadership Group for Industry Transition (LeadIT)

INITIATIVES RELATED TO OTHER ENVIRONMENTAL ISSUES

- India ranks eighth in the world and fourth in Asia among the mega-diverse countries in the world. It is also rich in fauna, and nearly 62 percent of the recorded amphibian species are endemic to India, which is majorly found in the Western Ghats.
- Globally, India holds the eighth position for the origin and diversity of crop plants, as it has more than 300 wild ancestors and close relatives of cultivated plants growing naturally.
- In conformity with the spirit of the CBD, India enacted **the Biological Diversity Act in 2002**.
- India and Nepal signed a Memorandum of Understanding (MoU) in August 2022 on biodiversity conservation to strengthen and enhance the coordination and cooperation in the field of forests, wildlife, environment, biodiversity conservation, and climate change, including restoration of corridors and interlinking areas and sharing knowledge and best practices between the two countries.

The introduction of Cheetahs in India is being done under Project Cheetah, the world's first inter-continental large wild carnivore translocation project. The cheetah was declared extinct from India in 1952. Under the scheme, eight Namibian wild cheetahs were introduced on 17 September 2022 in Kuno National Park, Madhya Pradesh. Out of the eight Cheetahs, there are five female and three male Cheetahs.

The historic reintroduction of Cheetahs in India is part of a long series of measures for ensuring sustainability and environmental protection. Cheetahs can help restore open forest and grassland ecosystems in India.

The Government has constituted a Task Force for monitoring Cheetah introduction. The Task Force shall be in force for a period of two years. The Task Force has been formed to mainly:

- Review, progress, and monitor the health status of Cheetah, upkeep of the quarantine & soft release enclosures, protection status of the entire area, adherence to the defined protocols by forest & veterinary officials, and advice on Cheetah introduction in India concerning overall health, behaviour and their upkeep.

BOX: *Project Cheetah*

WILDLIFE - ITS PRESERVATION AND PROTECTION

- India is home to 53 Tiger Reserves covering approximately 75,796.8 sq. km area 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. In addition, 17 Tiger Reserves in the country have CA|TS international accreditation, and two have received International Tx2 Award.
- Similarly, the population of Asiatic Lions has shown a steady increase.
- The current population estimates indicate about 50,000 – 60,000 Asian elephants worldwide. More than 60 percent of the population is in India.

OTHER ENVIRONMENTAL INITIATIVES TAKEN BY INDIA:

- Plastic Waste Management and Elimination of Identified Single-Use Plastics
- The Government published the Battery Waste Management Rules, 2022
- The Government notified the E-Waste (Management) Rules, 2022

Important Schemes & Initiatives

- PAT
- Green India Mission
- the National Action Plan on Climate Change (NAPCC),
- Compensatory Afforestation Fund Management and Planning Authority (CAMPA)
- National Afforestation Programme (NAP),
- Green Highway Policy - 2015,
- Policy for enhancement of Urban Greens,
- National Agro-forestry Policy
- Sub-Mission on Agro-forestry (SMAF)
- National Coastal Mission Programme on 'Conservation and Management of Mangroves and Coral Reefs'

- Coastal Regulation Zone (CRZ) Notification (2019) under the Environment (Protection) Act, 1986;
- the Wild Life (Protection) Act, 1972;
- the Indian Forest Act, 1927;
- the Biological Diversity Act, 2002;
- National Green Hydrogen Mission
- Sovereign Green Bonds framework
- Project Cheetah
- Plastic Waste Management rules
- Battery Waste Management Rules, 2022
- E-Waste (Management) Rules, 2022

REFLECTIVE EXERCISE

1. **"Climate action has become a major macroeconomic issue, but the macroeconomics of climate action is far from the level of rigour and precision that is now necessary to provide a sound basis for public discussions and to guide policymakers adequately." In this light analyze the Climate action and India's action plan for net zero.**
2. **The National Coastal Mission Programme on 'Conservation and Management of Mangroves and Coral Reefs' represents a significant step towards the conservation of Mangroves. Explain.**
3. **India can situate emphasis on green hydrogen as a decarbonisation opportunity not just within the context of a low-carbon economy but also as an enabler of energy security and economic development for the nation. Discuss.**

PRACTICE MCQs

1. Consider the following statements:

1. India has contributed only 4 percent to the cumulative global emissions and its per capita emission is far less than the world average
2. Ministry of Environment, Forest and Climate Change has been designated as National Implementing Entity (NIE) for implementation of adaptation projects under the National Adaptation Fund for Climate Change (NAFCC)

Which of the above given statements 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 forest cover in India has been steadily increasing since last one and a half decades.
2. Among the Indian States, Madhya Pradesh has the maximum carbon stock in forests, followed by Arunachal Pradesh.

Which of the above given statements is/are correct?

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

3. Consider the following statements:

1. India has 75 Ramsar sites covering an area of 13.3 lakh ha.
2. As per the India State of Forest Report 2021, the mangrove cover in the country has increased in 2021 as compared to 2013

Which of the above given statements 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. The Green Bond Principles clarify the approach for issuance of a Green Bond.
   2. International Capital Market Association serves as Secretariat to the Green Bond Principles (GBP)
   3. The Sovereign Green Bonds framework of India has been designed to comply with the key recommendations of the International Capital Market Association (ICMA) Green Bond Principles (2021).

   Which of the above given statements is/are correct?

   (a) 1 and2 only (b) 1 and 3 only
   (c) 2 and 3 only (d) 1, 2 and 3

ANSWERS

1. (a)	**2.** (a)	**3.** (c)	**4.** (d)	

****

CHAPTER: 8

Agriculture & Food Management: From Food Security to Nutritional Security

Key-Terms

- **Agriculture Infrastructure Fund:** Agriculture Infrastructure Fund is a central sector scheme which enables a financing facility of Rs.1 lakh crore for funding agriculture infrastructure projects at farm-gate and aggregation points such as farmer producer organizations, primary agricultural cooperatives, startups and entrepreneurs in the agriculture sector.
- **Custom hiring Centers:** Custom Hiring Centre (CHC) are basically a unit comprising a set of farm machinery, implements and equipment meant for custom hiring by farmers. The main objective of CHC is to supply of farm implements to small, marginal and poor farmers at subsidized rates on hire.
- **Zero Budget Natural Farming (ZBNF):** It is a method of chemical-free agriculture drawing from traditional Indian practices. Using cow dung, urine based formulations and botanical extracts would help farmers in reducing the input cost. Intercropping with leguminous crops is one of the components of ZBNF and it improves the crop productivity and soil fertility by way of fixing the atmospheric nitrogen. It promotes soil aeration, minimal watering, intercropping, bunds and topsoil mulching and discourages intensive irrigation and deep ploughing.
- **Primary Agricultural Cooperative credit societies (PACS):** PACS constitute the lowest tier of the three-tier Short-term cooperative credit in the country comprising of approx.13 Cr. farmers as its members, which is crucial for the development of the rural economy.
- **One District, One Product Programme (ODOP):** ODOP aims to encourage indigenous and specialized products and crafts. It is programme for every district in the country to expand the outreach of their 'special' product not just in India but across the world.

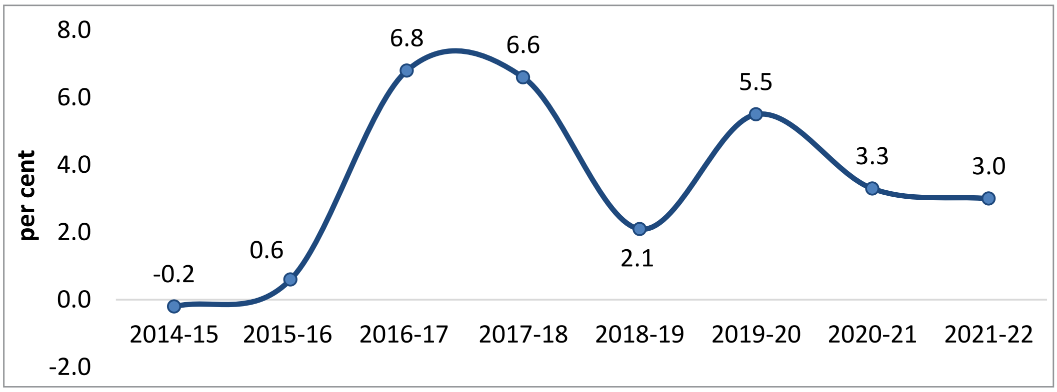
INTRODUCTION

- The chapter focuses on the government interventions to enhance credit availability, facilitate mechanisation and boost horticulture and organic farming.
- With its solid forward linkages, the agriculture and allied activities sector significantly contributed to the country's overall growth and development by ensuring food security.
    - The Indian agriculture sector has been growing at an average annual growth rate of 4.6 percent during the last six years. It grew by 3.0 percent in 2021-22 compared to 3.3 percent in 2020-21.

- In 2020-21, exports of agriculture and allied products from India grew by 18 percent over the previous year.
- During 2021-22, agricultural exports reached an all-time high of US$ 50.2 billion.

➤ This period of buoyant performance could be ascribed to the measures taken by the Government to promote **farmer-producer organisations, encourage crop diversification, and improve productivity in agriculture** through support provided for **mechanisation** and the creation of **the Agriculture Infrastructure Fund**.

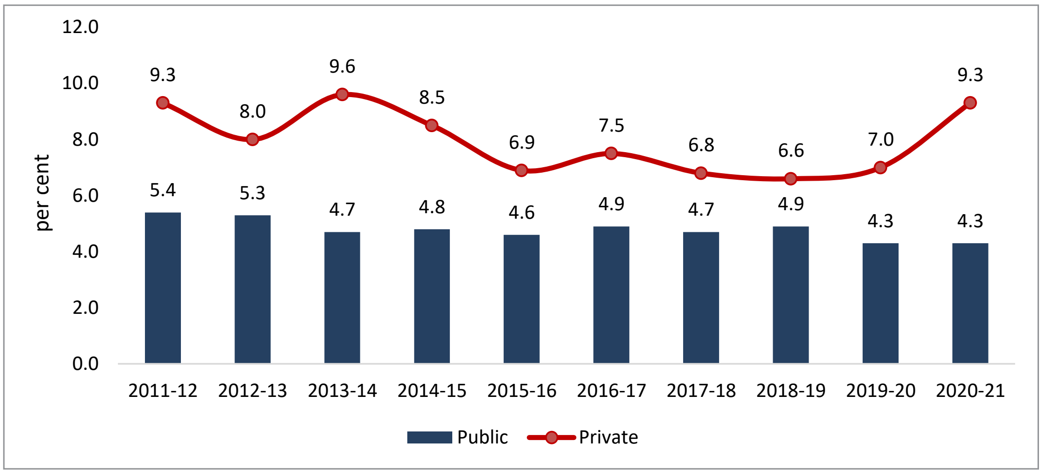
➤ Further, income support to farmers through the **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** and the promotion of allied activities has led to diversification in sources of farmers' income, improving their resilience to weather shocks.



Source: MoSPI's Annual and Quarterly Estimates of GDP at constant prices, 2011-12 series.

FIGURE: *Despite Covid-19 shock agriculture and allied sector shows resilient growth*

➤ While Indian agriculture has performed well, the sector needs re-orientation in the backdrop of certain challenges like adverse impacts of climate change, fragmented landholdings, sub-optimal farm mechanisation, low productivity, disguised unemployment, rising input costs, etc.



Source: Agricultural Statistics at a Glance 2021.

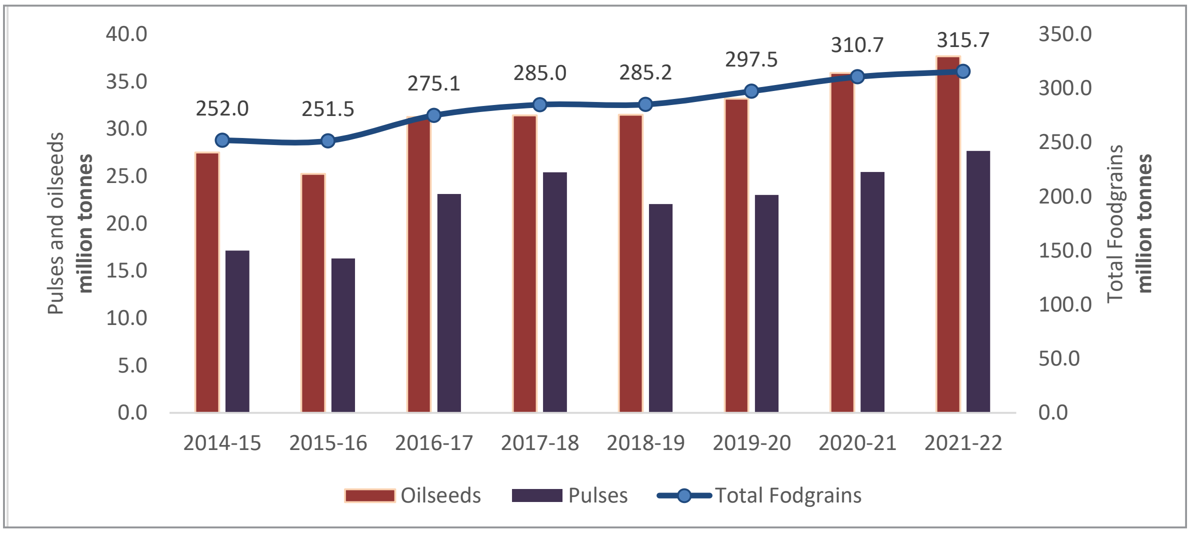
FIGURE: *Crowding in of Private investment in agriculture*

RECORD PRODUCTION OF FOODGRAINS

➤ As per Fourth Advance Estimates for 2021-22, the production of food grains and oil seeds has been increasing Year-on-Year (YoY).

➤ Production of pulses has also been notably higher than the average of 23.8 million tonnes in the last five years.

- However, changing climate has been impacting agriculture adversely. 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 too in the Kharif season due to delayed monsoons and deficient rainfall.

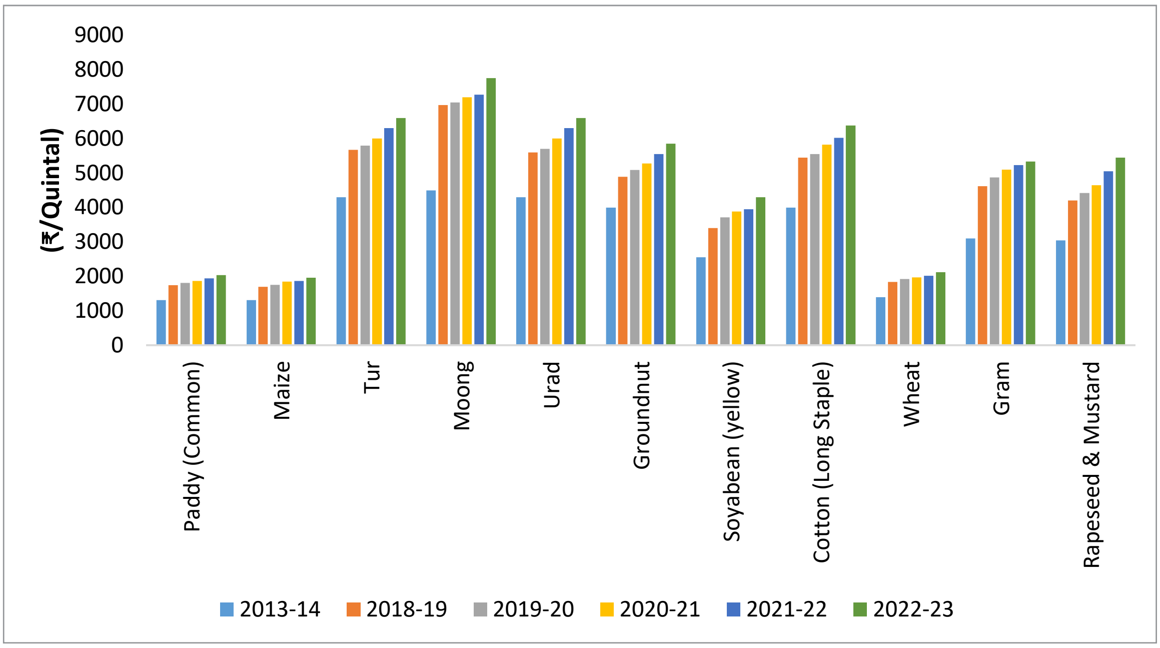


Source: 1st Advance Estimates (2022-23) of DA&FW released dated 21.09.2022.

FIGURE: ***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. Accordingly, the Government has been increasing the MSP for all 22 Kharif, Rabi and other commercial crops. Given nutritional requirements and changing dietary patterns and to achieve self-sufficiency in pulses and oilseeds production, the Government has fixed relatively higher MSP for pulses and oilseeds.



Source: Based on data of DAFW and CACP.

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

ENHANCED ACCESS TO AGRICULTURAL CREDIT

- Accordingly, the **Kisan Credit Card Scheme (KCC)** was introduced in 1998 for farmers to empower them to purchase agricultural products and services on credit at any time.
- With the **Government of India extending the KCC facility to fisheries and animal husbandry farmers** in 2018-19, the number of such cards in the fisheries and animal husbandry sector has also grown.
- To ensure that the farmers pay a minimal interest rate to the banks, the Government of India has introduced **the Interest Subvention Scheme (ISS), now renamed Modified Interest Subvention Scheme** (MISS), to provide **short-term credit** to farmers at subsidised interest rates.

FARM MECHANISATION- KEY TO IMPROVING PRODUCTIVITY

- Farm mechanisation helps increase productivity through timely and efficient use of other inputs and natural resources while at the same time reducing the cost of cultivation and the drudgery associated with various farm operations.
- 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 and equipment besides setting up Custom Hiring Centres (CHC).

CHEMICAL-FREE INDIA: ORGANIC AND NATURAL FARMING

- **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 voluntarily adopted going organic. It became the first State in the world to become fully organic, and other States, including Tripura and Uttarakhand, have set similar targets.
- The Government has been promoting organic farming by implementing two dedicated schemes, i.e., **Paramparagat Krishi Vikas Yojana (PKVY)** and **Mission Organic Value Chain Development for North Eastern Region (MOVCDNER)** since 2015 through cluster/ Farmer Producer Organisations (FPOs) formation. PKVY Scheme is being implemented in a cluster mode.
- Promotion of natural farming began in 2019-20, when **Bhartiya Prakratik Krishi Paddhati (BPKP), a sub-scheme of PKVY**, was launched to assist farmers in adopting traditional indigenous practices for encouraging all forms of ecological farming, including Zero-Budget Natural Farming (ZBNF). The scheme focuses on capacity building, training, handholding, and on-field demonstration of natural farming through champion farmers.

OTHER IMPORTANT INITIATIVES IN AGRICULTURE

- PM KISAN Scheme
- Agriculture Infrastructure Fund (AIF)
- Pradhan Mantri Fasal Bima Yojana (PMFBY)
- Mission for Integrated Development of Horticulture (MIDH)
- National Agriculture Market (e-NAM) Scheme

Climate-Smart Farming Practices

This is slowly gaining acceptance with farmers using clean energy sources like solar for irrigation. The farmers have been incentivised to transfer electricity generated through solar to the local grid. Crop yield prediction models using artificial intelligence and drones for monitoring soil and crop health have been initiated. 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. These assist farmers in improving farming techniques.

BOX: ***International Year of the Millets: Our traditional Staple and a healthier alternative***

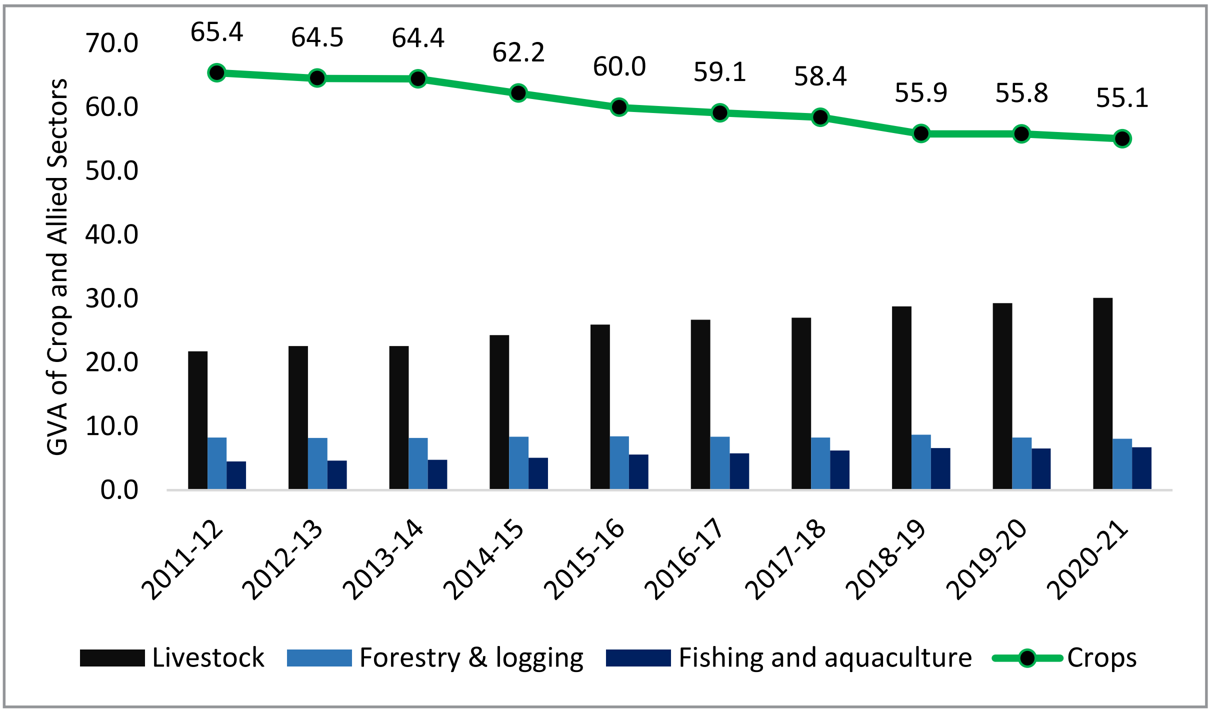
The United Nations General Assembly, in its 75th session during March 2021, declared 2023 the International Year of Millets (IYM). Millets are Smart Food with high nutritional value, are climate resilient, and align with several UN Sustainable Development Goals (SDGs). These are also important by virtue of their mammoth potential to generate livelihood, increase farmers' income and ensure food & nutritional security all over the world.

ALLIED SECTORS: ANIMAL HUSBANDRY, DAIRYING AND FISHERIES CATCHING UP IN RECENT YEARS

- Recognizing the growing importance of allied sectors, the Committee on Doubling Farmers' Income considers dairying, livestock, poultry, fisheries and horticulture as high-growth engines and has recommended a focused policy with a concomitant support system for the allied sector.
- The dairy sector is the most critical component of the livestock sector, employing more than eight crore farmers directly, and is the most prominent agrarian product. Other livestock products, such as eggs and meat, are also growing in importance. While **India ranks first in milk production in the world, it ranks third in egg production and eighth in meat production in the world.**

IMPORTANT INITIATIVES IN ALLIED SECTORS

- The Animal Husbandry Infrastructure Development Fund (AHIDF)
- National Livestock Mission (NLM)



Source: Based on data of MoSPI.

FIGURE: ***Though the Crop sector is still the major contributor to agriculture GVA, the livestock sector is catching up (percent)***

- The Livestock Health and Disease Control (LH&DC) Scheme
- National Animal Disease Control Programme (NADCP)
- Pradhan Mantri Matsya Sampada Yojana (PMMSY)
- Fisheries and Aquaculture Infrastructure Development Fund (FIDF)

SAHAKAR-SE-SAMRIDDHI: FROM COOPERATION TO PROSPERITY

- The cooperative societies, especially in the agriculture, dairy and fisheries sectors, provide the rural population with livelihood opportunities and a financial safety net with a community based approach. Cooperatives hold the key to rural economic transformation.

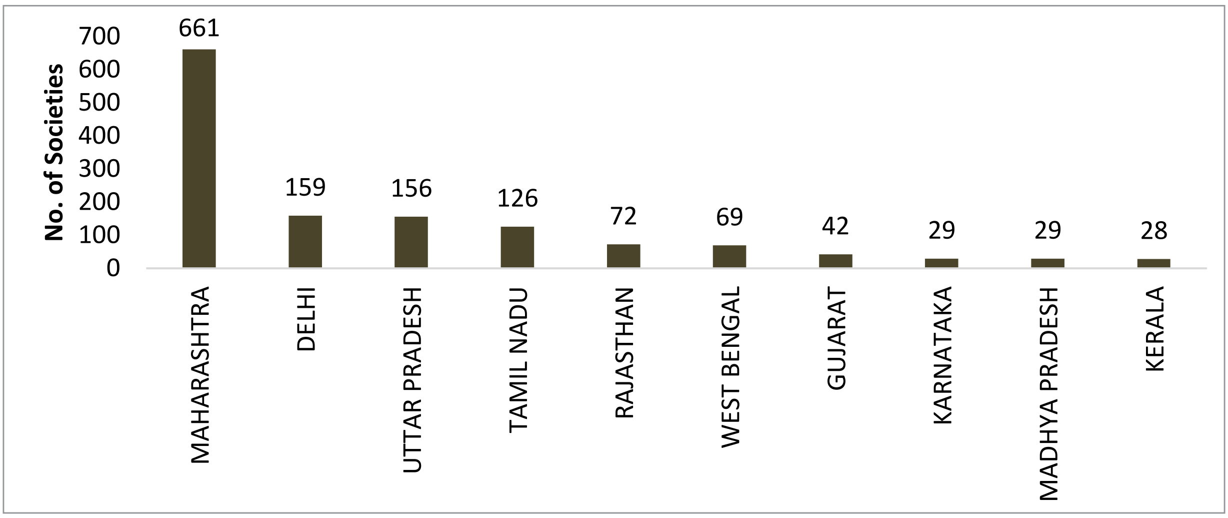


FIGURE: ***Top ten states with Multi-State Cooperative Societies as on 20 October 2022***

- To realise the vision of “Sahakar-see-Samriddhi”, a renewed impetus was given to the growth of the cooperative sector. **Currently, around 19 percent of agriculture finance is through cooperative societies**.
- **A full-fledged Ministry of Cooperation was established in July 2021** to provide greater focus to the cooperative sector. In addition, the Government has taken various initiatives to promote and strengthen PACS, like the computerization of 63,000 functional PACS and the preparation of by-laws for enabling PACS to expand their activities.

With the view to strengthening the cooperative movement in the country, deepening its r to the grassroots, and promoting cooperative-based economic development, a New Nati Cooperation Policy is being formulated involving the relevant stakeholders such as exper the cooperative sector, representatives from National/ State/ District/ Primary level coopera societies, Secretaries (Cooperation) and Resident Commissioners from States/UTs, offi from Central Ministries/ Departments. The objective is to have a policy that unlocks the potential of the Cooperation sector.

In addition, the Government has also decided to introduce the Multi-State Co-opera Societies (Amendment) Bill, 2022. The Bill seeks to amend the Multi-State Co-opera Societies Act, 2002, to bring it in line with Part IXB of the Constitution and to streng the cooperative movement in the country by bringing in provisions relating to elect reforms, strengthening governance and transparency, reforming the composition, meet and membership of board; enabling the raising of funds by co-operative sector, strengthe monitoring mechanism, enhancing ‘Ease of doing business’, etc. The bill was introduce the Lok Sabha on 7 December 2022 in the winter session of Parliament.

BOX: ***New National Cooperation Policy***

FOOD PROCESSING SECTOR-THE SUNRISE SECTOR

- To facilitate the unfettered growth of the food processing sector, there is a continuous need for extensive investment in cold chain infrastructure and address logistical challenges. The NITI Aayog Strategy for New India identifies the lack of adequate and efficient cold chain infrastructure as a critical supply-side bottleneck that leads to massive post-harvest losses.
- Recognising the abundant potential of the sector, the Government has been at the forefront with various interventions aimed at the development of food processing in the country. The Ministry of Food Processing Industries, through the component schemes of **Pradhan Mantri Kisan SAMPADA Yojana (PMKSY),** provide financial assistance for the overall growth and development of the food processing sector.
- The Ministry also launched in 2020 the **Prime Minister’s Formalisation of Micro Food Processing Enterprises (PMFME) Scheme** as part of the ANB Abhiyan 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.
- The **Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)**, launched in March 2022, has the specific mandate to incentivise investments to create global food champions. Sectors with high growth potential, like marine products, processed fruits & vegetables, and ‘Ready to Eat/ Ready to Cook’ products, are covered for support.
- To focus on transporting perishable food products, including horticulture, fishery, livestock and processed products, from the Hilly Areas, North-Eastern States and Tribal Areas, Krishi **UDAN 2.0** version was launched in October 2021 as a six-month pilot project.

FOOD SECURITY- SOCIAL & LEGAL COMMITMENT TO THE PEOPLE OF THE NATION

- **Food security is not only a question of the ability to produce food but also of the ability to access food**.
- The Government is currently running the most extensive legislation-based food security programme in the world, covering about 80 crore of India's population under **the National Food Security Act (NFSA), 2013.**
- To further ease the process of access to food, the Government launched a citizen-centric and technology-driven scheme in 2019 called the **One Nation One Ration Card (ONORC) scheme**. The ONORC system enables intra-State and inter-State portability of ration cards. It helps the migrant beneficiaries access their food security entitlements from any fair price shop (FPS) of their choice by using the same ration card after biometric/Aadhaar authentication on electronic Point of Sale (e-PoS) devices at the FPS.

Important Schemes & Initiatives

- Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)
- Kisan Credit Card Scheme (KCC
- the Sub Mission on Agricultural Mechanisation (SMAM
- Paramparagat Krishi Vikas Yojana (PKVY)
- Mission Organic Value Chain Development for North Eastern Region (MOVCDNER
- Bhartiya Prakratik Krishi Paddhati (BPKP), a sub-scheme of PKVY
- PM KISAN Scheme
- Agriculture Infrastructure Fund (AIF)
- Pradhan Mantri Fasal Bima Yojana (PMFBY)
- Mission for Integrated Development of Horticulture (MIDH)
- National Agriculture Market (e-NAM) Scheme
- The Animal Husbandry Infrastructure Development Fund (AHIDF)
- National Livestock Mission (NLM)
- The Livestock Health and Disease Control (LH&DC) Scheme
- National Animal Disease Control Programme (NADCP)
- Pradhan Mantri Matsya Sampada Yojana (PMMSY)
- Fisheries and Aquaculture Infrastructure Development Fund (FIDF)
- Pradhan Mantri Kisan SAMPADA Yojana (PMKSY)
- Prime Minister's Formalisation of Micro Food Processing Enterprises (PMFME) Scheme
- Production Linked Incentive Scheme for Food Processing Industry (PLISFPI
- UDAN 2.0
- One Nation One Ration Card (ONORC) scheme

REFLECTIVE EXERCISE

1. **In the light of 2023 being the International Year of Millets, examine their importance from the point of view of India's nutritional value and agricultural economy as a whole.**
2. **Discuss contributions of the animal husbandry in sustaining agriculture and also mention initiatives of government to boost the same.**

PRACTICE MCQs

1. Consider the following statements:

1. India is the largest producer of milk in the world.
2. India is third largest producer of egg in the world.
3. India ranks eighth in milk production in the world.

Which of the above given statements is/are correct?

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

2. Consider the following statements:

1. In recent years, India has become a net exporter of agricultural products.
2. Modified Interest Subvention Scheme (MISS) AIMS to provide long -term credit to farmers at subsidised interest rates.

Which of the above given statements is/are correct?

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

3. Consider the following statements:

1. The year 2022 was declared as the International Year of Millets (IYM) by The United Nations General Assembly.
2. Paramparagat Krishi Vikas Yojana (PKVY) aims at promoting organic farming in India.

Which of the above given statements 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. India has largest number of organic farmers in the world.
2. Bhartiya Prakratik Krishi Paddhati (BPKP) was a scheme launched to assist farmers in adopting traditional indigenous practices for encouraging all forms of ecological farming,

Which of the above given statements is/are correct?

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

ANSWERS

1. (d)	**2.** (a)	**3.** (b)	**4.** (c)

****

CHAPTER: 9

Industry Steady Recovery

Key-Terms

- **Industrial Production (IIP):** The Index of Industrial Production is an index for India that details out the growth of various sectors in an economy such as mineral mining, electricity and manufacturing.
- **Credit Linked Guarantee Scheme (CGSS):** CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers
- **Gross Fixed Capital Formation:** Gross fixed capital formation is a macroeconomic concept used in official national accounts such as the United Nations System of National Accounts, National Income and Product Accounts and the European System of Accounts.
- **Marginal costs of funds-based lending rate (MCLR)**: Marginal Cost of Funds based Lending Rate (MCLR) is the minimum lending rate below which a bank is not permitted to lend. MCLR replaced the earlier base rate system to determine the lending rates for commercial banks. RBI implemented MCLR on 1 April 2016 to determine rates of interests for loans.
- **Trade Receivables Discounting System (TReDS):** ReDS is an electronic platform for facilitating the financing / discounting of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through multiple financiers. These receivables can be due from corporates and other buyers, including Government Departments and Public Sector Undertakings (PSUs).
- **Global Innovation Index (GII)**: The Global Innovation Index which is published annually, has been a leading reference for measuring an economy's innovation performance.
- **Fourth industrial revolution**: The Fourth Industrial Revolution, 4IR, or Industry 4.0, conceptualizes rapid change to technology, industries, and societal patterns and processes in the 21st century due to increasing interconnectivity and smart automation.
- **Production Linked Incentive (PLI) schemes:** The production Linked Incentive, or PLI, scheme of the Government of India is a form of performance-linked incentive to give companies incentives on incremental sales from products manufactured in domestic units. It is aimed at boosting the manufacturing sector and reducing imports.

OVERVIEW OF INDIAN INDUSTRIES

- The industry holds a prominent position in the Indian economy contributing about 30 percent of total gross value added in the country.
- In FY23, the Indian industry faced some extraordinary challenges as the Russian-Ukraine conflict broke out. That led to a sharp rise in the prices of many commodities.
- Robust domestic conditions since FY22 have provided a demand stimulus to industrial growth. The increase in investment demand has emerged as powerful stimulus to industrial growth.
- It has been triggered by the augmented capex of the central government in the current and the previous year as compared to the pre-pandemic years.

GROWTH AND SHARE OF INDUSTRIAL COMPONENTS (IN PERCENT)

	Growth in Per cent		Real GVA growth in FY23 over FY22	Real GVA growth in FY23 over FY20	Share in total GVA FY23
	H1:FY23	H2:FY23 (Estimated)			
Industry	3.7	4.5	4.1	11.1	30.0
Mining & quarrying	2.2	2.6	2.4	4.4	2.3
Manufacturing	0.1	3.0	1.6	11.0	17.3
Electricity, gas, water supply & other utility services	10.0	7.9	9.0	13.0	2.3
Construction	11.5	7.3	9.1	12.8	8.1
Overall GVA	**9.0**	**4.7**	**6.7**	**9.8**	-

TABLE: ***Growth and Share of Industrial Components (in Percent)***

DEMAND STIMULUS TO INDUSTRIAL GROWTH

- FY23 began with the month-old Russian-Ukraine conflict showing no signs of relenting. As the year ended, the conflict appears to have plateaued, although global commodity prices are yet to deescalate to their pre-pandemic levels.
- Industry, throughout the year, has thus faced high input costs imported into the country. Fearing demand impact, the industry has been gradually passing on the higher production costs, which has led to sticky but non-rising core retail inflation.
- Non-core retail inflation, on the other hand, comprising food and energy components, has been declining as local weather extremities have eased and interventions by the government to restrict price rises have proven effective. The consequent decrease in overall retail inflation has thus sustained the pent-up consumer demand in the post-pandemic Indian economy, inducing an industrial recovery despite the global headwinds.
- With world commodity prices now also on a downward trajectory and showing up in declining rates of India's wholesale inflation, core retail inflation is expected to relent, making domestic consumption demand much stronger to further induce industrial growth in the country.

SUPPLY RESPONSE OF INDUSTRY

- The supply response of the industry to the demand stimulus has been robust, as seen in high-frequency indicators. The PMI-Manufacturing, for example, has remained in the expansionary zone for 18 months since July 2021. In December 2022, the sub-indices of the
- PMI-Manufacturing indicated an easing pace of input cost pressures, improving supplier delivery times, robust export orders, and future output. The moderation in input cost inflation has also led to an easing in the momentum of output prices. However, the pace of expansion in new export orders decreased, reflecting a subdued global demand.

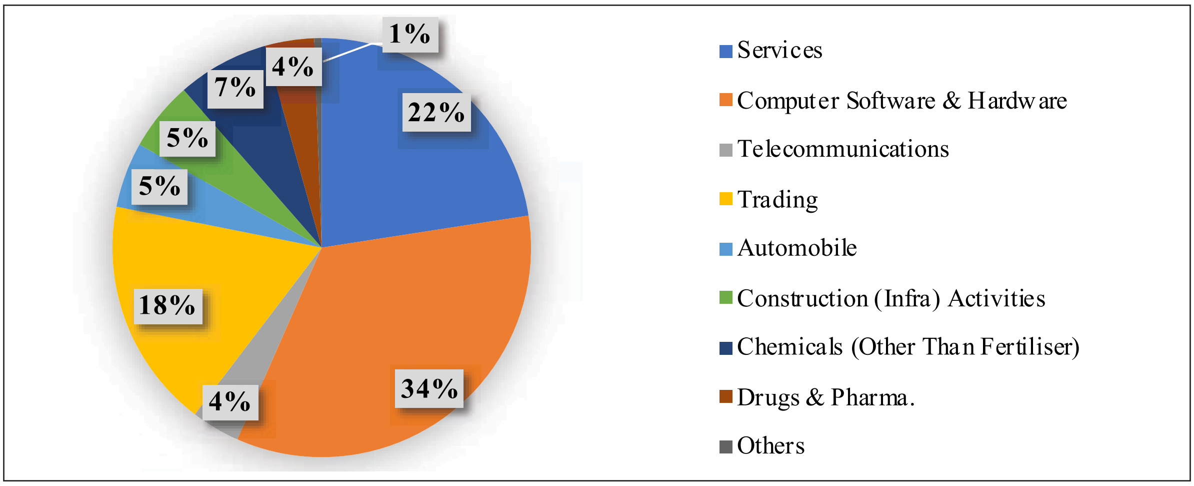
- The sustained growth of manufacturing output is also seen within the overall IIP producing consumer durables in sync with the "pent-up" consumption demand. Robust growth in the production of capital goods and infrastructure/construction goods is indicative of the beginnings of an investment cycle in the private sector in the next financial year.
- The eight core industries of coal, fertilisers, cement, steel, electricity, refinery products, crude oil, and natural gas are critical in meeting the demand for inputs across industries. The growth in these industries has held steady, reflecting a broad momentum in industrial activity.
- The manufacturing landscape shows uneven growth across various categories. For example, the motor vehicles manufacturing segment's performance continues to improve, induced by robust demand and an easing of chip shortage.

ROBUST GROWTH IN BANK CREDIT TO INDUSTRY

- Growth in bank credit has kept pace with industrial growth, with a sequential surge evident since January 2022. While 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 ECLGS, which supports around 1.2 crore businesses of which 95 percent are MSMEs.
- Growth in credit to MSME was buttressed by rebounding consumption levels, particularly in the services sector. Consequently, the share of MSMEs in gross credit offtake to the industry rose from 17.7 percent in January 2020 to 23.7 percent in November 2022.
- Robust growth in credit demand combined with rising capacity utilisation and investment in manufacturing underscores businesses' optimism regarding future demand.

RESILIENT FDI INFLOW IN MANUFACTURING SECTOR

- Annual FDI equity inflows in the manufacturing sector have been steadily increasing over the last few years. It jumped from US$ 12.1 billion in FY21 to US$ 21.3 billion in FY22 as the pandemic-driven expansionary policies of advanced economies led to a surge in global liquidity.
- 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. The monetary tightening at the global level has further restricted the FDI equity inflows.
- A rebound in FDI inflows is, however, expected as the Indian economy sustains its high growth while monetary tightening the world over eventually eases with the weakening of inflationary pressures.



Source: DPIIT data

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

- Notwithstanding an overall drop in FDI in the first half of FY23, inflows have stayed above the pre-pandemic levels, driven by structural reforms and measures improving the ease of doing business, making India one of the most attractive FDI destinations in the world.
- The government has implemented an investor-friendly FDI policy under which FDI up to 100 percent is permitted through automatic route in most sectors.

FDI Policy Reforms to bolster Investment

- To make India a more attractive investment destination, the Government has implemented several radical and transformative FDI reforms across sectors such as Defence, Pension, e-commerce activities etc.
- In FY20, 100 percent 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 percent FDI under the government route has been permitted for uploading/ streaming of News & Current Affairs through Digital Media.
- 100 percent FDI has been permitted in Intermediaries or Insurance Intermediaries, including insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third-party administrators, Surveyors and Loss Assessors and such other entities as may be notified by the Insurance Regulatory and Development Authority from time to time.

INDUSTRY GROUPS AND THEIR CHALLENGES

Micro, Small and Medium Enterprises (MSMEs) post smart recovery from pandemic

- Through the Aatma Nirbhar Bharat Package, the government has taken multiple steps to cushion the economic impact of the pandemic on MSMEs.
- Some of the measures undertaken include the modification of the definition of MSMEs; the provision of subordinate debt for stressed MSMEs, equity infusion through Self Reliant India fund; the waiving of the global tender requirement for procurement; launching of the Udyam portal for MSME registration, a paperless, zero-cost registration portal that is based on self-declaration and only requires Aadhaar.
- The government's initiative of the 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.
- The government has also initiated the 'Raising and Accelerating MSME Performance' scheme (RAMP) in FY23.

ELECTRONICS INDUSTRY TO BE A KEY DRIVER OF MANUFACTURING OUTPUT AND EXPORT

- The electronics industry continues to ascend in importance as its applications become pervasive, particularly in the socio-economic development of a country. Electronics, supported by continuously improving communication services, will significantly enhance productivity, efficient service delivery, and social transformation.

Incentives to encourage semiconductor manufacturing in the US and India

- One of the most notable policies is the United States' Creating Helpful Incentives to Produce Semiconductors and Science Act, 2022 (CHIPS and Science Act, 2022). The legislation aims to catalyse investments in the domestic semiconductor manufacturing capacity of the US. The country produces about 10 percent of the world's semiconductors and relies heavily on East Asia to import chips.
- In the pursuit of Aatmanirbharta and with the objective of plugging itself into the global value chain, India has announced multiple incentives to attract investment for developing a semiconductor manufacturing ecosystem.
- Various incentives under Semiconductor Scheme- Setting up of Semiconductor Fabs in India, Setting up Display Fabs, Setting up of Compound Semiconductors / Silicon, Photonics / Sensors Fab and Semiconductor ATMP /OSAT facilities, Design Linked-Incentive (DLI) scheme

- Some of the initiatives and incentives provided by the government to nurture and enhance the electronics manufacturing base include the PLI scheme for Large Scale Electronics Manufacturing, the PLI scheme for IT hardware, the Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS).

- Under the Programme for Development of Semiconductors and Display Manufacturing Ecosystem in India, the Cabinet approved the comprehensive development of a sustainable semiconductor and display ecosystem in the country.

COAI INDUSTRY: KEY IN MAINTAINING ENERGY SELF-RELIANCE DURING UNCERTAIN TIMES

At the beginning of the fiscal year, coal availability became a challenge for India's largely thermal-based power generation plants because of a resurgence in economic activity and the emergence of intense heat waves from early March to mid-May of 2022, increasing the demand for power in the country. In As domestic coal production could not keep pace with its rising demand from power-generating plants, its availability got limited.

RE-INVIGORATED INFRASTRUCTURE SECTOR & CONSTRUCTION ACTIVITY TO DRIVE STEEL INDUSTRY

- The country is now a global force in steel production and the 2nd largest crude steel producer in the world.
- Domestic steel makers' stable credit profiles, deleveraged balance sheets, and robust cash accrual support continue to support their capex.
- Iron and steel exports moderated in the first eight months of the current fiscal owing to a slowdown in the global economy, particularly in Europe and China, and export duty levied to enhance domestic availability. Yet, iron and steel exports are higher by 20 percent over the corresponding pre-pandemic levels of FY20.

GOVERNMENT SUPPORT TO HELP TEXTILE INDUSTRY WEATHER CURRENT CHALLENGES

- The Textile industry is one of the country's most significant sources of employment generation, with an estimated 4.5 crore people directly engaged in this sector, including a large number of women and the rural population.
- In the current financial year, the textile industry has been facing the challenge of moderating exports compared to FY22. However, the levels in the eight six months still prevail, 9.5 percent higher than the corresponding pre-pandemic level of FY20.
- FDI inflows into the textile sector are yet to recover to pre-pandemic levels.
- To develop integrated large-scale and modern industrial infrastructure facilities for the entire value chain of the textile industry, the government approved the setting up of seven PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks. The parks will not only reduce logistics costs and improve the competitiveness of Indian Textiles but also boost employment generation, attract domestic investment and FDI, and position India firmly in the global textile market. The parks are expected to create a total of one lakh direct and two lakh indirect employment.
- Further, to boost the production capacity, the government launched the Textile PLI Scheme. This will enable the textile sector to achieve size and scale, enhancing export competitiveness.

GROWTH MOMENTUM IN PHARMACEUTICALS INDUSTRY SUSTAINS AFTER THE PANDEMIC

- The Indian Pharmaceuticals industry plays a prominent role in the global 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 and is further expected to reach US$ 130 billion by 20305.
- 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 percent share in global supply by volume, and is the leading vaccine manufacturer globally with a market share of 60 percent.
- Indian pharmaceutical exports achieved a healthy growth of 24 percent in FY21, driven by Covid-19-induced demand for critical drugs and other supplies made to over 150 countries.

- The performance of pharma exports in FY22 has been robust, sustaining growth despite the global trade disruptions and drop in demand for Covid-19-related treatments.
- The government has undertaken various measures to improve the infrastructural facilities of the pharma sector. The concerned scheme, Strengthening the Pharmaceutical Industry (SPI), was launched on 11th March 2022

INDIA BECOMES THE WORLD'S 3RD LARGEST AUTOMOBILE MARKET

- The automobile sector is a key driver of India's economic growth. In December 2022, India became the 3rd largest automobile market, surpassing Japan and Germany in terms of sales.
- The sector's importance is gauged by the fact that it contributes 7.1 percent to the overall GDP and 49 percent to the manufacturing GDP while generating direct and indirect employment of 3.7 crore at the end of 2021.

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.
- India has a unique opportunity to become a global manufacturing hub this decade.
- The three primary assets to capitalise on this unique opportunity are the potential for significant domestic demand, the Government's drive to encourage manufacturing, and a distinct demographic edge, including a considerable proportion of the young workforce.
- The manufacturing sector in India is gradually shifting to more automated and process-driven manufacturing, which is expected to increase efficiency and boost the production of the industry.
- The 'Make-in-India' Initiative was launched in 2014 to make India a hub for manufacturing, design, and innovation. Since then, it has facilitated investment, fostered innovation and built world-class infrastructure.

MAKE IN INDIA 2.0 AND THE PLI SCHEMES

- To further enhance India's integration in the global value chain, 'Make in India 2.0' is now focusing on 27 sectors, which include 15 manufacturing sectors and 12 service sectors.
- In pursuit of the objectives of the Make-in-India programme and with a vision to achieve Aatmanirbharta, the government launched the PLI scheme. The scheme is expected to attract a capex of approximately ₹3 lakh crore over the next five years.
- It has the potential to generate employment for over 60 lakh in India and increase the share of the manufacturing sector in total capital formation, which currently stands at around 17-20 percent between FY12 and FY20.

Shipbuilding Sector: Achieving Self-Reliance and promoting Make in India

- The Shipbuilding industry is a strategically important industry due to its role in energy security, national defence and the development of the heavy engineering industry.
- It has the potential to increase the contribution of the industry and the services sector to the national GDP.
- The shipbuilding industry has the potential to strengthen the mission of an 'Aatmanirbhar' Bharat.
- The Indian Navy (IN) shipbuilding projects currently in progress at various Indian shipyards are poised to provide the requisite impetus to the industry.

- PLI Scheme across these key specific sectors is poised to make Indian manufacturers globally competitive, attract investment in the areas of core competency and cutting-edge technology; ensure efficiencies; create economies of scale; and make India an integral part of the global value chain. The scheme will benefit the MSME ecosystem in the country.

FOSTERING INNOVATION

- The government's efforts towards fostering innovation include incubation, handholding, funding, industry-academia partnership and mentorship.
- 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 percent growth in the domestic filing of patents over 2016-2021, signalling India's transition towards a knowledge-based economy.
- These measures have begun to pay dividends. The Global Innovation Index (GII) ranks the countries based on innovation performance, comprising around 80 indicators, including measures on the political environment, education, infrastructure and knowledge creation of each economy.
- As per the GII 2022 report, India entered the top 40 innovating countries for the first time in 2022 since the inception of the GII in 2007 by improving its rank from 81 in 2015 to 40 in 2022. Further, India became the most innovative nation in the lower middle-income group overtaking Vietnam (48th) and leading the Central and Southern Asia region.

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

- India ranks amongst the largest startup ecosystems in the world.
- Various targeted initiatives of the Government have given a major boost to start-ups. For instance, under the **Start-up India Initiative**, eligible companies get recognised as Start-ups by DPIIT to access a host of tax benefits, easier compliance, and IPR (Intellectual Property Rights) fast-tracking.
- As part of the umbrella schemes of the **National Initiative for Developing and Harnessing Innovations**
- **(NIDHI)** and **Atal Innovation Mission (AIM)**, entrepreneurship and innovation are fostered across the start-up ecosystem in the country.
- The Fund of Funds for Start-ups (FFS) and Credit Guarantee Scheme for Start-ups (CGSS) support seed funding and successive credit needs.

STRUCTURAL REFORMS HAVE ENHANCED THE EASE OF DOING BUSINESS

- The 'Make in India' initiative has been striving to ensure that the business ecosystem in the nation is conducive for investors doing business in India and contributing to the growth and development of the Nation.
- This has been done through various reforms that have led to increased investment inflows and economic growth. The reform measures include amendments to laws and liberalisation of guidelines and regulations to reduce compliance burdens, bring down costs and enhance the ease of doing business in India. Burdensome compliances with rules and regulations have been reduced through simplification, rationalisation, decriminalisation, and digitisation.
- Steps to promote manufacturing and investments include reduction in corporate taxes, public procurement and Phased Manufacturing Programme.

INDIA AND INDUSTRY 4.0

- The advent of the fourth industrial revolution or industry 4.0 as it's commonly referred to, has begun.
- The transformation integrates new technologies such as cloud computing, IoT, machine learning, and artificial intelligence (AI) into manufacturing processes, leading to efficiencies across the value chain.
- In recent years, 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 of this revolution-hyper-efficient processing technology.
    - A few initiatives by the government include Smart Advanced Manufacturing and Rapid Transformation Hub (SAMARTH), Udyog Bharat 4.0, and establishment of the Centre for Fourth

Industrial Revolution in India in 2018, which looks to develop policy frameworks for emerging technologies.

CONCLUSION AND OUTLOOK

- Despite global headwinds, industrial production expanded during FY23, backed by sustained demand conditions. The growth in bank credit has kept pace with industrial growth, with a sequential surge evident since January 2022. Credit to MSMEs has seen a significant increase in part, assisted by the introduction of the ECLGS. Amidst heightened global uncertainty, FDI in the manufacturing sector moderated in the first half of FY23.
- FDI in the manufacturing sector moderated in the first half of FY23. However, inflows stayed well above the pre-pandemic levels, driven by structural reforms and measures improving the ease of doing business, making India one of the most attractive FDI destinations in the world.
- On the positive side, easing input cost pressures owing to a fall in international commodity prices augurs well for company margins. On the downside, exports are slowing down and are likely to moderate along with the probable global economic slowdown. Volatile international commodity prices and supply disruptions in raw materials can weigh on industrial growth in the wake of new disruptions at the global level.

Important Schemes & Initiatives

- Micro, Small and Medium Enterprises Development (MSMED) Act
- 'Raising and Accelerating MSME Performance' scheme (RAMP)
- the Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)
- the Programme for Development of Semiconductors and Display Manufacturing Ecosystem in India
- Atal Innovation Mission (AIM)
- National Initiative for Developing and Harnessing Innovations (NIDHI)
- Start-up India Initiative
- SAMARTH (Smart Advanced Manufacturing and Rapid Transformation Hubs) Udyog Bharat 4.0

REFLECTIVE EXERCISE

1. **FDI in manufacturing sector can be catalyst for development of Indian Economy. FDI reform process is critical in this regard. Explain with examples.**
2. **Semi-conductor industry is the future of the world. Elucidate its importance and measure taken to make India a base of this industry.**

PRACTICE MCQs

1. Regarding 'supply shock', which of the following statements is/are correct?

1. Supply shocks are always negative
2. Negative supply shock causes a product's price to spike upward
3. It is caused by unforeseen events such as natural disasters or geopolitical events.

Select the correct answer using the code given below:

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

2. With reference to the 'Emergency Credit Linked Guarantee Scheme (ECLGS)', consider the following statements:

1. ECLGS was introduced during India's Balance of Payment crisis in 1991.
2. Under it, financial institutions in India provide emergency loan facilities to various companies and MSME.

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. Consider the following in respect of Production Linked Incentive (PLI) schemes in India:

1. It is aimed at boosting the manufacturing sector and reducing imports.
2. These schemes give companies incentives for incremental sales and purchases of products manufactured in domestic units.

Which of the above statements is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

4. With reference to the 'Index of Industrial Production (IIP)', consider the following statements:

1. All India IIP measures the long-term changes in the volume of production of a basket of industrial products.
2. It is compiled and published monthly by the National Sample Survey Office (NSSO)

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

ANSWERS

1. (b)	**2.** (b)	**3.** (a)	**4.** (d)

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CHAPTER: 10

Services: Source of Strength

Key-Terms

- **Neobanks:** These are new-age banks without any physical location, present entirely online. They provide digital, mobile-first financial solutions for payments, money transfers, lending, and more. They allow customers to make deposits and withdraw money. They offer debit cards, investment facilities, and more. They even provide credit and lending services. However, most neobanks do not have a banking license and cannot operate stand-alone — most neobanks partner with licensed banks to provide financial services.
- **Global Real Estate Transparency Index:** The Global Real Estate Transparency Index is based on a global survey of JLL and LaSalle's extensive network of real estate market experts. This 12th edition includes 254 individual indicators to assess market transparency across 94 countries and territories and 156 cities globally and is an essential guide for companies operating in foreign markets. During this time of heightened uncertainty and rapid change across the real estate industry, the topic of transparency is even more important than ever before.
- **World Tourism Barometer:** The World Tourism rankings are compiled by the United Nations World Tourism Organization as part of their World Tourism Barometer publication, which is released up to six times per year. In the publication, destinations are ranked by the number of international visitor arrivals, by the revenue generated by inbound tourism, and by the expenditure of outbound travelers.
- **PMI**: The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors.
- **Insurance Regulatory and Development Authority of India:** The Insurance Regulatory and Development Authority of India is a statutory body under the jurisdiction of Ministry of Finance, Government of India and is tasked with regulating and licensing the insurance and re-insurance industries in India.
- **Account Aggregator Framework:** The Account Aggregator (AA) is an NBFC that collects the financial information of customers and transfers them from one financial institution to another, after the explicit consent of the customers. Entities can enroll as either a Financial Information Provider (FIP) or Financial Information User (FIU) regulated by a financial sector regulator.

TRENDS IN HIGH-FREQUENCY INDICATORS

SERVICES PMI

- India's services sector, which was in contraction due to first by covid-19, then by Omicron variant, later Russia-Ukraine conflict, moderated from May to September 2022 as economic uncertainty resulted in weaker sales growth and inflationary pressures restricting the upturn in business activity. Further, price pressures and unfavourable weather also dampened domestic demand.
- However, following an overall easing of inflation, it witnessed an uptick and expanded in December 2022.

BANK CREDIT

- Bank credit has been witnessing significant growth since October 2021 due to vaccination coverage and services sector recovery. NBFCs shifted to bank borrowings because of high bond yields and hence, its credit grew.
- But uncertain growth prospects in the global markets and uneven credit allocation to the transport sector led to a decline in the credit to the shipping and aviation sector in November 2022.

SERVICES TRADE

- World services trade volume surpassed its pre-pandemic peak in the second quarter of 2022 and was expected to remain strong in the third quarter, buoyed by spending on travel, Information and Communication Technology (ICT) services, and financial services.
- However, WTO's Services Trade Barometer Index reading fell for October 2022 well below the previous reading in June 2022 indicates that YoY growth in real commercial services began moderating in the third quarter of 2022.
- It may slow further in the fourth as well as into the first quarter of 2023 due to declining growth prospects in major service industry economies.
- However, Financial and ICT Services have been so far most resilient to the slowing global economy, whereas, construction services and container shipping fell into contraction territory.
- As far as India is concerned, some headwinds may be observed in the coming months due to the slowing growth in some of India's major trading partners. On the contrary, India's services exports may improve due to higher inflation in advanced economies drives up wages.
- Software exports have remained relatively resilient during the Covid-19 pandemic as well as amid current geopolitical uncertainties, driven by higher demand for digital support, cloud services, and infrastructure modernisation catering to new challenges.
- Transport and travel exports have been the most impacted sub-components of the services exports in FY21 and FY22, which contracted due to the imposition of restrictions on international travel and tourism during the Covid-19 pandemic.

FOREIGN DIRECT INVESTMENT (FDI) IN SERVICES

- The World Investment Report 2022 of UNCTAD places India as 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 including US$ 7.1 billion FDI equity inflows in the services sector.
- To facilitate investment, various measures have been undertaken by the Government, such as the launch of the National Single-Window system, a one-stop solution for approvals and clearances needed by investors, entrepreneurs, and businesses.
- To ensure the liberalisation of investment in various industries, the Government has permitted 100 percent foreign participation in telecommunication services, including all services and infrastructure providers, through the Automatic Route.

- The FDI ceiling in insurance companies was also raised from 49 to 74 percent, under Automatic Route. Further, Government has allowed 20 percent foreign investment in Life Insurance Corporation (LIC) under the automatic route.

Initiatives in the Insurance Sector by the Insurance Regulatory and Development Authority of India (IRDAI) in FY23

- Indian Insurance Market is the 10th largest in the world.
- The insurance regulator, IRDAI, has taken up the mission of universal insurance, which is expected to lead to a significant increase in insurance penetration such that, when India celebrates 100 years of its independence in 2047.
- The insurance regulator has taken various steps to promote healthy growth of the insurance industry, rationalise the regulatory framework, and reduce the compliance burden of regulated entities.
- IRDAI has implemented the following measures to increase accessibility, innovation, competition, distribution efficiency, and choice availability while mainstreaming technology and moving towards principle-based regime:
- **Easy entry into the insurance sector:** A Single Window NOC Portal (www.noc.irdai.gov.in) to facilitate the incorporation of an insurer by making the NOC available in a hassle-free and timely manner
- **Quick launch of Insurance Products:** Insurers can now launch all Health & General Insurance products, as well as the majority of Life Insurance products, without seeking prior approval from IRDAI
- **Ease of doing business:** IRDAI has taken several actions to lessen the burden of compliance.
- **Providing further impetus to the industry:** More flexibility to the regulated entities in the areas of operational and business decisions is being considered
- **Addressing dynamic needs of the industry:** Various measures as per the evolving needs of the sector, such as Tech-based add-ons, expansion in the scope of the cashless facility in health insurance, Innovative products in Fire Insurance, Ease of living for Senior Citizen

MAJOR SERVICES: SUB-SECTOR-WISE PERFORMANCE

TOURISM AND HOTEL INDUSTRY

- The international tourism as well as Indian tourism sector has shown robust performance post pandemic with almost arrivals reaching to the pre-pandemic level, driven by the strong pent-up demand, improved confidence levels and the lifting of restrictions, as per the World Tourism Barometer of the United Nations World Tourism Organisation (November 2022).
- The average hotel occupancy, which was falling amidst pandemic, began a strong recovery in the third quarter of 2021, driven by domestic leisure travel growth, partial resumption of business travel in the country, as well as wedding and social events.
- Small-to-medium-sized domestic MICE (Meetings, Incentives, Conference, Exhibitions) events also made a comeback, fueling demand for hotels. The sector ended the year with an average occupancy over the previous year.
- Tourism being a contact-intensive sector, was adversely impacted by the pandemic and the employment in the sector was also impacted.
- India is ranked 10th out of the top 46 countries in the World in the Medical Tourism Index FY21 released by Medical Tourism Association. India's handling of the sector and pandemic has increases the trust in India's medical infrastructure which will give a big push to Medical Value Tourism (MVT)
- Factors such as the presence of world-class hospitals and skilled medical professionals, superior quality healthcare, low treatment costs compared with other countries, credibility in alternative systems of medicine, and increased global demand for wellness services like Yoga and meditation, make India a popular medical tourism destination.

Making India an attractive tourist destination

- The Ministry of Tourism has undertaken the following measures to boost the Tourism sector:
- The Ministry of Tourism is making efforts to register accommodation units in the country in the Ministry' portal **National Integrated Database of Hospitality Industry (NIDHI).** This database will help in creating policies and strategies for the promotion and development of tourism at various destinations.
- **SAATHI** was launched in association with the Quality Council of India to restrict any further transmission of the virus while providing accommodation and other services post-lockdown. The objective of the scheme is to sensitise the industry on the Covid-19 regulations of the government.
- For better connectivity, **Regional Connectivity Scheme (RCS- UDAN)** was launched by the Ministry of Civil Aviation to facilitate/stimulate regional air connectivity by making it affordable which has resulted in the increase in total number of Tourists
- 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.
- To boost the tourism sector, the first 5 lakh Tourists Visa were announced until 31st March 2022 or until 5 lakh free visas were issued, whichever is earlier, by the Government for tourists of foreign nationals visiting India.

REAL ESTATE

- The Covid-19 pandemic initially caused a slowdown in the real estate sector due to project delays, property price stagnation, scarce funding, and migration of workforces. However, the pandemic changed home buyer sentiment in favor of owning a house and brought pent-up demand in Tier II and III cities. The government's measures such as lower interest rates, reduction in circle rates, and extension of RERA helped improve affordability and led to a rebound in the sector.
- Geopolitical tensions b/w Russia & Ukraine raise supply chain disruption concerns, impacting real estate sector. Volatile market and rising construction material costs have led to project delays. The conflict has increased the cost of steel, cement, etc. causing a rise in housing prices.
- The real estate sector has seen growth despite challenges such as rising interest rates and property prices. Housing sales and new launches have surpassed pre-pandemic levels in Q2 of FY23. The unsold inventory has declined to 8.5 lakh at the end of 2022 and the sustained sales momentum is helping the sector recover from the pandemic. The government's recent measures to reduce import duties on construction materials will help control housing prices.
- Driven by increased institutional investment and the growing number of Real Estate Investment Trusts, India's real estate market transparency is among the top ten most improved markets globally. Further, initiatives like 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.

MEASURES TAKEN BY THE GOVERNMENT TO BOOST THE HOUSING SECTOR

- The government has implemented policies such as **"Housing for All"** and **"Aatmanirbhar Bharat"** to boost the Housing Finance sector. The RBI allowed lending institutions to grant a 6-month moratorium on payments, and the government provided ₹75,000 crore to support NBFCs, HFCs, and MFIs. These interventions helped revive the real estate sector.
- The interest subvention under PMAY-CLSS (U) has driven demand for residential housing, aided by policies to increase credit flow, creating a consumer-friendly ecosystem for housing finance. The government has released a subsidy of ₹53,548 crore benefiting ~22.87 lakh households. The Affordable Housing Fund created liquidity in the sector and National Housing Bank disbursed ₹34,588 crore for ~3.9 lakh dwelling units. During the pandemic, National Housing Bank provided liquidity support of ₹88,400 crore through various refinance schemes.

- Government policies and liquidity support from the National Housing Bank helped revive the real estate sector during the pandemic period. The Smart City project, co-lending model, and increased affordability in the residential sector also contributed to the growth.
- The government and regulators provided liquidity support to the real estate sector, which helped it bounce back after the pandemic. The co-lending model aimed to deliver formal housing credit to the bottom of the pyramid.
- The Smart City Project planned to build 100 smart cities and improve investment opportunities. The residential real estate sector became more affordable, reflected by a decline in the weighted average interest rate on home loans. The sector registered a robust growth with improvement in sales and new launches due to a focus on affordable housing and government measures.

IT-BPM INDUSTRY

- IT-BPM industry in India has seen growth due to the acceleration of digital transformation brought on by the Covid-19 pandemic.
- The industry has been resilient and has adapted quickly, with a focus on customer-centricity, domain-specific solutions, a digital-first talent pool, and future-ready solutions.
- IT-BPM industry in India saw YoY revenue growth of 15.5% in FY22 compared to 2.1% growth in FY21, with all sub-sectors showing double-digit growth. IT services make up the majority of the IT-BPM sector (more than 51%).
- Exports, including hardware, saw a growth of 17.2% in FY22 due to increased reliance on technology, cost-reducing deals, and use of core operations.
- The industry's major markets remain the USA, Europe (excluding UK), and the UK, with increased focus on new markets such as the Middle East and Latin America.
- The direct employee pool saw an estimated growth of 10% with a highest-ever net addition, and the domestic technology industry is estimated to grow at 10% due to enterprise digital acceleration and transformation.

Major growth drivers in the IT-BPM Industry

- Increasing penetration of digital tech and "Made in India digital-first solutions for the world" due to emergence of India as a global powerhouse for Engineering R&D and innovation as many Global Competency Centres have been incorporated in India in the last six years.
- Margin defence through operational excellence with the key margin levers include increased capacity utilisation, a higher share of offshore revenue, a declining share of travel and facility costs, and operating leverage.
- India being a digital talent nation with a high share of the working population, growing undergraduate enrolments and Employment across technology companies
- Indian tech industry leading in hybrid work models of employee experience with integrating tech solutions in aspects such as employee onboarding, communication, collaboration, and employee well-being & enablement has been the major driver.

E-COMMERCE

- The e-commerce sector too saw growth during the pandemic due to lockdowns, mobility restrictions, and an increased push to digital economy. The growth was further accelerated by factors such as government support, rising internet penetration, increased smartphone adoption, innovation in mobile tech, and growth of digital payments. India's e-commerce market is projected to grow at 18% annually till 2025 according to a report by Worldpay FIS.
- The growth of e-commerce in India is being driven by the expansion into new segments, like grocery and general merchandise, which has attracted a wider customer base. A report by Bain & Company predicts that these emerging categories will make up two-thirds of the Indian e-commerce market by 2027.

- MSMEs are adopting digital solutions, such as e-commerce and e-procurement, for increased revenue and margins, better market reach, access to new markets, and customer acquisition. A study found that MSMEs adopting digital solutions fare better than offline MSMEs and benefit from access to a large marketplace without incurring high costs. E-commerce platforms have removed geographical barriers, provided a large customer base, and allowed MSMEs to directly deal with manufacturers and suppliers, reducing procurement cost and helping MSMEs scale their businesses with lower investment.
- E-commerce has seen growth in rural India due to increased smartphone and internet adoption and higher purchasing power of rural customers. The pandemic has also contributed to e-commerce growth in rural areas. New e-commerce companies are targeting Tier 3 and 4 cities by focusing on local solutions like strengthening rural distributor and retailer networks and using local distribution centers for logistics.
- E-commerce start-ups have too seen a rise in their order volume, as per the Retail and E-commerce Trends report released by Unicommerce and Wazir Advisors with 69.4% annual growth
- So is the case with the **Government E-Marketplace (GeM)** which is now catching up with E-commerce giants like Amazon and Flipkart thanks to the steps taken by it to onboard products of Self-Help Groups (SHGs), tribal communities, artisans, weavers, and MSMEs.
- Programmes like **Digital India program, Unified Payment Interface (UPI), GeM**, etc. have been major contributory factors to the growth of E-commerce in recent years. On the other hand, key initiatives like One District – One Product, which have facilitated the onboarding of sellers of identified products on e-Commerce platforms, have benefited small retailers, manufacturers, and Self-Help Groups.
- Same was the case with the E-marketplace www.tribesindia.com portal through **Tribal Cooperative Marketing Development Federation of India Limited (TRIFED)** has been useful for the tribal artisans to sell their products online.
- Recently launched **Open Network for Digital Commerce (ONDC)** is also democratising digital payments, enabling interoperability, bringing down transaction costs and providing better market access to sellers.

DIGITAL FINANCIAL SERVICES

- The use of innovative technologies and digital solutions is boosting financial inclusion and personalizing financial products.
- The foundation of digital financial services in India has been established with the JAM trinity, UPI and other regulations, and the pandemic has driven even greater adoption of these services to be utilized by banks, NBFCs, insurers as well as fintech.
- Fintech companies have taken advantage of the situation to serve underserved communities and provide low-cost financial services. India has a higher fintech adoption rate of 87% compared to the global average of 64%.
- The growth of neobanking platforms and investment in the sector has risen in recent years. Neobanks operate entirely online and provide access to financial services for young, tech-savvy customers, MSMEs and underserved areas.
- The government has also supported digital banking with the launch of 75 Digital Banking Units across 75 districts to increase access to banking solutions.
- The introduction of CBDC has significantly boosted digital financial services due to reduction in operational costs involved in physical cash management, fostering financial inclusion, bringing resilience, efficiency, and innovation in the payments system,
- It also boosts innovation in cross-border payments space, and provide public with uses that any private virtual currencies can provide, without the associated risks.
- RBI too, has launched pilots of CBDC in both the Wholesale and Retail segments for example, Digital Rupee, limited to the settlement of secondary market transactions in government securities.
- Use of Digital Rupee- Wholesale is expected to make the inter-bank market more efficient. In the retail segment, known as Digital Rupee-Retail kicked within a closed user group comprising participating customers and merchants.

- The digitisation of documents has ensured safety, online verification, improved accessibility, and fraud reduction, enhancing use for end customers and the service provider.

Account Aggregator Framework

- The Account Aggregator (AA) is an NBFC that collects the financial information of customers and transfers them from one financial institution to another, after the explicit consent of the customers. Entities can enroll as either a Financial Information Provider (FIP) or Financial Information User (FIU) regulated by a financial sector regulator.
- The RBI has issued regulations for AA in the form of a Master Direction and has currently granted registration to 6 companies as AA.

DEMATERIALISATION OF DOCUMENTS

- **National e-Governance Services Limited (NeSL),** as demanded by the Insolvency and Bankruptcy Board of India and with the support of the Department of Financial Services, has introduced the Digital Document Execution (DDE) platform to digitize document/agreement execution steps, including submitting information, accommodating any document format, consent-based process, digital payment and e-stamping, identity verification, and secure storage and retrieval.
- The platform eliminates the need for physical presence and manual execution, providing benefits such as lower execution time and cost, security, fraud prevention, and evidentiary value.
- The platform uses Aadhaar e-Sign for electronic signatures, is supported by state governments, and is being used by 27 banks and NBFCs for executing agreements, including small-ticket to large-value transactions.
- The NeSL-DDE platform has a use case for electronic bank guarantees (e-BG) which eliminates challenges in issuing, transferring, and managing physical bank guarantees while bringing efficiency and cost savings.
- The e-BG use case has shown time and cost savings and has the potential to function as a central repository of bank guarantees.
- The platform will also enable the digital execution of other agreements, improving the ease of doing business.

CONCLUSION

- India's services sector witnessed a quick rebound in FY22 driven by growth in the contact-intensive services sub-sector, which recovered from pre-pandemic levels in Q2 of FY23. India is among the top ten services exporting countries and its exports have remained resilient during Covid-19.
- The government has taken measures to liberalize investment in various industries, including 100% foreign participation in telecom services and raising the FDI ceiling in insurance companies.
- With the waning of the pandemic and improvement in performance, industries such as hotel, tourism, real estate, IT-BPM and e-commerce are showing signs of revival.
- The government's push to boost the digital economy and adoption of digital payments is driving growth in these industries, and the piloting of CBDC may also provide a boost to digital financial services.

Important Schemes & Initiatives

- Government E-Marketplace (GeM)
- One District – One Product (ODOP) initiative

REFLECTIVE EXERCISE

1. **Comment on the importance of tourism sector in the overall economy of India and highlight the initiatives taken by Government of India to boost the same.**
2. **De-materialisation of documents will not only help India move towards digitalization of documents but also help in making financial institutions more inclusive. Comment**

PRACTICE MCQs

1. Consider the following statements regarding the Open Network for Digital Commerce (ONDC):

1. It aims to promote open networks for all aspects of exchange of goods and services over digital networks.
2. It will result in increasing the freedom of choice for consumers.

Which of the above statements is/are correct?

(a) 1 only (b) 2 only

(c) Both 1 and 2 (d) Neither 1 nor 2

2. Consider the following pairs:

1. World Tourism rankings: UNCTAD
2. Medical Tourism Index: UNWTO
3. Global Real Estate Transparency Index: WTO

Which of the above pairs is/are correctly matched?

(a) No pair (b) Only one pair

(c) Only two pairs (d) All the three pairs

3. Consider the following statements:

1. Neo-banks are completely online-based digital banking platforms.
2. They provide both credit and lending services.
3. Neobanks must have a banking license and as they operate stand-alone.

Which of the above statements is/are correct?

(a) 1 only (b) 2 and 3 only

(c) 1 and 2 only (d) 1, 2 and 3

4. Which of the following statements regarding the National e-Governance Services Limited is/are incorrect?

1. It is India's first Information Utility and is registered with the Insolvency and Bankruptcy Board of India (IBBI).
2. It eliminates the need for physical presence and manual execution.

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

5. Which of the following statements regarding the Account Aggregator (AA) is/are correct?

1. It aims to empower every Indian to have seamless and secure access to their data and to enable portability of trusted data between service providers.
2. Financial information providers as well as users, both are the parts of the Account Aggregator Framework.
3. Only banks and NBFCs can become financial information providers (FIPs) under the framework.

Select the correct answer using the code given below:

(a) 1 and 2 only (b) 3 only

(c) 1 and 3 only (d) 1, 2 and 3

6. Which of the following statements is/are correct?

1. Insurance penetration is calculated as percentage of insurance premium to GDP.
2. Insurance density is calculated as ratio of insurance premium to population.

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

ANSWERS

1. (c)	**2.** (a)	**3.** (c)	**4.** (d)	**5.** (a)
6. (c)				

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CHAPTER: 11

External Sector: Watchful and Hopeful

Key-Terms

- **Export Preparedness Index:** The EPI identifies several opportunities and challenges in the export sector at the State level.
- **Free Trade Agreements:** A Free trade Agreement (FTA) is an agreement between two or more countries where the countries agree on certain obligations that affect trade in goods and services, and protections for investors and intellectual property rights, among other topics.
- **Agricultural and Processed Food Products Export Development Authority (APEDA):** The Agricultural and Processed Food Products Export Development Authority (APEDA) is an Indian Apex-Export Trade Promotion Active government body.
- **The Export Credit Guarantee Corporation (ECGC):** The ECGC Ltd. (formerly known as Export Credit Guarantee Corporation of India Ltd.) wholly owned by the government of India, was set up in 1957 with the objective of promoting exports from the country by providing credit risk insurance and related services for exports.
- **Preferential Trade Agreements (PTAs):** This is the term used in the WTO for trade preferences, such as lower or zero tariffs, which a member may offer to a trade partner unilaterally.

INTRODUCTION

- India's external sector has been buffeted by shocks and uncertainty manifested in terms of elevated, though now easing global commodity prices; tightening international financial conditions; heightening financial market volatility; reversal of capital flows; currency depreciation, and looming global growth and trade slowdown.
- During FY23, India's exports have displayed resilience on the back of record levels of exports in FY22.
  - Petroleum products, gems & jewellery, organic & inorganic chemicals, drugs & pharmaceuticals were among the leading export items.
- However, the slowdown in Indian exports is inevitable in a slowing global economy characterised by
  - slowing global trade
  - pressure encountered by Balance of Payments (BoP)
  - widened Current Account Deficit (CAD)

TRADE HELPING INDIA REAP THE BENEFITS OF GLOBALISED WORLD

- Over time, the trade openness of countries across the globe has been increasing as measured by trade as a proportion of GDP. For the world as a whole, the share of trade as a percentage of world GDP has been in the range of 50-60 percent since 2003 and stood at 52 percent in 2020, according to the World Bank database.
- For India as well, the share of trade as a percentage of GDP has been steadily increasing, being above 40 percent since 2005 (except 2020 being the pandemic year). The ratio stands at 46 percent in 2021 and 50 percent for H1 of 2022.

GLOBAL SCENARIO

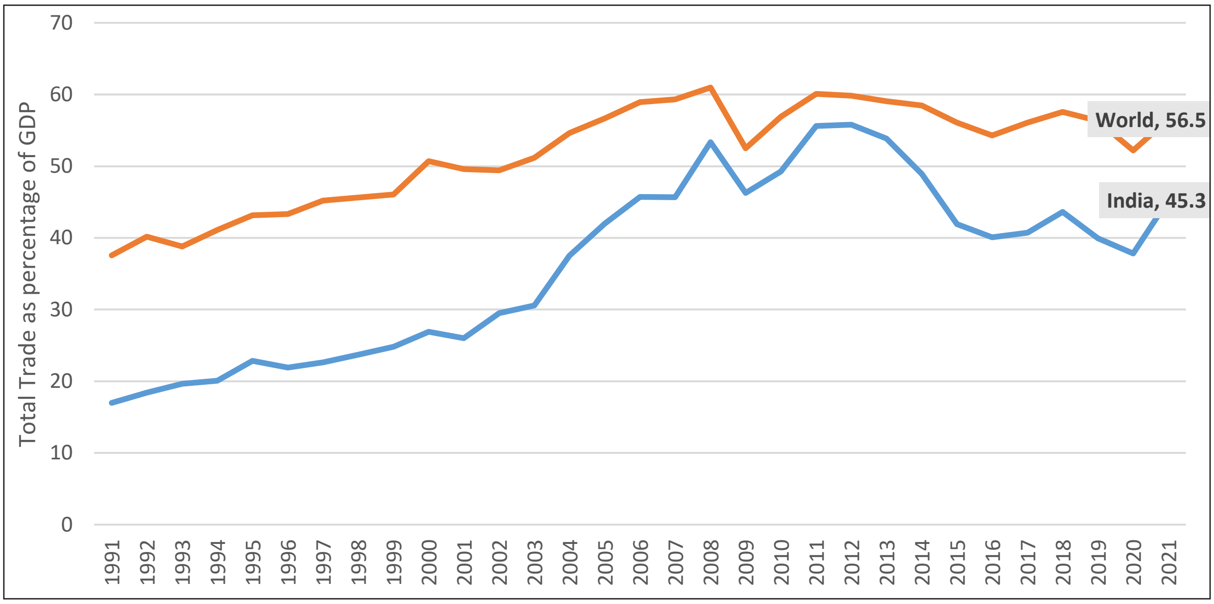
- Post Covid-19-induced disruptions, global trade prospects have improved in FY22.
- Global trade exhibited resilience in the first half (H1) of 2022, notwithstanding the headwinds from the Russia-Ukraine conflict.
- Factors contributing to the trend were the appreciation of the dollar in the case of the United States, the relative dynamism of intra-regional trade in Europe, and favourable terms-of-trade effects in some large emerging economies due to elevated energy prices.
- However, the global trade outlook turned grimmer in the second half (H2) of 2022 on the back of a confluence of adverse factors including the increasing likelihood of a recession in the major economies and the tapering demand for consumer durables; aggressive monetary policy tightening by several central banks; disorderly financial conditions; continued supply-chain disruptions and elevated freight charges.

INDIA'S GROWING AND DIVERSIFYING TRADE

- International trade has been an important pillar of the resilience of India's external sector. Trade as a percentage of GDP for India was in the range of 12-15 percent in the 1980s; 16-25 percent in the 1990s and 25-50 percent in the 2000s.

TRENDS IN MERCHANDISE TRADE

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



Source: World Bank database

FIGURE: ***India's Trade catching up with global trade levels***

- However, the global economy has started facing formidable headwinds and the ripple effect of the global trade slowdown has started reflecting in India's merchandise export growth, wherein moderation in pace is observed in 2022.
- Owing to the rise in global crude oil prices, petroleum products continued to be the most exported commodity in FY22 and April-December, 2022, followed by gems and jewellery, organic & inorganic chemicals, and drugs & pharmaceuticals.

BRIGHT SPOTS IN INDIA'S TRADE PERFORMANCE

- Significant strides in exports were registered in drugs and pharmaceutical, electronic goods, engineering goods and organic and inorganic chemicals sectors in FY22.
- India's pharma exports grew despite Covid impacted disruptions in supply chain increasing significantly from US$ 15.4 billion in FY15 to US$ 24.6 billion in FY22 and stood at US$ 18.8 billion during April-December 2022, registering a positive growth of 3.6 percent over April- December 2021.
- As the pandemic ebbed, India witnessed a revival in domestic demand resulting in strong import growth. Among major import commodities, petroleum crude & products imports increased by 45.6 percent to US$ 163.9 billion in April-December 2022 compared to US$ 112.6 billion in April-December 2021 and continue to be the highest imported commodity.
- Energy demand may be pushing India's imports for fuel including coal and Petroleum, Oil & Lubricants (POL), whose share rose to 37.1 percent in total imports in April-December 2022 against 30.4 percent in the corresponding period last year. Other principal imports included electronic goods; coal, coke & briquettes; machinery electrical & non-electrical, and organic & inorganic chemicals.
- The USA remained the top export destination in April-November, 2022 followed by UAE and the Netherlands. The Netherlands has displaced China from the 3rd spot as India's exporting partner.
- As regards imports, China, UAE, USA, Russia, and Saudi Arabia have a joint share of 40 percent of the total imports of India. However, the share of China declined to 13.8 percent during April-November 2022 from 15.5 percent a year ago. Similarly, the share of the USA declined to 6.9 percent in April-November 2022 from 7.2 percent a year ago.

TRADE IN SERVICES

- India maintained its dominance in the world services trade in FY22. Despite pandemic induced global restrictions and weak tourism revenues, India's services exports stood at US$ 254.5 billion in FY22 recording a growth of 23.5 percent over FY21 and registered a growth of 32.7 percent in April-September 2022 over the same period of FY22.
- Software and business services together constitute more than 60 percent of India's total services exports and exhibited strong growth during Q2FY23.
- While strong revenues in major information technology (IT) companies from various segments such as retail and consumer business; communications and media; healthcare; and banking, financial and insurance services drove the growth in software exports, a significant pick-up in engineering, and research and development related services boosted the growth in business services exports during the quarter.
- The increase in services imports is mainly on account of payments for transport services, travel and other business services. Following the resumption of global activity, shortages of shipping vessels and high transportation costs resulted in a spike in transport payments. Travel imports saw a growth following the easing up of travel restrictions.

FOREIGN TRADE POLICY

- India's Foreign Trade Policy (FTP) has, conventionally, been formulated for five years at a time. 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.
- To provide policy stability during the pandemic period, the fiveyear FTP 2015-20 was extended from 2020 to 2022. The policy has been further extended till March 2023 on account of volatile global economic and geopolitical situations and currency fluctuations.

- The Government is actively working on facilitating trade agreements and launching schemes in consultation with various stakeholders. In the year 2022, India signed Free Trade Agreements (FTAs) with UAE and with Australia.
- The Export Preparedness Index has also been introduced to evaluate States' potentials and capacities. It will guide all stakeholders towards strengthening the export ecosystem at both the national and sub-national levels.

INTERNATIONAL TRADE SETTLEMENT IN INDIAN RUPEES

- In July 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) to promote the growth of global trade with emphasis on exports from India and to support the increasing interest in the global trading community in INR as an international currency.
- The framework involves invoicing of exports and imports in INR, market-determined exchange rates between the currencies of the trading partner countries, and settlement through special Rupee Vostro accounts opened with authorised dealer banks in India.
- Under this arrangement for settlement,
  - Indian importers undertaking imports through this mechanism shall make payment in INR which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller /supplier, while
  - Indian exporters, undertaking exports of goods and services through this mechanism, shall be paid the export proceeds in INR from the balances in the designated Special Vostro account of the correspondent bank of the partner country.
- This framework for international settlement in INR acquires significance against the backdrop of the US Fed aggressively hiking the policy rates and its hawkish stand, the consequent rallying of the US dollar to multi-decade high levels, and concomitant weakening of currencies of various EMEs including the INR.
- The framework could largely reduce the net demand for foreign exchange, the US dollar in particular, for the settlement of current account related trade flows.
- Further, the use of INR in cross-border trade is expected to mitigate currency risk for Indian businesses. Protection from currency volatility not only reduces the cost of doing business but also enables better business growth, improving the chances for Indian businesses to grow globally. It also reduces the need for holding foreign exchange reserves and dependence on foreign currency, making Indian economy less vulnerable to external shocks.
- Further, it could assist Indian exporters in getting advance payments in INR from overseas clients and in the longer term promote INR as an international currency once the rupee settlement mechanism gains traction. One of the prerequisites for the emergence of an international currency is that the said currency needs to be increasingly used for trade invoicing.

INITIATIVES TO ENHANCE TRADE

The commendable performance of India's exports, standing at US$ 422.0 billion in FY22, exceeding the target of US$ 400 billion, has been the culmination of efforts from all quarters and across stakeholders. Some of the specific schemes of the Government which have and are facilitating and encouraging exports are as follows:

- **Focus on Agricultural Products:** India's agricultural exports achieved the highest ever export in FY22 reaching US$ 37.8 billion and it continued to perform well in FY23 with exports of US$ 26.8 billion during April- November 2022 backed by an effective agriculture export policy.
- **Interest Equalisation Scheme:** 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:** The scheme seeks remission of Central, State and Local duties/taxes/levies at different stages at the Central, State, and local level, which are incurred in the process of manufacturing and distribution of exported products, but are currently not being refunded under any other duty remission scheme.
- **Export Credit Guarantee:** The Export Credit Guarantee Corporation (ECGC) supports Indian exporters and banks by providing export credit insurance services.

- **Krishi Udan Scheme:** Krishi Udan Scheme was launched in August 2020 on international and national routes to assist farmers in transporting agricultural products so that it improves their value realisation.
- **Trade Infrastructure for Export Scheme:** The Government has been implementing the Trade Infrastructure for Export Scheme since FY18 to assist Central and State Government Agencies in the creation of appropriate infrastructure for the growth of exports from the States.
- **Districts as Export Hubs –** One District One Product Initiative: The Districts as Export Hubs-ODOP initiative is aimed at targeting export promotion, manufacturing, and employment generation at the grassroots level, making the States and Districts meaningful stakeholders and active participants in making India an export powerhouse thereby contributing to the Aatm Nirbhar mission and achieving the vision of Make in India for the world and being Vocal for Local.

INDIA'S GLOBAL TRADE ENGAGEMENTS

- Governments have been pursuing international trade cooperation largely driven by diverse external and internal political economy considerations such as promoting peace and stability, increasing market size and most importantly, insuring themselves against unfavourable trade policies of other countries.
- India considers Regional Trading Arrangements (RTAs) as 'building blocks' towards the overall objective of trade liberalisation and as complementing the multilateral trading system.

Free Trade Agreements

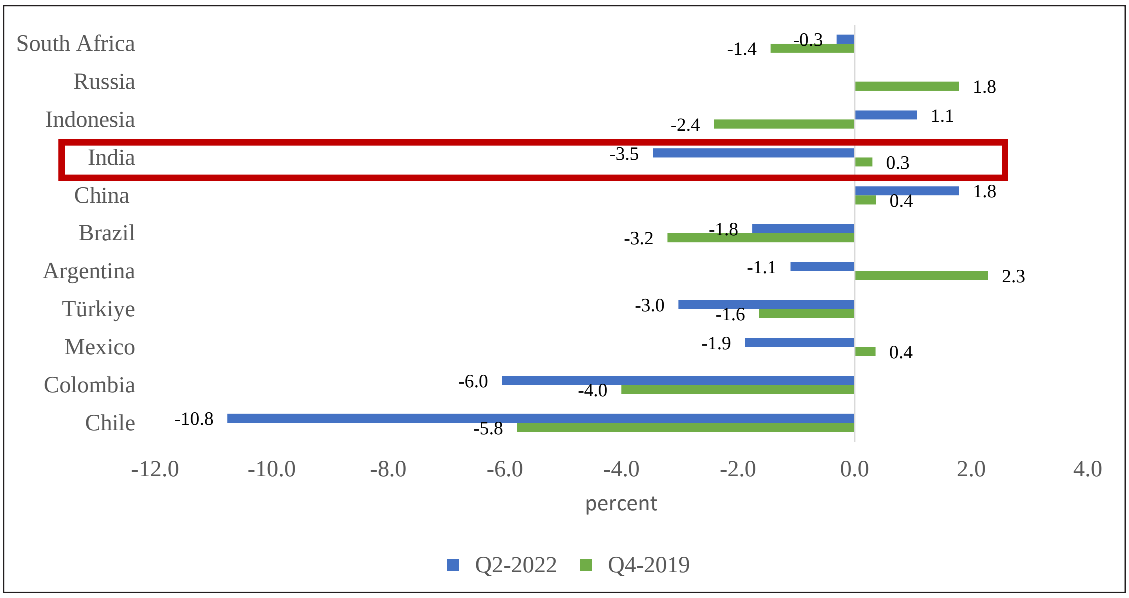
- FTAs or RTAs in terms of the WTO rules are economic instruments available to a country for leveraging its competencies in trade and investment. As of June 2016, all WTO members now have at least one RTA in force. There has been a substantial rise in the number of trade agreements with 355 notifications of RTAs having been made to the WTO (As of 1 December 2022.
- Many WTO members continue to be involved in negotiations to create new RTAs, which are mostly bilateral. However, a recent development has been negotiations and new agreements among more than two WTO members.
- 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 favourably by trading countries in comparison to multilateral negotiation at the WTO forum 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. RTAs can also have a larger impact on the economy. For instance,
- FTAs are positively correlated with direct domestic value-added exports, as well as forward and backward participation in global value chains.

- India has engaged with its trading partners/blocs with the intention of expanding its export market since the early part of the previous decade and began concluding, in principle agreements to move, in some cases, towards Comprehensive Economic Cooperation Agreements (CECA) which covers FTA in goods, services, investment and identifies areas of economic cooperation.
- The economic rationale for FTAs was the diversification and expansion of India's exports to its trading partners, providing a level playing field vis-à-vis the competing countries having preferential access in our trading partners, as well as gain easier access to raw materials and intermediate products, at lower costs, for stimulating value-added domestic manufacturing.
- India has so far concluded 13 FTAs and 6 Preferential Trade Agreements (PTAs). The most recent in the list are the India-UAE Comprehensive Economic Partnership Agreement
- (CEPA) which was signed on 18 February 2022. and officially entered into force on 1 May 2022 and the India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA), which was signed on 2 April 2022.
- India is presently engaged in FTA negotiations with some of its trading partners, notable among these FTAs are – (i) India-UK FTA, (ii) India-Canada CEPA/ Early Progress Trade Agreement (EPTA), (iii) India-EU FTA.

- India has also initiated action to review some of the existing FTAs, namely, India-Singapore CECA, India-South Korea CEPA, and India-ASEAN Trade in Goods Agreement and initiated discussions on scoping for the CECA with Australia.

BALANCE OF PAYMENTS IN CHALLENGING TIMES

- India's external sector has been facing considerable global headwinds reflecting the geopolitical developments. India's current account balance (CAB) recorded a deficit of US$ 36.4 billion (4.4 percent of GDP) in Q2FY23 in contrast to a deficit of US$ 9.7 billion (1.3 percent of GDP) during the corresponding period of the previous year.
- The widening of the current account deficit (CAD) in the second quarter of FY23 was mainly on account of a higher merchandise trade deficit of US$ 83.5 billion and an increase in net investment income outgo. For the period April- September 2022 (H1FY23),
- India recorded a CAD of 3.3 percent of GDP on the back of an increase in the merchandise trade deficit, as compared with 0.2 percent in H1FY22. However, a comparison with the position of the CAB for selected countries shows that India's CAD is modest and within manageable limits.



Source: OECD Economic Outlook 112 Database

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

INVISIBLES

- Net services receipts increased from US$ 51.4 billion in H1FY22 to US$ 65.5 billion in
- H1FY23, primarily on account of robust computer and business services receipts.
- Similarly, the net private transfer receipts, mainly representing remittances by Indians employed overseas, was US$ 48.0 billion in H1 FY23 against their level of US$ 38.4 billion during the same period a year ago.
- A sharp rise in crude oil prices and the deprecation of the INR seem to have boosted remittance flows into India.
- Net services exports and remittances contributed to the surplus on the invisible account, which cushioned the merchandise trade deficit.
- Remittances are the second largest major source of external financing after service export, which contribute to narrowing the CAD and has always been a stable constituent of the BoP.

CAPITAL ACCOUNT BALANCE

- Foreign investment, consisting of Foreign Direct Investment (FDI) and foreign portfolio investment (FPI), is the largest component of the capital account.

- On a BoP basis, the net capital inflows declined to US$ 29.0 billion in H1FY23 from US$ 65.0 billion in H1FY22 primarily driven by the FPI outflow of US$ 14.6 billion in Q1FY23.
- Net FDI inflows at US$ 20.0 billion in H1FY23 were comparable with US$ 20.3 billion in H1FY22.
- Repercussions of the Russia-Ukraine conflict and aggressive monetary policy tightening by the US Fed escalated global financial market volatility leading to net outflow by FPIs in Q1FY23. However, FPI flows turned positive in Q2FY23.

BALANCE OF PAYMENTS AND FOREIGN EXCHANGE RESERVES

- Overall, the adverse global economic situation placed India's BoP under pressure in 2022.
- While the impact of a sharp rise in oil prices was discernible in the widening of the CAD, policy tightening by the US Fed and the strengthening of the US dollar led to FPI outflows. As a result, as the net financial inflows fell short of the CAD, there was a depletion of foreign exchange reserves on a BoP basis to the tune of US$ 25.8 billion in H1FY23 in contrast to an accretion of US$ 63.1 billion in H1FY22. But huge valuation losses (US$ 48.9 billion) contributed to the net depletion of US$ 74.6 billion of reserves in nominal terms during the period.
- India's foreign exchange reserves stood at US$ 532.7 billion as of end-September 2022, covering 8.8 months of imports. The reserves augmented to US$ 562.7 billion as of end- December 2022 covering 9.3 months of imports. As of end-November 2022, India was the sixth largest foreign exchange reserves holder in the world according to data compiled by the IMF.

EXCHANGE RATES MOVING IN TANDEM WITH GLOBAL DEVELOPMENTS

- 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.
- On a financial year basis, i.e., from April to December 2022, the INR has depreciated against US$ by 8.3 percent. Over the same period, the US dollar has appreciated by 4.4 percent in terms of the US dollar index. This holds even on a calendar year basis, i.e., from January to December 2022, the INR has depreciated by 10.8 percent whereas the US dollar has appreciated by 6.4 percent.
- The Nominal Effective Exchange Rate (NEER) of the US dollar (27 economies) appreciated by 7.8 percent in the calendar year 2022, up to December, while the NEER of India (64 economies) depreciated by 4.8 percent.
- In other words, it is not that the INR has weakened, but it is the US dollar that has strengthened. No matter how many tweets are written against that observation, it is a fact.
- Several other currencies depreciated even more value against the US dollar than the INR . Thus, the external value of INR vis-à-vis the US dollar has seen very orderly movements during the year since the onset of the current geopolitical crisis.

SAFE AND SOUND EXTERNAL DEBT SITUATION

- India's external debt, at US$ 610.5 billion as of end-September 2022, grew by 1.3 percent (US$ 7.6 billion) over US$ 602.9 billion as of end-September 2021. However, external debt as a ratio to GDP fell to 19.2 percent as of end-September 2022 from 20.3 percent a year ago.
- India has the potential growth positive space as far as the external debt level is concerned. While testifying to the prudent management of India's external debt, this contrasts with the external debt distress unfolding in many peer countries, post-covid. While a major part of India's external debt is denominated in the US dollar (55.5 percent as at-September 2002), the Indian rupee-denominated component (30.2 percent) occupies the second largest position, insulating the external debt from foreign currency risk, thereby augmenting stability friendly characteristics of the external debt.
- Comparing various debt vulnerability indicators of India with peer countries for 2021 informs that the country is in a better position in terms of relatively low levels of total debt as a percentage of Gross National Income (GNI) and short-term debt as a percentage of total debt. The current stock of external debt is well shielded by the comfortable level of foreign exchange reserves.

OUTLOOK FOR THE EXTERNAL SECTOR: CAUTIOUS AMIDST GLOBAL HEADWINDS

Slowing global demand is weighing on India's merchandise exports. Global growth is forecast to slow down in 2022 and 2023 as per IMF estimates. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the Covid-19 pandemic. Thus, the export outlook may remain flat in the coming year if global growth does not pick up in 2023, as indicated by many forecasts. In such cases, product basket and destination diversification which India is taking through FTAs would be useful to enhance trade opportunities.

From a cross-country perspective too, India's external sector has fared relatively better and hence positioned relatively stronger to face the evolving adverse global scenario as evidenced by the Indian rupee outperforming most EME currencies, comfortable import cover and moderate CAD. India's external debt vulnerability indicators are benign by international standards. To sum up, while India's external sector faces challenges, it is performing relatively better as compared to many of its peers as it has inbuilt shock absorbers to weather them.

CONCLUSION

- To sum up, while India's external sector faces challenges, it is performing relatively better as compared to many of its peers as it has inbuilt shock absorbers to weather them.

Important Schemes & Initiatives

- India's Foreign Trade Policy (FTP)
- Remission of Duties and Taxes on Exported Products (RoDTEP) scheme
- Interest Equalisation Scheme
- Export Credit Guarantee
- Krishi Udan Scheme
- Trade Infrastructure for Export Scheme
- Districts as Export Hubs – One District One Product Initiative

REFLECTIVE EXERCISE

1. **Diversification of country's trade is of prime importance. India has been able to do the same with dexterity in a globalized world. Explain.**
2. **Free Trade Agreements are economic instruments available to a country for leveraging it competency in trade and investment. Elucidate.**

PRACTICE MCQs

1. **Consider the following statement with respect to Krishi Udan Scheme:**
   1. It was launched in 2020 on international and national routes to assist farmers in transporting agricultural products.
   2. It focuses on transporting perishable food products from the hilly areas, North-Eastern states, and tribal areas.
   3. 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.

   Which of the statement(s) given above is/are correct:

   (a) 1 and 2 only (b) 1 and 3 only

   (c) 2 and 3 only (d) 1, 2 and 3

2. **Consider the following statement:**
   1. The USA remained the top export destination for India in 2022 followed by UAE and the Netherlands.
   2. Share of China and USA in total import trade has risen in 2022 since last year.
   3. China, UAE, USA, Russia, and Saudi Arabia have a joint share of 40 percent of the total imports of India.

   Which of the statement(s) given above is/are correct:

   (a) 1 and 2 only (b) 1 and 3 only

   (c) 2 and 3 only (d) 1, 2 and 3

3. **Consider the following statement:**
   1. Remittances are the second largest major source of external financing after

service export, which contribute to narrowing the CAD.

2. In 2022, India was the sixth largest foreign exchange reserves holder in the world.
3. Import coverage of foreign currency reserves has increased since the pre-pandemic levels.

Which of the statement(s) given above is/are correct:

(a) 1 and 2 only (b) 1 and 3 only

(c) 2 and 3 only (d) 1, 2 and 3

ANSWERS

1. (a)	**2.** (b)	**3.** (c)

****

CHAPTER: 12

Physical & Digital Infrastructure - Lifting Potential Growth

Key-Terms

- **Social Overhead Capital**: Social overhead capital includes all the 'basic' services required in the production process such as, transport, irrigation, energy, education, health and medical facilities.
- **Asset Monetisation:** Converting tangible or intangible assets into a source of generating revenue.
- **OpenForge** : Use of open-source software and sharing and reuse of e-governance-related source.

INTRODUCTION

- As India completes 75 years of Independence, the nation is evolving into a prominent force in the global economic order.
- India is the world's fifth largest economy and the prospect of steady progress in the coming years is bright. Here, investing in high-quality infrastructure is crucial for accelerating economic growth and sustaining it in the long run.

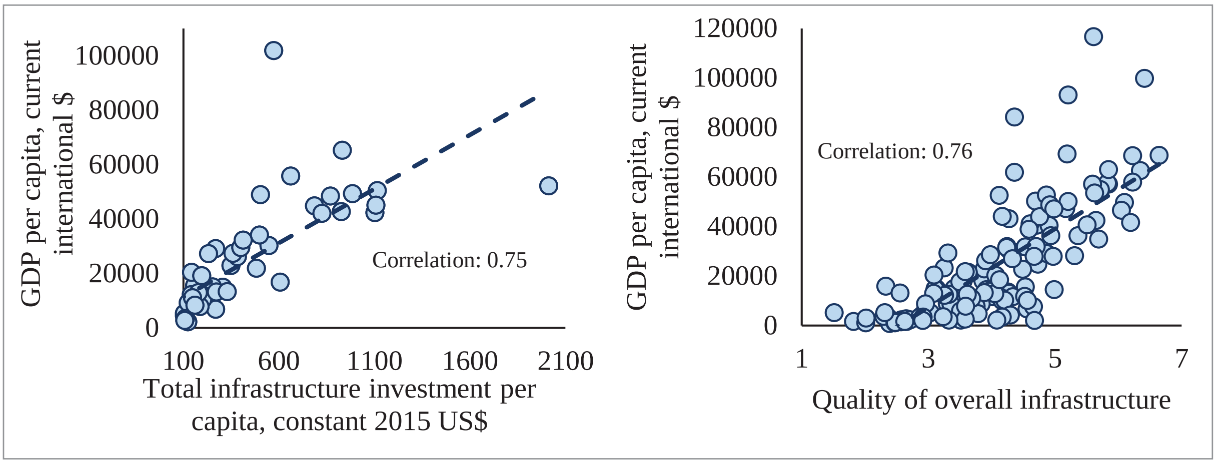


FIGURE: ***Quantity and quality of infrastructure and level of economic development across countries are strongly correlated.***

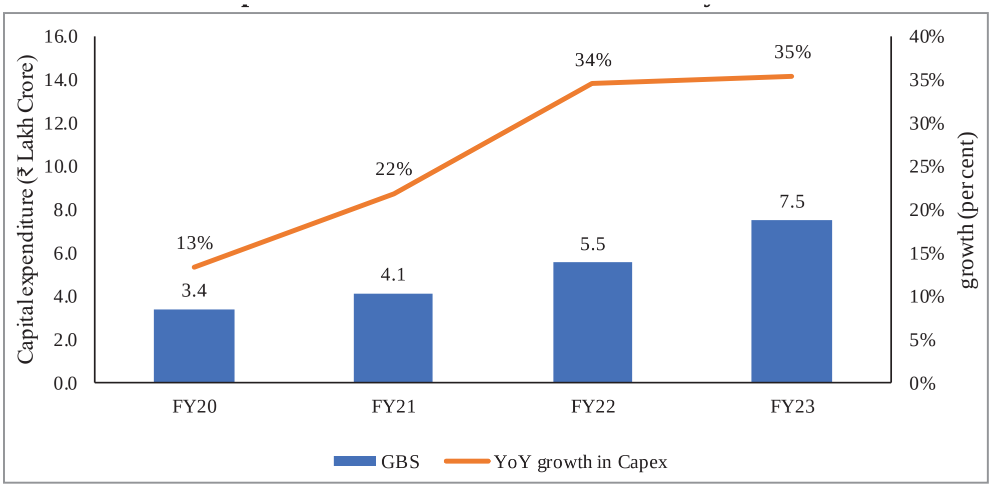
Note:

- The left graph pertains to 2019, and the right graph pertains to 2018.
- Quality of overall infrastructure: 1 = worst and 7 = best.

- In order to increase the private sector participation in creation of new infrastructure and development of existing ones, the government took initiatives like **Public-Private Partnership (PPP)**, **National Infrastructure Pipeline (NIP)** and **National Monetisation Pipeline (NMP)**.
- In addition to this, as part of the structural reforms with the objective to enhance efficiencies and cost competitiveness, **Gati Shakti and National Logistics Policy (NLP)** were also launched.

GOVERNMENT'S VISION AND APPROACHES TO INFRASTRUCTURE DEVELOPMENT IN INDIA

- Recently, government has planned to outlay (target) for capital expenditure in 2022-23 (BE), was increased sharply by 35.4 percent from ₹ 5.5 lakh crore in the previous year (2021-22) to ₹ 7.5 lakh crore, of which approximately 67 percent has been spent from April to December 2022.



* All figures are representative of Budgeted Estimates for the respective Financial Year
Source: Union Budget of India

FIGURE: ***Central Government has sharply increased Capital Expenditure in the last two consecutive years.***

- The result of the efforts is visible in Ministries'/ Departments' Capex spending till December 2022, which has been ₹5 lakh crore (around 67 percent has been achieved against the Budgeted Capex of 7.5 lakh crore) as against ₹3.9 lakh crore for the same period in FY22 (i.e., till December 2021).
- The actual expenditure in FY23 is also 28 percent higher than the expenditure in FY22 for the corresponding period.

Key Highlights: Industry & Infrastructure

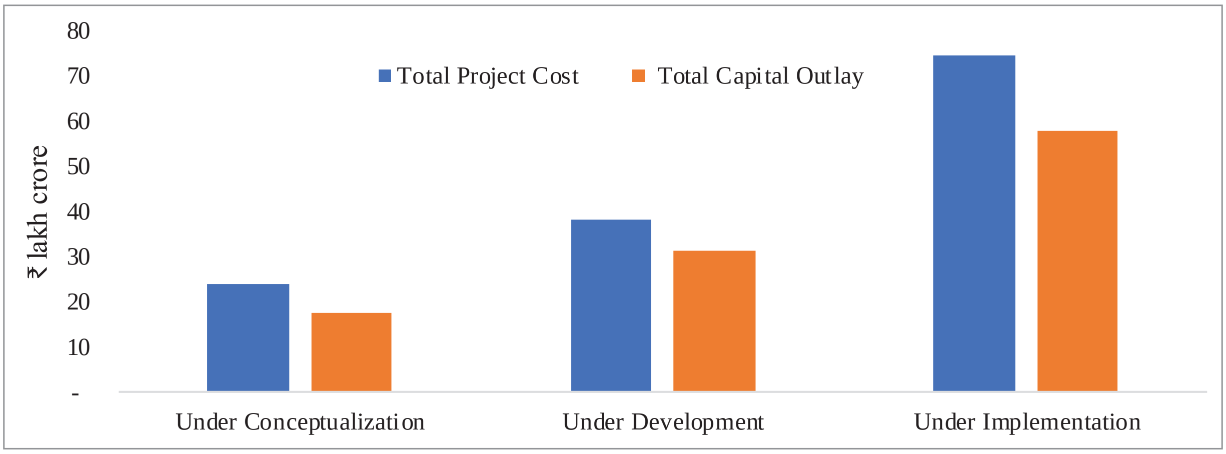
- Index of Industrial Production (IIP) grew at 17.4 percent (YoY) during April-November 2021 as compared to (-) 15.3 percent in April-November 2020.
- Capital expenditure for the Indian railways has increased to Rs. 155,181 crores in 2020-21 from an average annual of Rs. 45,980 crores during 2009-14 and it has been budgeted to further increase to Rs. 215,058 crores in 2021-22 – a five times increase in comparison to the 2014 level.
- Extent of road construction per day increased substantially in 2020-21 to 36.5 Kms per day from 28 Kms per day in 2019-20 – a rise of 30.4 percent.
- Net profit to sales ratio of large corporates reached an all-time high of 10.6 percent in in July-September quarter of 2021-22 despite the pandemic (RBI Study).

PUBLIC-PRIVATE PARTNERSHIPS (PPPS):

- In India, private participation in infrastructure programmes supports several PPP models, including management contracts like Build-Operate-Transfer (BOT), Design-Build-Finance Operate-Transfer (DBFOT), Rehabilitate-Operate-Transfer (ROT), Hybrid Annuity Model (HAM), and Toll-Operate-Transfer (TOT) model.
- The GoI share of approved VGF is ₹3102.6 crore and the State Share of Total VGF approved is ₹2710.9 crore. The total VGF amount disbursed by DEA under the scheme from FY15 to FY23 is ₹2982.4 crore.
- A scheme for financial support for project development expenses of PPP Projects – the 'India Infrastructure Project Development Fund Scheme' (IIPDF) Scheme has a total outlay of ₹150 crore for a period of 3 years from FY23 to FY25.

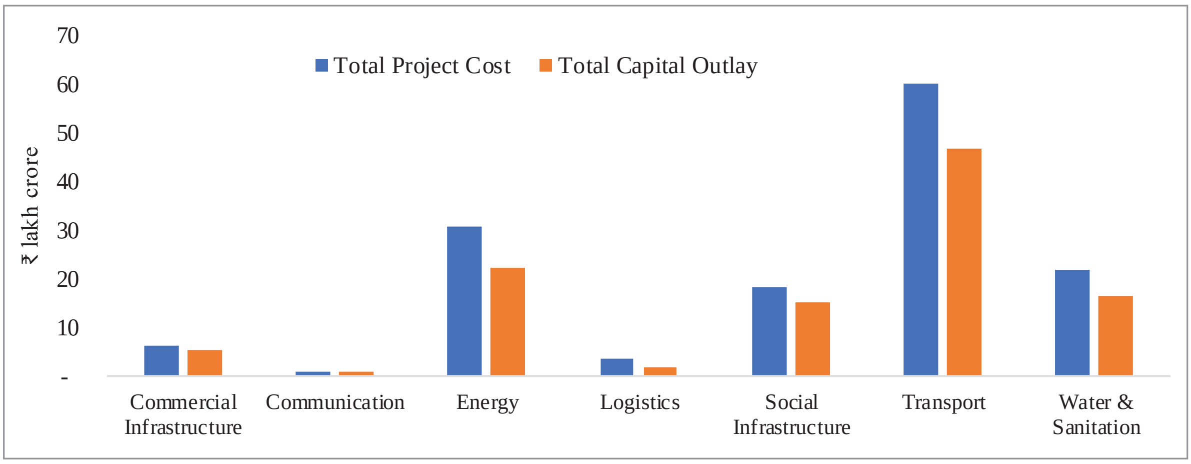
NATIONAL INFRASTRUCTURE PIPELINE (NIP)

- The government launched the National Infrastructure Pipeline (NIP) with a forward-looking approach and with a projected infrastructure investment of around ₹111 lakh crore during FY20-25 to provide high quality infrastructure across the country.



Source: Department of Economic Affairs.
Note: Data as of 13 January 2023

FIGURE: ***Status of Projects under NIP***



Source: Department of Economic Affairs.
Note: Data as of 13 January 2023

FIGURE: ***Transportation sector dominates the NIP***

- The NIP includes infrastructure projects of more than ₹100 crore covering green-field and brownfield investments. The NIP currently has 8,964 projects with a total investment of more than ₹108 lakh crore under different stages of implementation.

NATIONAL MONETISATION PIPELINE – CREATION THROUGH MONETISATION

- The National Monetisation Pipeline (NMP) provides 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.

NATIONAL LOGISTICS POLICY: REDUCING THE COST OF LOGISTICS

- India aims to increase its exports manifold, Logistics costs in India have been in the range of 14-18 percent of GDP against the global benchmark of 8 percent.

Government efforts to improve logistics ecosystem in India:

- Ude Desh ka Aam Nagrik (UDAN)
- Bharatmala
- Sagarmala
- Parvatamala
- National Rail Plan
- e-Sanchit
- Single Window Interface for Trade (SWIFT)
- Indian Customs Electronic Data Interchange Gateway (ICEGATE)
- Turant Customs

THE TARGETS FOR ACHIEVING THE VISION OF THE NATIONAL LOGISTICS POLICY (NLP):

- Reduce the cost of logistics in India to be comparable to global benchmarks by 2030
- Improve the Logistics Performance Index ranking - endeavour is to be among the top 25 countries by 2030
- Create a datadriven decision support mechanism for an efficient logistics ecosystem.

PM GATISHAKTI:

- The PM GatiShakti National Master Plan 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.

DEVELOPMENTS IN PHYSICAL INFRASTRUCTURE SECTORS

- There has been an increase in the construction of National Highways (NHs)/roads over time, with 10,457 km of roads constructed in FY22 as compared to 6,061 km in FY16.
- In FY23 (until October 2022), 4,060 km of NHs/roads were constructed, which was around 91 percent of the achievement in the corresponding period of the previous financial year.
- Total budgetary support for investment in the sector has been increasing rapidly in the last four years and stood at around ₹1.4 lakh crore during FY23 (as of 31 October 2022).

The Logistics Ease across Different States (LEADS) survey report was released on 13 October 2022.

Performance Categories:

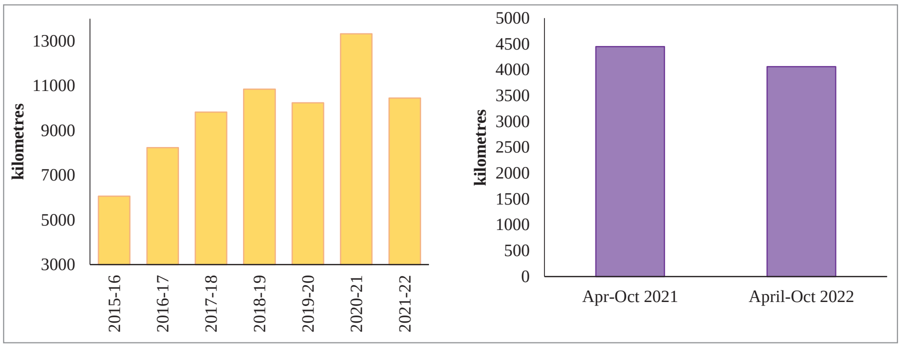
- **Achievers**: States/UTs achieving a percentage score of 90 percent or more
- **Fast Movers**: States/UTs achieving percentage scores between 80 to 90 percent
- **Aspirers:** States/UTs achieving percentage scores below 80 percent.

The results are indicated below:

Achievers	Fast Movers	Aspirers
Uttar Pradesh	Kerala	Goa
Tamil Nadu	Sikkim	Bihar
Uttarakhand	Madhya Pradesh	Chhattisgarh
Telangana	Tripura	A&N Islands
Punjab	Puducherry	Mizoram
Odisha	Rajasthan	J&K
Karnataka		Arunachal Pradhesh
Himachal Pradesh		Ladakh
Assam		Lakshadweep
Delhi		Nagaland
Chandigarh		
Haryana		

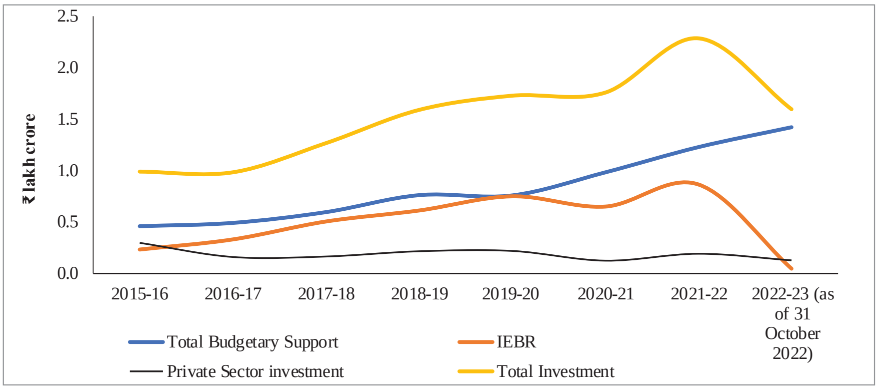
ROAD:

- National Highways Authority of India (NHAI) launched its InvIT in FY22.
- NHAI InvIT has risen more than ₹10,200 crore from high quality foreign and Indian institutional investors (up to December 2022).



Source: Ministry of Road Transport and Highways

FIGURE: ***National Highways/Road construction has increased since 2015-16, hitting unprecedented levels in 2020-21.***



Source: Ministry of Road Transport and Highways

FIGURE*: Tremendous increase in total budgetary support for investment in the road sector*

RAILWAYS:

- The Indian Railways (IR), with over 68,031 route kms, is the fourth largest network in the world under single management.
- During FY22-23 (up to November 2022), Indian Railways (IR) carried 976.8 million tonnes of revenue-earning freight traffic (excluding KRCL11), as against 901.7 million tonnes during the corresponding period in FY21-22 (excluding KRCL), which translated into an increase of 8.3 percent.

INFRASTRUCTURE CAPITAL EXPENDITURE ON RAILWAYS HAS SEEN A TREMENDOUS BOOST:

Description	Average during 2009-14	Average during 2014-19	2019-20	2020-21	2021-22	2022-23 (BE)
				(₹ crore)		
NL, GC & Doubling	10,623	40,389	52,446	43,597	66,690	78,576
Rolling stock	16,029	20,878	37,339	32,627	41,406	39,853
Railway Electrification	884	3,258	7,145	6,148	6,961	7,700
Track renewals	4,958	7,186	9,391	13,523	14,082	13,335
ROB/RUB	916	3,178	3,522	4,139	4,222	8,750
Bridge Works	351	488	782	772	1,297	940
Other Plan Heads	12,219	23,801	37,440	54,375	55,609	96,646
Total Capex	45,980	99,178	1,48,064	1,55,181	1,90,267	2,45,800

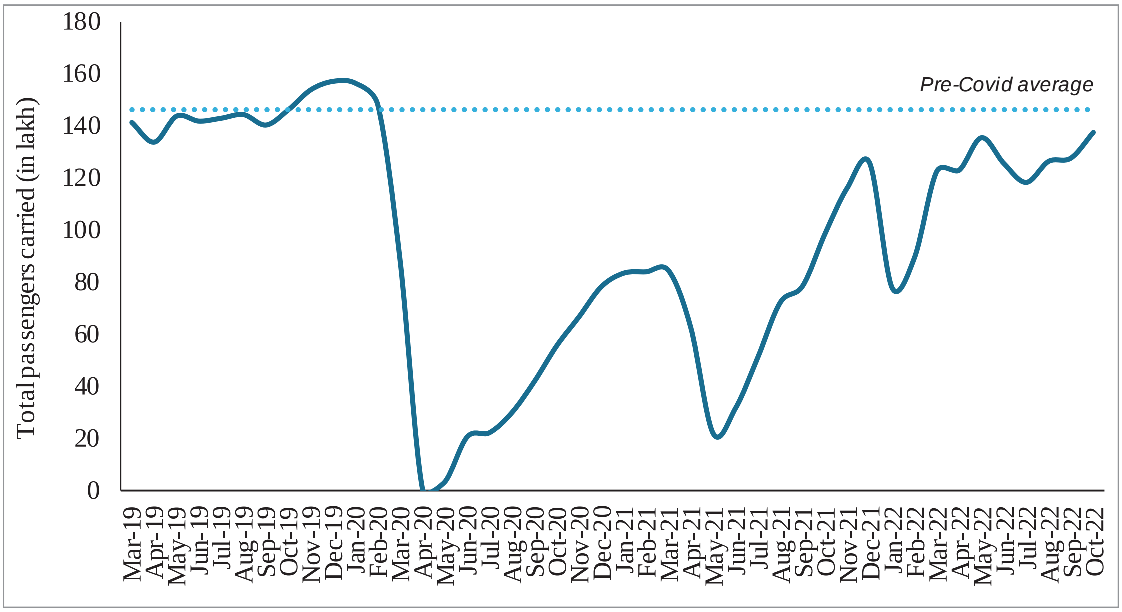
Source: Ministry of Railways

MAJOR INITIATIVES OF THE INDIAN RAILWAYS:

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

CIVIL AVIATION:

Performance of the Indian aviation sector



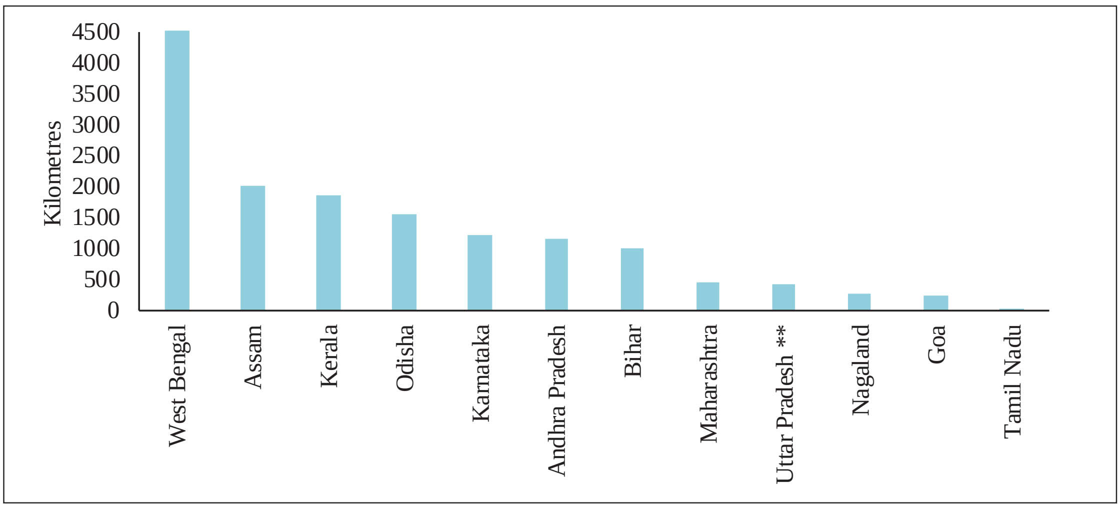
Source: Ministry of Civil Aviation

Source: Ministry of Civil Aviation

- Under UDAN Scheme, the government has approved a budget of ₹4500 crore for revival of existing unserved/underserved airports/airstrips of the State governments, Airports Authority of India (AAI), public sector undertakings and civil enclaves.
- The government has also accorded 'in-principle' approval for the setting up of 21 Greenfield airports across the country.
- The scheme focuses on the connectivity between the Tier-2 and 3 cities in the country and the number of beneficiaries will increase manifold as the connectivity improves between unserved and underserved airports.

INLAND WATER TRANSPORT:

- Inland water transport holds total navigable length of waterways in India is around 14,850 kilometres.



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

FIGURE: ***Navigable Length of Waterways in Different States***

- **The Inland Vessels Act 2021** aims to bring uniformity in the application of the law relating to inland waterways and navigation within the country.

ELECTRICITY:

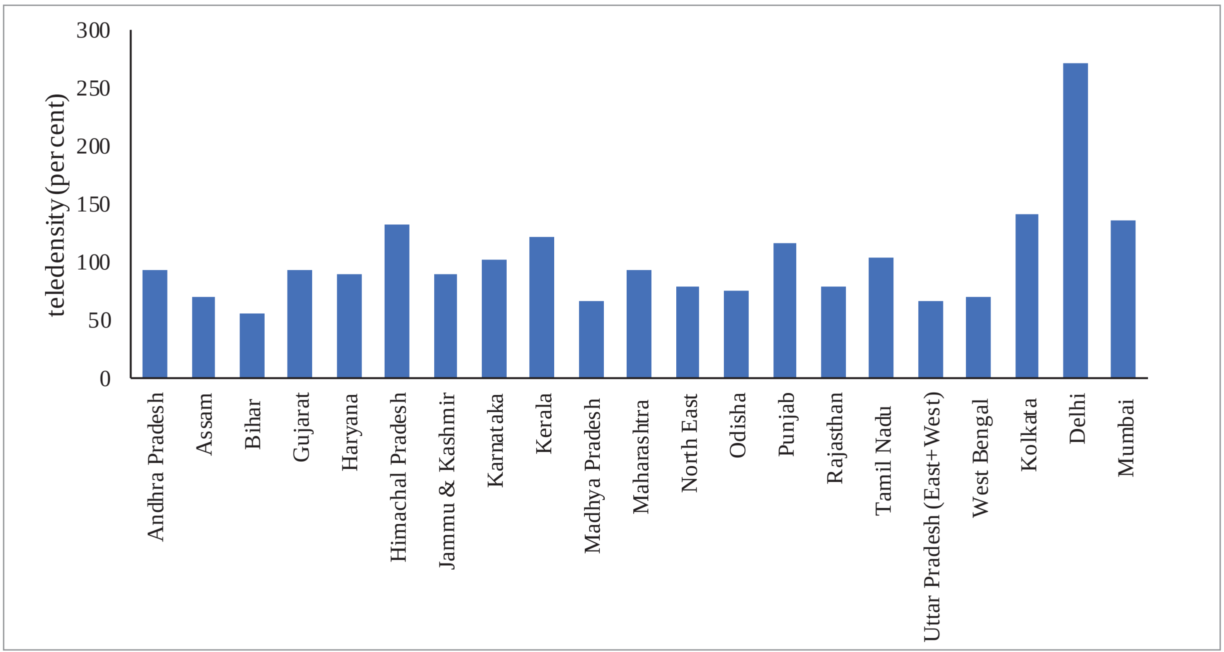
All India Gross Electricity Generation Mode-Wise (GWh)

- In order to reduce the carbon footprint of the farm sector, Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM) aims to provide energy and water security, de-dieselise the farm sector and generate additional income for farmers by producing solar power.

DEVELOPMENTS IN DIGITAL INFRASTRUCTURE

Telecommunications:

- Today, the total telephone subscriber base in India stands at 117 crore (as of November 2022). While more than 97 percent of the total subscribers are connected wirelessly (114.3 crore at the end of November 2022), 83.7 crore have internet connections as of June 2022. The overall tele-density in India stood at 84.8 percent, with wide differences across states.



Source: Department of Telecommunications

FIGURE*: Overall tele density*

DIGITAL PUBLIC INFRASTRUCTURE

- The emergence of Digital Public Infrastructure (DPI), aimed at improving financial literacy, innovation, entrepreneurship, employment generation, and empowering beneficiaries has played a critical role in uplifting the economy and bringing it to the stature where it stands today.
- 'MyScheme' is an e-Marketplace for schemes where users can look for suitable schemes based on their eligibility.
- It helps reduce users' time and effort by doing away with the requirement of searching multiple websites of government departments and studying multiple scheme guidelines to check their eligibility.
- The scheme also acts as the single national platform for launching any government scheme. As on 16 January, 2023, more than 181 Central and State/UT government schemes across 14 diverse categories have been hosted on the portal.

UMANG

- Unified Mobile Application for New-Age Governance (UMANG), which enables 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, the Public Distribution System, and others**.
- Until 16 January 2023, UMANG catered to about 21,869 services (1,672 Central and State Govt. services and 20197 Bill Payment services) under 310+ departments of Central Government and departments of 34 States/UTs.
- Over 4.9 crore users are registered and benefiting from services on UMANG. Four hundred and eighty-nine DBT (Direct Benefit Transfer) schemes were made live on UMANG until September 2022.

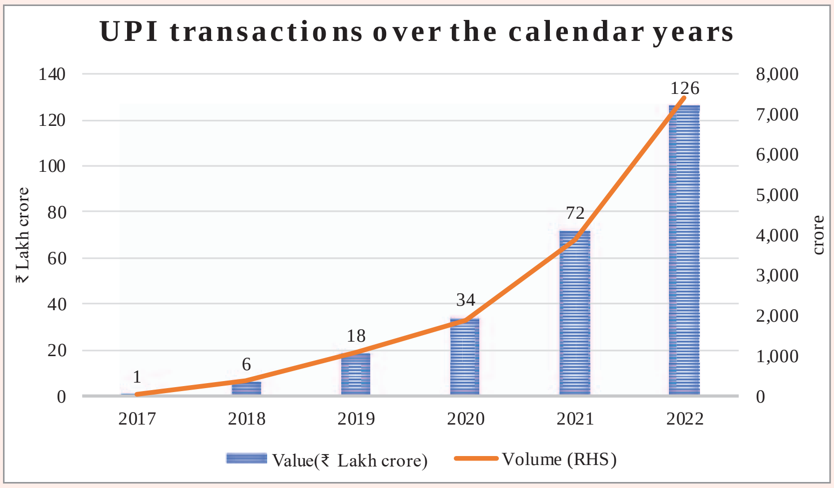
OPEN NETWORK FOR DIGITAL COMMERCE (ONDC)

- ONDC aims to go beyond the current platform-centric digital commerce model where the buyer and seller can use the same platform or application for transactions.

OPEN CREDIT ENABLEMENT NETWORK (OCEN)

- The Open Credit Enablement Network (OCEN) is one such set of standards that is being hailed as a major shift in how lending and borrowing will be conducted in the future.
- This is another good initiative towards democratising lending operations and thus ensuring that small borrowers are able to avail themselves of the best terms under which credit is available.

- **Unified Payments Interface (UPI)** is a system that empowers and knits multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing and merchant payments into one hood. It also caters to the "Peer to Peer" collection request, which can be scheduled and paid as per requirement and convenience.
- In FY22, UPI accounted for 52 percent of the total 8,840 crore financial digital transactions. On average, between FY19-22 (calendar year), growth in UPI-based transactions in value and volume terms have been 121 percent and 115 percent, respectively. Recently, in Dec 2022, UPI touched its highest-ever mark with 782 crore transactions worth ₹12.8 lakh crore.



Source: NPCI

MISSION 'DRONE SHAKTI':

- Under Mission 'Drone Shakti', the drone start-ups and Drone-as-a-Service (DrAAS) are being promoted. Almost 90 percent of the airspace has now been opened up as a green zone for flying drones up to 400 feet.
- A Production-Linked Incentive (PLI) scheme for drones and drone import policy have been notified.

- Also, the private equity investments in agri-tech space have skyrocketed over the past four years – witnessing an increase of more than 50 percent per annum to aggregate approximately ₹6600 crore.

CONCLUSION:

The synergy between physical and digital infrastructure will be one of the defining features of India's future growth story.

Important Schemes & Initiatives

- The National Infrastructure Pipeline
- NaBFID
- National Logistics Policy (NLP)
- India Infrastructure Project Development Fund Scheme
- , Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM)
- BharatNet Project Scheme

REFLECTIVE EXERCISE

1. **With Emphasis on Gati Sakti Project, explain how physical infrastructure of a country lead to its economic development.**
2. **Inland Water Transportation has been neglected sector for long time. In this background elucidate the salient features of the Inland Vessels Act, 2021 and how the same would provide an impetus to inland water transport in India.**

PRACTICE MCQs

1. Consider the following statements:

1. According to Economic Survey 2023, Logistics costs in India have been in the range of 14-18 percent of GDP against the global benchmark of 8 percent.
2. Logistics Performance Index (LPI) is published by International Monetary Fund (IMF) every year.

Which of the above statements is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

2. With reference to PM GatiShakti Scheme, which of the following statements is/are correct?

1. The scheme like Bharatmala and Sagarmala comes under PM GatiShakti.
2. It aims to enhance ease of living, ease of doing business, minimize disruptions and expedite completion of works with cost efficiencies.

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

3. Consider the following statements regarding Inland Vessels Act 2021:

1. The total navigable length of waterways in India is around 14,850 kilometres.
2. It aims to bring uniformity in the application of the law relating to inland waterways and navigation within the country.

3. State governments may declare by notification any inland water area as a “Zone” depending on the maximum significant wave height criteria as this Act.

Which of the above statements is/are correct?

(a) 1 only

(b) 1 and 2 only

(c) 2 and 3 only

(d) 1, 2 and 3

ANSWERS

1. (a)	**2.** (c)	**3.** (d)		

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