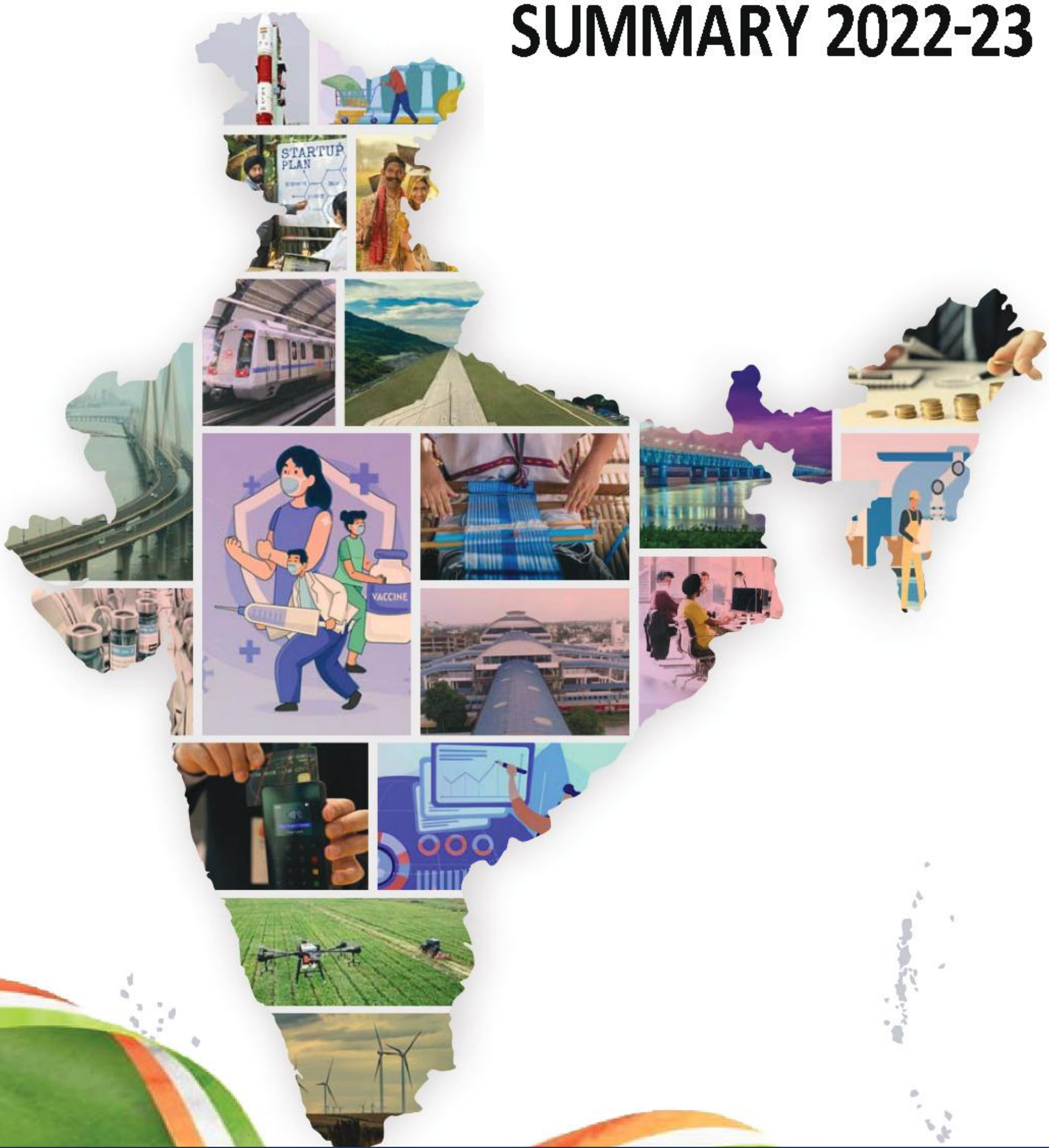
सत्यमेव जयते
Government of India

IASBABA

ECONOMIC SURVEY

SUMMARY 2022-23



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CHAPTER 1: STATE OF THE ECONOMY 2022-23: RECOVERY COMPLETE

Three shocks have hit the global economy since 2020

- **Covid-19 Pandemic:** It induced contraction of global output
- **Russia-Ukraine War:** Supply disruption caused by the war led to increase in global commodity prices, thus, accelerating existing inflationary pressures. This threatened the global energy & food security.
  - Russia (18%) and Ukraine's (8%) contribute about a quarter of the global **wheat exports.**
  - Russia and Ukraine are had a 14 per cent share of global **maize** exports in 2020.
  - Also, these two countries together have a 40 per cent share in global **sunflower** oil exports.
- **Monetary Tightening by Developed West**: Synchronised Policy Rate hikes by Developed Economies to curb inflation that was driven by high food and energy price.
  - **US Federal Reserve's** pace of rate hikes is the quickest since the inflationary episode of the 1970s, with the central bank having raised interest rates by **425 basis points since March 2022.**
  - Increase in policy rate, ex: repo rate of RBI, reduces money supply thus cooling inflation.
  - Rising inflation and monetary tightening led to a slowdown in global output beginning in the second half of 2022. As a result, growth projections were revised for world (3.2% in 2022 to 2.7 in 2023), Advanced Economies (2.4% in 2022 to 1.1% in 2023) and India (6.8% in 2022 to 6.1% in 2023)

What is the impact of US Fed's Policy Rate hike on Indian Economy?

- *The rate hike by the US Fed **drove capital into the US markets** considered as safe haven. This caused the US Dollar to appreciate against most currencies including INR.*
- *Stronger dollar makes external debt servicing more expensive and imports costlier.*
- *This led to the widening of the Current Account Deficits (CAD) and increased inflationary pressures in net importing economies.*

Wasn't there any impact of Chinese slowdown on global economic recovery?

- *Slowdown in economic activity in China was caused by the government's zero Covid policy, a contracting real estate sector, and a slow fiscal expansion.*
- *However, China has ended or relaxed most of its restrictive policies relating to Covid. It is possible that economic activity picks up in China sooner than expected*

How did Indian Economy fare amidst the above mentioned global shocks?

✓ In 2022 i.e. 75th year of Independence, output went past its pre-pandemic level in FY20. India became the world's fifth- largest economy, measured in current dollars. Come March 2023, the nominal GDP of India will be around **US$ 3.5 trillion.**

- ✓ Also, **CPI Inflation** eased back to RBI's target range. It remained above the target range for ten months before returning to below the upper end of the target range of 6 per cent in November 2022.
    - The government cut excise and customs duties and restricted exports to restrain inflation while the RBI, like other central banks, raised the repo rates and rolled back excess liquidity.

- ✓ Share of export in GDP expands, despite global slowdown
    - India's exports surged in FY22, and the momentum lasted up to the first half of FY23.
    - An unexpectedly warm winter in Europe -> less need of energy for heating -> less money spent on energy -> less impact of increase in fuel prices -> more disposable income -> economic recession avoided in Europe -> hopes for some developing economies that are export-dependent
    - However, due to aggressive and synchronised monetary tightening, global economic growth has started to slow, and so has world trade.

Figure I.16: Share of export in GDP expands, despite global slowdown

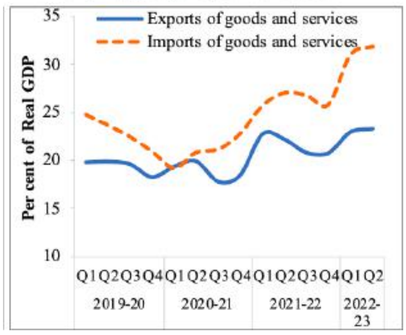
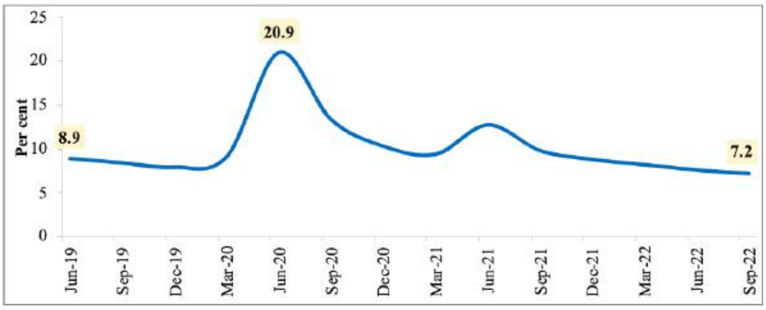


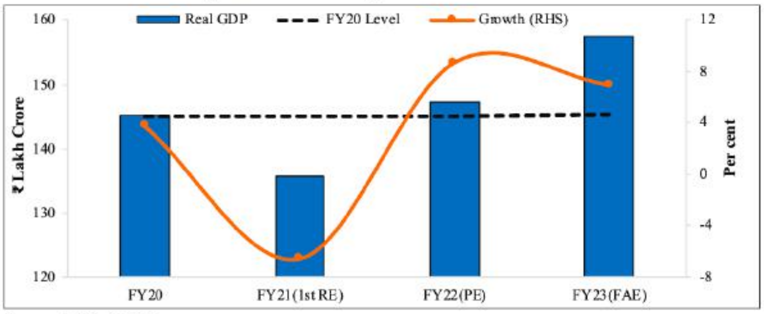
Figure I.33: Urban Unemployment Rate at four-year low



- ✓ **Unemployment:** The Periodic Labour Force Survey (PLFS) shows that the urban unemployment rate for people aged 15 years and above declined from 9.8 per cent in the quarter ending September 2021 to 7.2 per cent one year later (quarter ending September 2022).

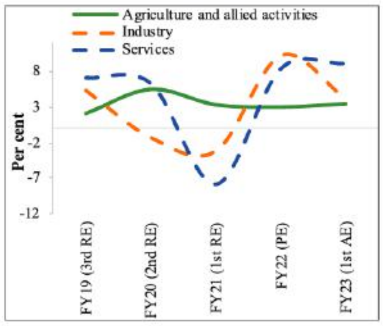
- ✓ Agencies worldwide continue to project India as the **fastest-growing major economy at 6.5-7.0 per cent in FY23.**

Figure I.9: Economic growth remains resilient



Source: NSO, MoSPI
Note: AE stands for Advanced Estimates, PE stands for Provisional Estimates, RE stands for Revised Estimates

Figure I.10a: YoY growth of Real GVA components



✓ These optimistic growth forecast is due to

- **Rebound of private consumption** (now at 59% of GDP) was the primary factor for it was aided by near-universal vaccination coverage that enabled brought people back to the streets to spend on contact-based services, such as restaurants, hotels, shopping malls, and cinemas, among others.
    - Rebound of private consumption has in turn given a boost to production activity resulting in an increase in capacity utilisation across sectors.
- The **Capital Expenditure (Capex) of the Union government** (Rs. 4.5 Lakh Crore in FY23 vs 2.7 Lakh crore in FY22) increased by 63.4 per cent in the first eight months of FY23 that acted as another driver of economy. It also helped in crowding in the private Capex.
- Also, there has been **increase in overall bank credit.** The credit growth to the Micro, Small, and Medium Enterprises (MSME) sector has been remarkably high, over 30.6 per cent, on average during Jan-Nov 2022, supported by the extended Emergency Credit Linked Guarantee Scheme (ECLGS) of the Union government.
- **Government Schemes** like MGNREGA, PM-Kisan and PM Garib Kalyan Yojana have helped in ensuring income & food security in the country, and their positive impact on Indian Economic resilience was also endorsed by UNDP.

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

PRODUCT AND CAPITAL MARKET REFORMS INITIATED IN 1991

The macroeconomic imbalances of the late 1980s and early 1990s pushed the government towards introducing the structural reforms of 1991

- ✓ The 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.

In response to the above situation, trade and investments were liberalised in 1991.

- ✓ Import licensing on almost all intermediate inputs and capital goods was done away with
- ✓ Entry restrictions for firms were simplified.
- ✓ The new policy encouraged the entry of private sector firms by ending the public sector monopoly in many sectors
- ✓ Initiating the automatic approval policy for Foreign Direct Investment (FDI) up to 51 per cent. FDI acted as a main source of non-debt-creating capital inflows.
- ✓ The exchange rate was made flexible and allowed to depreciate as necessary to maintain competitiveness.
- ✓ The rupee was made fully convertible on the current account and partially on the capital account.

Outcome of the reforms

- ✓ The real growth went up from an average of 5.5 per cent during the 1980s to 6.3 per cent from FY93 to FY2000.
- ✓ Trade liberalisation had a visible effect on external trade as the total goods and services trade to GDP rose from 17.2 per cent in 1990 to 30.6 per cent in 2000.

Shocks during 1998 to 2002 period

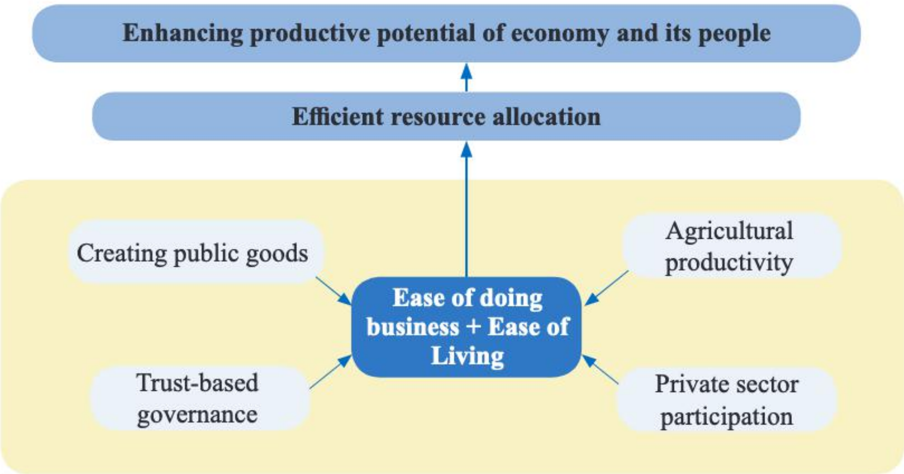
- The sanctions imposed by the US on India after India's nuclear test in 1998 led to a sharp decline in capital flows to India during the months following the nuclear tests.
- The period between 2000 and 2002 also witnessed two successive droughts
- Global uncertainties resulting from the end of a tech boom and the 9/11 attacks.

The growth dividends from the economic reforms started in 1991 were better realised once these one-off shocks (mentioned in above box) dissipated. While the global growth averaged 4.8% during 2003-2008, the Indian economy grew at more than 8 per cent on average.

REFORMS FOR NEW INDIA- SABKA SAATH SABKA VIKAAS

The reforms undertaken before 2014 primarily catered to product and capital market space. They were necessary and continued post-2014 as well. The government, however, imparted a new dimension to these reforms from 2014 onwards.

The diagram represents the underlying framework for reforms for a new India


Enhancing productive potential of economy and its people
Efficient resource allocation
Creating public goods
Agricultural productivity
Ease of doing business + Ease of Living
Trust-based governance
Private sector participation

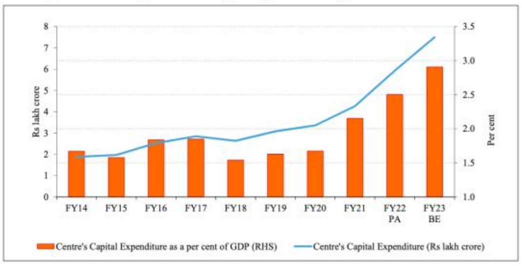
Creating Public Goods

The objective was to enhance opportunities, efficiencies and ease of living.

It involved the following aspects

- ✓ infrastructure-intensive policymaking in India where the government has laid a good platform for crowding in private investments and growth in the coming decade
- ✓ Infrastructure policy making involved road connectivity (Bharatmala), port infrastructure (Sagarmala), electrification, railways upgradation, and operationalising new airports/ air routes (UDAN), National Infrastructure Pipeline (NIP with ₹111 lakh crore) in 2019 and the National Monetization Pipeline in 2021
- ✓ With its strong forward and backward linkages, physical infrastructure will enhance the economy's productivity in the medium term.

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



- ✓ The government has also emphasised on developing public digital infrastructure based on the pillars of JAM Trinity.
- ✓ Numerous digital public goods such as digital verification (e-KYC), digital signature, digital repositories (Digilocker), and digital payments (UPI) have supported financial inclusion by improving access to formal financial services and reducing transaction costs.
- ✓ The population covered with bank accounts increased from 53% in 2015-16 to 78% in 2019-21.
- ✓ Some of the recently introduced digital initiatives, such as the **Open Network for Digital Commerce (ONDC**) and Account Aggregator framework, will open up further avenues for e-commerce market access and credit availability for smaller businesses
- ✓ The National Single Window System for business approvals, the **JanSamarth portal** for credit-linked Central Government scheme, and the UMANG app for access to Central and state government services are essential steps towards enhancing the ease of doing business through the integration of existing systems.
- ✓ **Eshram portal,** with more than 28.5 crore registered workers, has been integrated with various other digital portals for easy accessibility.
- ✓ **PM Gatishakti,** the GIS-based platform that brings together multiple ministries for integrated planning and coordinated implementation of multimodal infrastructure connectivity projects, aims to reduce logistics costs.

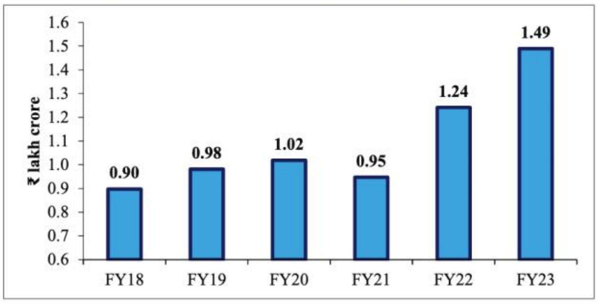
Trust Based Governance

- ✓ Simplification of regulatory frameworks through reforms such as the Insolvency and Bankruptcy Code (IBC) and the Real Estate(Regulation and Development) Act (RERA) have enhanced the ease of doing business.
- ✓ Another significant reform has been the decriminalisation of minor economic offences under the Companies Act of 2013.
- ✓ A trust-based approach towards compliance builds entrepreneurs' faith in corporate institutions and motivates them to adopt fairer and more transparent business practices.

After the reform, more than 1400 default cases have been decided without resorting to the court. Also, more than 4,00,000 companies have willingly rectified past defaults to avoid penalties under the Companies Act

- ✓ Tax policy reforms such as adopting a unified GST, reducing corporate tax rates, faceless assessment and appeal system of IT department and removing the Dividend Distribution tax have removed the distortionary incentives from the economy
- ✓ The average monthly gross GST collection has increased from ₹0.90 lakh crore in FY18 to ₹1.49 lakh crore in FY23

Figure II.9: Rising average monthly gross GST collection



Promoting the private sector	✓ Government continues to view private sector as a co-partner in the development. ✓ The privatisation of Air India was particularly significant for re-igniting the privatisation drive. ✓ Significant initiatives have been introduced under Aatmanirbhar Bharat and Make in India programmes to enhance India's manufacturing capabilities and exports across the industries. ✓ India's gross FDI has increased from an average of 2.2 per cent of GDP during FY05-FY14 to 2.6 per cent in FY15-FY22 ✓ The **National Logistics Policy (2022)** has been launched to create an overarching logistics ecosystem for lowering the cost of logistics and bringing it to par with other developed countries. ✓ Emergency Credit Line Guarantee Scheme (ECLGS) has in the last two years benefited 1.14 crore MSMEs, which have availed collateral-free loans amounting to ₹2.38 lakh crore.
Enhancing productivity in agriculture.	✓ The agriculture sector in India has grown at an average **annual growth rate of 4.6 per cent** during the last six years. ✓ This growth is partly attributable to good monsoon years and partly to the various reforms undertaken by the government to enhance agricultural productivity. ✓ Reforms include Soil Health Cards, the Micro irrigation Fund, promotion of Farmer Producer Organisations (FPOs),the National Agriculture Market (e-NAM) extension Platform, Agri Infrastructure Fund (AIF) and Cluster Development Programme (CDP).

Why did reforms (2014-22) of such scale and relevance did not accelerate economic growth?

- ✓ *Primarily due to the balance sheet stress caused by the credit boom in the previous years (2002 to 2008).*
- ✓ *Secondarily due to the one-off global shocks that followed (pandemic, Russia Ukraine war which is explained in first chapter)*

Therefore, key macroeconomic variables such as credit growth, capital formation, and hence economic growth were adversely impacted during this period. Further, some reforms deliver results with lagged effects as their diffusion in the economy takes time.

What are the Medium-term (2023-30) growth magnets for India?

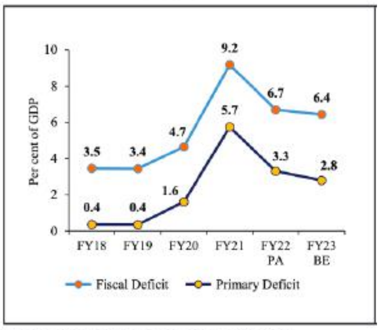
Once these global shocks of the pandemic and the spike in commodity prices fade away, the Indian economy is well placed to grow faster in the coming decade. Following advantages acts as growth magnets in the medium term

- **Better Bank Health:** Thanks to India's digital revolution and formalisation, banks have far more information about their customer's credit risks than before, thus being able to make credit and pricing decisions better than before.
  - Better-capitalised banks result in higher credit growth, which further translates into higher GDP growth.
  - A fresh credit cycle has already begun, evident from the double-digit growth in bank credit over the past months.
- **Digital Economy**: The digitalisation reforms and the resulting efficiency gains in terms of greater formalisation, higher financial inclusion, and more economic opportunities will be the second most important driver of India's economic growth in the medium term.
  - Productivity-enhancing reforms along with the Government's Skilling initiatives, will also help unleash the benefits of the demographic dividend in the coming years.
- **Favourable Geopolitical Situation:** Firms were exposed to the risk of concentrating their production in a single country (China). Therefore, multinational firms are gradually exploring strategies to diversify their production bases and supply chains. With enabling policy frameworks, India presents itself as a credible destination for capital diversifying out of other countries
  - Reshoring, diversification, and regionalisation will drive the restructuring of global value chains in the coming years.

CHAPTER 3: FISCAL DEVELOPMENTS: REVENUE RELISH

- ✓ With the continuing global risks and uncertainties, the availability of fiscal space with governments has become paramount. Ex: Expansionary fiscal & monetary policy was used as macroeconomic stabilisation tool globally.
- ✓ The slowing global growth, rising interest rates, persistently high inflation rates and uncertain global environment have once again posed challenged on fiscal policy front.
- ✓ While India entered the pandemic with a stretched fiscal position, the government's prudent and calibrated fiscal response enabled stable public finances even amidst the present uncertainties.

Figure III.1: Trends in Union government deficits over the years- On the way to fiscal consolidation



Source: Union Budget documents, O/o CGA

- ✓ The **fiscal deficit of the Union Government**, which reached 9.2 per cent of GDP during the pandemic year FY21, has moderated to **6.7 per cent of GDP in FY22** and is further budgeted to reach **6.4 per cent of GDP in FY23**.
- ✓ This resilience in the fiscal performance of the Centre has resulted due to a recovery in economic activity, buoyancy in revenues observed during the year, and conservative assumptions of macroeconomic variables in the Budget.

Performance of Union Government's Finances

- ✓ The Gross Tax Revenue registered a YoY growth of 15.5 per cent from April to November 2022, driven by robust growth in the direct taxes and Goods and Services Tax (GST).
- ✓ The growth in direct taxes during the first eight months of the year was much higher than their corresponding longer-term averages.
- ✓ The GST has stabilised as a vital revenue source for central and state governments, with the gross GST collections increasing at 24.8 per cent on YoY basis during April - December 2022.
    - o The average monthly gross GST collection has increased from ₹0.90 lakh crore in FY18 to ₹1.49 lakh crore in FY23.
    - o The improvement in GST collections has been due to the combined effect of the rapid economic recovery post-pandemic, the nationwide drive against GST evaders and fake bills along with various rate rationalisation measures undertaken by the GST Council to correct inverted duty structure.
    - o Consistent efforts have resulted in a doubling of the GST net, with the number of GST taxpayers increasing from nearly 70 lakh in 2017 2 to more than 1.4 crore in 2022.
- ✓ On the expenditure side, the total expenditure of the Union Government in FY22 was to 16 per cent of GDP, higher than the previous 5-year average of 12.8 per cent of GDP.
- ✓ The **Centre's Capital Expenditure (Capex)** has steadily increased from a long-term average of 1.7 per cent of GDP (FY09 to FY20) to 2.5 per cent of GDP in FY22. t is further budgeted to

increase to 2.9 per cent of GDP in FY23. This highlights an improvement in the quality of Government expenditure over the years.

- The Centre has also incentivised the State Governments through interest-free loans and enhanced borrowing ceilings to prioritise their spending on Capex.

✓ With an emphasis on infrastructure-intensive sectors like roads and highways, railways, and housing and urban affairs, the increase in Capex has large-scale positive implications for medium-term growth.

- This Capex-led growth strategy will enable India to keep the growth-interest rate differential positive, leading to a sustainable government debt to GDP in the medium run.

✓ The **revenue expenditure** of the Union government was brought down from 15.6 per cent of GDP in the pandemic year FY21 to 13.5 per cent of GDP in FY22.

- The subsidy expenditure was brought down from 3.6 per cent of GDP in FY21 to 1.9 per cent of GDP in FY22 PA. It was further budgeted to reduce to 1.2 per cent of GDP in FY23.

✓ The **Extra-Budgetary borrowings** of the Union Government were brought down from ₹1.48 lakh crore in FY20 and ₹1.21 lakh crore in FY21 to ₹750 crore in FY22 (RE)

✓ **Total liabilities of the Union Government** moderated from 59.2 per cent of GDP in FY21 to 56.7 per cent in FY22

- Of the Union Government's total net liabilities in end-March 2021, 95.1 per cent were denominated in domestic currency.

Figure III.3: Composition of tax profile of Union Government (FY23 BE)

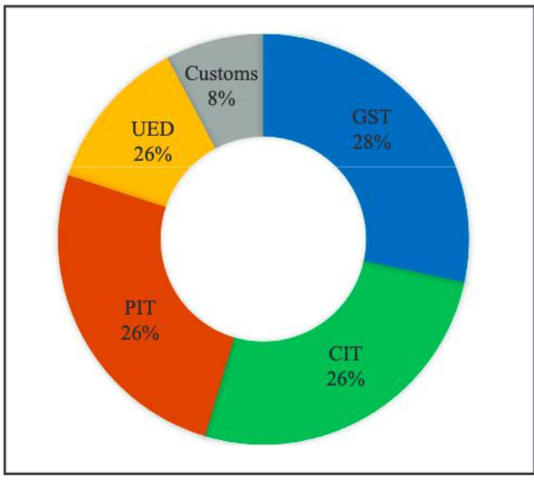
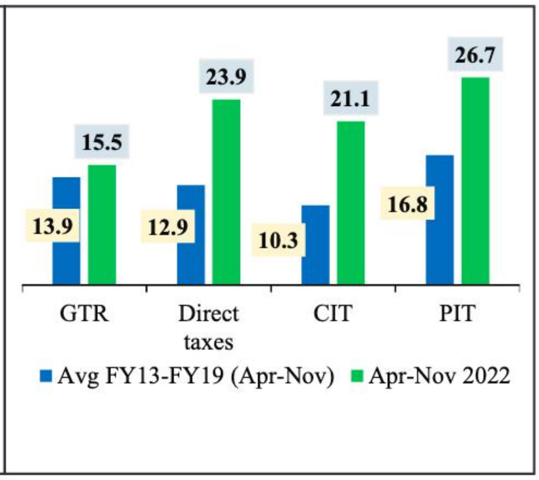


Figure III.4: Growth in Centre's direct taxes are higher than their corresponding longer-term averages during the period April to November



Source: Union Budget FY23, O/o CGA
Note: GTR - Gross Tax Revenue, GST - Goods and Services Tax, CIT - Corporation Income Tax, PIT - Taxes on Income other than Corporation Income Tax.m UED - Union Excise Duties

Overview of State Government Finances

✓ State Governments improved their finances in FY22 after being adversely impacted by the pandemic in FY21.

- ✓ The combined Gross Fiscal Deficit (GFD) of the States, which increased to 4.1 per cent of GDP in the pandemic-affected year, was brought down to 2.8 per cent in FY22
- ✓ Given the resource constraints of state governments, the Centre enhanced the net borrowing ceilings (NBC) for States to 5 per cent of GSDP in FY21, 4 per cent of GSDP in FY22, and 3.5 per cent of GSDP in FY23. It is pertinent to note that states had unutilised borrowing limits during the last three years
- ✓ Transfer of funds to the States comprises the share of States in Union taxes devolved to the States, Finance Commission Grants, Centrally Sponsored Schemes (CSS), and other transfers. Total transfers to States have risen between FY19 (4.8 Lakh crores) and FY23 BE (9.3 Lakh crores)

Table III.6: Details of transfers from Centre to States (other than devolution to States)

(in ₹ lakh crore)

	FY19	FY20	FY21	FY22 RE	FY23 BE
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

Long Term Trends in Union Government's Finances

Table 1: Union Government's Fiscal Parameters

In ₹ lakh crore

	FY18	FY19	FY20	FY21	FY22 PA	FY23 BE
Revenue Receipts	14.35	15.53	16.84	16.34	21.68	22.04
Gross Tax Revenue	19.19	20.80	20.10	20.27	27.08	27.58
Net tax revenue	12.42	13.17	13.57	14.26	18.20	19.35
Non-tax revenue	1.93	2.36	3.27	2.08	3.48	2.70
Non-debt capital receipts	1.16	1.13	0.69	0.58	0.39	0.79
Non-debt receipts	15.51	16.66	17.53	16.92	22.08	22.84
Total Expenditure	21.42	23.15	26.86	35.10	37.94	39.45
Revenue Expenditure	18.79	20.07	23.51	30.84	32.01	31.95
Capital Expenditure	2.63	3.08	3.36	4.26	5.93	7.50
Fiscal Deficit	5.91	6.49	9.34	18.18	15.87	16.61
Revenue Deficit	4.44	4.54	6.67	14.50	10.33	9.90
Primary Deficit	0.62	0.67	3.22	11.38	7.81	7.21
Memo Item						
GDP at Market Price	170.90	188.87	200.75	198.01	236.65	258.00

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

The year 2022 marked the return of high inflation, especially in advanced economies, after nearly four decades. Inflation did not spare emerging economies either.

- ✓ These developments led to an unprecedented, synchronous, and sharp cycle of monetary tightening across countries.
- ✓ While the Federal Reserve has raised policy rates by 425 basis points (bps), the European Central Bank (ECB) and the Bank of England (BoE) have implemented 300 bps and 250 bps rate increases, respectively.
- ✓ The RBI initiated its monetary tightening cycle in April 2022 and has since implemented a policy repo rate hike of 225 bps.

Table2: Union Government's Fiscal Parameters (Per cent of GDP)

	FY18	FY19	FY20	FY21	FY22 PA	FY23 BE
Revenue Receipts	8.4	8.2	8.4	8.3	9.2	8.5
Gross Tax Revenue	11.2	11.0	10.0	10.2	11.4	10.7
Net tax revenue	7.3	7.0	6.8	7.2	7.7	7.5
Non-tax revenue	1.1	1.2	1.6	1.0	1.5	1.0
Non-debt capital receipts	0.7	0.6	0.3	0.3	0.2	0.3
Non-debt receipts	9.1	8.8	8.7	8.5	9.3	8.9
Total Expenditure	12.5	12.3	13.4	17.7	16.0	15.3
Revenue Expenditure	11.0	10.6	11.7	15.6	13.5	12.4
Capital Expenditure	1.5	1.6	1.7	2.2	2.5	2.9
Fiscal Deficit	3.5	3.4	4.7	9.2	6.7	6.4
Revenue Deficit	2.6	2.4	3.3	7.3	4.4	3.8
Primary Deficit	0.4	0.4	1.6	5.7	3.3	2.8

What was the impact of RBI's monetary tightening cycle?

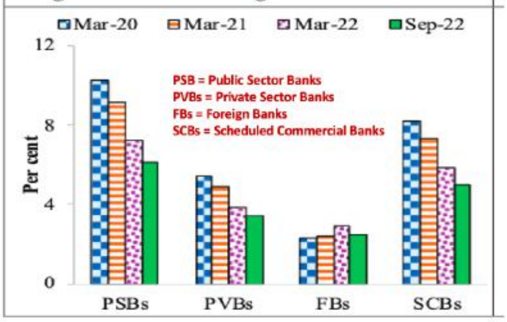
- ✓ It led to **moderation of surplus liquidity** conditions that prevailed during the pandemic years.
- ✓ Monetary policy transmission is well underway as **lending and deposit rates increased f**ollowing the hike in policy rates.

FINANCIAL SYSTEM HEALTH

Banking

- ✓ The Gross Non-Performing Assets (GNPA) ratio of SCBs has fallen to a seven-year low of 5.0.

Figure IV.6a: Declining SCB's GNPA Ratio



- ✓ Capital-to-Risk Weighted Assets Ratio (CRAR) remains healthy at 16.0 and well above the regulatory requirement of 11.5.
- ✓ Non-food credit offtake by scheduled Commercial Banks (SCBs) has been growing in double digits since April 2022, with the increase being broad-based.
- ✓ The growth in credit offtake is expected to sustain, and combined with a pick-up in private Capex, will usher in a virtuous investment cycle.
- ✓ The credit upcycle will also be aided by constant monitoring of the risks in the financial system by the regulators and their efforts to contain them.

Capital Markets

- ✓ Political and economic developments in 2022 – the breakout of a conflict in Europe, high inflation and raising interest rates - meant that capital markets around the world were characterised by increased volatility. However, domestic capital markets displayed some encouraging trends.
- ✓ The primary equity markets witnessed participation from all segments, especially with increased Small and Medium Enterprises (SMEs) contributions.
- ✓ Assets under custody for FPIs increased

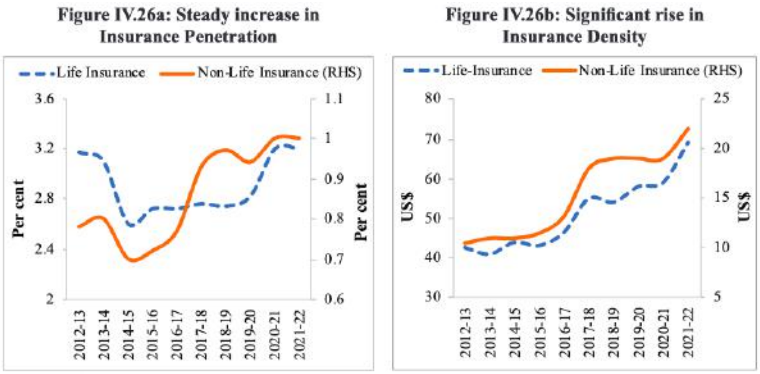
Table IV.13: Assets under Custody for FPIs increased

Period	Equity (₹ lakh crore)	Debt (₹ lakh crore)	Debt- VRR (₹ lakh crore)	Hybrid (₹ lakh crore)	Total (₹ lakh crore)
End November 2022	49.9	2.4	1.4	0.3	54.0
End November 2021	48.0	2.7	1.3	0.3	52.2

Source: SEBI

Insurance

- ✓ The increasing outreach of the banking sector and capital markets is reflected in the insurance and pension sectors.
- ✓ **Insurance penetration** in India increased steadily from 2.7 per cent around the turn of the millennium to 4.2 per cent in 2020 and remained the same in 2021.
- ✓ **Life insurance penetration** in India was 3.2 per cent 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.
- ✓ The **insurance density in** India has increased from US$ 11.1 in 2001 to US$ 91 in 2021 (density for Life insurance was US$ 69 and Non-Life insurance was US$ 22 in 2021) in keeping with the relatively faster expansion of the insurance market in the country.



- ✓ Important government interventions and a conducive regulatory environment have supported the growth of the insurance market, which has seen increasing partnerships, product innovations, and vibrant distribution channels.

Pension

- ✓ In 2021, pension assets in OECD countries 14 stood at US$ 38.5 trillion, 66.9 per cent of the GDP.
- ✓ 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 pension sector in India too has been taking rapid strides since the introduction of the National Pension Scheme (NPS), more recently, the Atal Pension Yojana (APY).
- ✓ The expansion of the sector has been aided by government measures such as, integration of electronic Pension Payment Order (e-PPO) with DigiLocker, and relaxation in the timeline for submitting Digital Life Certificate.

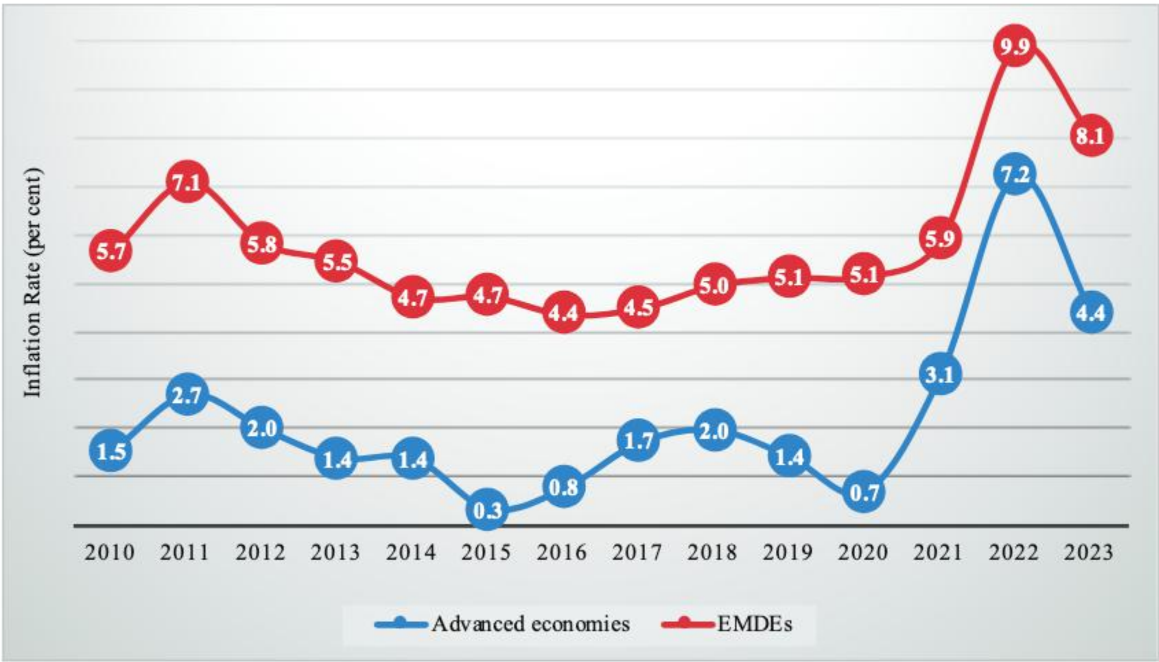
CHAPTER 5: PRICES AND INFLATION: SUCCESSFUL TIGHT-ROPE WALKING

In general, the year 2022 was marked by a return of high inflation in the advanced world after three to four decades (US inflation was averaging at 6.5% , UK at 9.2%, Germany at 7.9%). India was not an outlier.

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

- ✓ A rising phase up to April 2022 when it touched 7.8 per cent.
  - This was due to 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.
- ✓ Then a holding pattern at around 7.0 per cent up to August 2022.
- ✓ Then a decline to around 5.7 per cent by December 2022.

Figure V.1: Record Consumer Price Inflation in 2022 Calendar Year



Source: World Economic Outlook, October 2022, IMF

Prompt and adequate measures by the Government of India and the Reserve Bank of India (RBI) have reined in the rise in inflation and brought it within the Central Bank's tolerance limit (2% to 6%).

What were these measures by RBI & government to control inflation?

- ✓ RBI's Monetary Policy Committee increased the policy repo rate under the liquidity adjustment facility (LAF) by 225 basis points from 4.0 per cent to 6.25 per cent between May and December 2022.
- ✓ Central Government has undertaken fiscal measures like

- reduction in excise duty on petrol and diesel
- prohibition of the export of wheat products (increased supply means reduced prices)
- imposition of export duty on rice (disincentivising exports thereby increasing domestic supply)
- reduction in import duties and cess on pulses
- rationalisation of tariffs
- imposition of stock limits on edible oils and oil seeds (prompting to increase supply in the domestic market & avoid hoarding for speculative purpose)
- maintenance of buffer stock for onion and pulses (so that government can go for steady release of essential commodity in the market)
- rationalisation of import duties on raw materials used in the manufactured products.

What is the outlook on inflation in coming months?

The RBI forecasts elevated domestic prices for cereals and spices in the near term, owing to supply shortages. Milk prices are also expected to spike, reflecting high feed costs.

How is the Current Inflation Different from the 1970s?

Unprecedented global inflation in the current year recalls the experience of the 1970's, particularly the aftermath of the oil crises in 1973 and 1979. Both crises contributed to rising commodity prices worldwide and their spill-over effects on the prices of other goods and services.

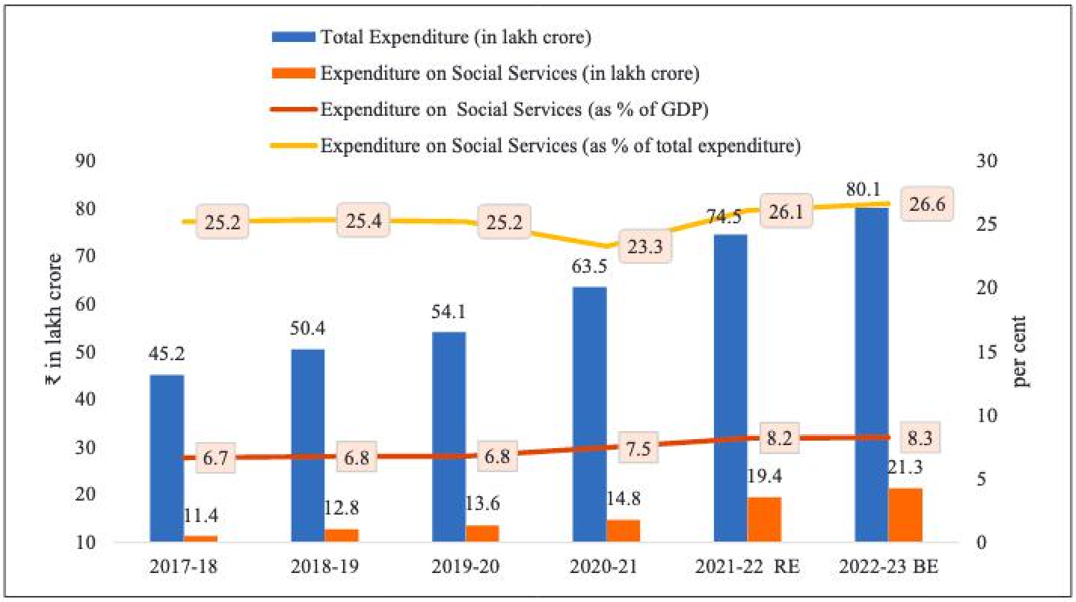
- ✓ However, the environment and intensity of the crises differ in various respects. Firstly, recent oil price rises are proportionally smaller than the 1970s crisis, which had taken oil prices to historic highs.
- ✓ Secondly, in contrast to the 1970s crisis, which was confined to oil prices, the recent crisis has seen pervasive price increases across a broader range of commodities. Prices of non-oil energy, some agricultural goods, fertilisers, and metals have all risen well above their pre-pandemic levels in the current year.
- ✓ Thirdly, commodity supply disruptions have played a smaller role in recent price increases than in the 1970s. The rise in commodity prices over the past year has been accompanied by a modest rise in the production of many commodities, although not oil.
- ✓ Fourthly, global inflation, which has risen significantly since the start of 2021, follows several years of low inflation. In contrast to this, the 1973 crisis took place against a backdrop of several years of steadily rising world inflation
- ✓ Lastly, the 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. Arguably, central banks have much clearer and more robust institutional frameworks that focus on price stability today.

CHAPTER 6: SOCIAL INFRASTRUCTURE AND EMPLOYMENT

Subsequent waves of the pandemic and the ensuing Russia-Ukraine conflict have impacted the global as well as India's development trajectory. There was a stress on key aspects of social well being of citizens such as health, education and social security.

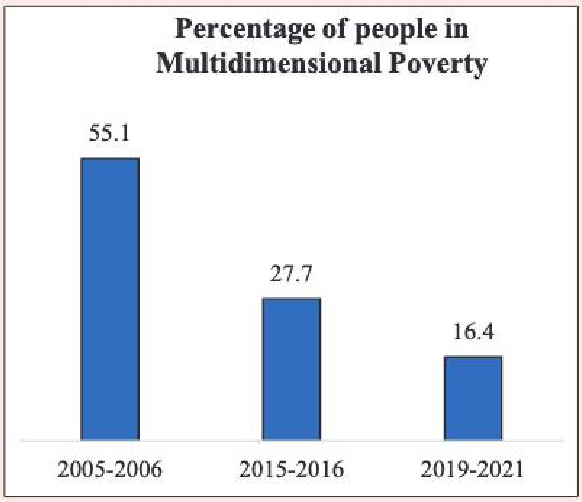
- ✓ The Government stepped in to continue its support towards social infrastructure development.
- ✓ The **social sector expenditure outlay** of the Centre and State Governments has increased steadily to stand at ₹21.3 lakh crore in FY23 (BE), with its share in total General Government expenditure standing at 26.6 per cent.

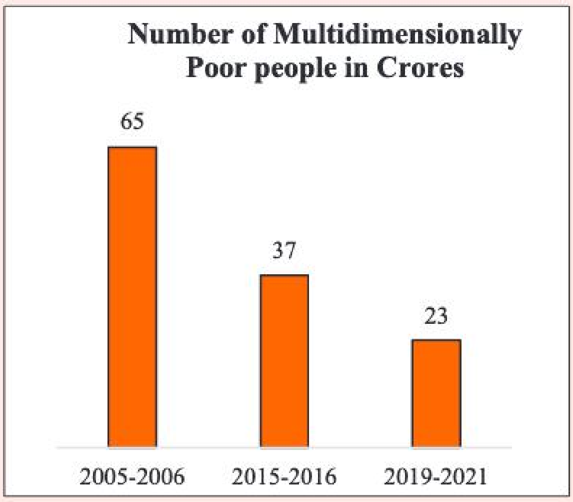
Figure VI.1: Trends in social service sector expenditure by General Government (Combined Centre and States)



IMPROVING HUMAN DEVELOPMENT PARAMETERS

- ✓ India ranked 132 out of 191 countries and territories in the 2021/2022 **Human Development Index (HDI)** report. India's HDI value of 0.633 in 2021 places the country in the medium human development category, lower than its value of 0.645 in 2019. However, India's HDI value continues to exceed South Asia's 8 average human development.
  - o According to United Nations Development Programme (UNDP) report, 90 per cent of countries have registered a reduction in their HDI value in 2020 or 2021, indicating that human development across the world has stalled for the first time in 32 years.
- ✓ Demonstrating the on-track progress to attain Sustainable Development Goal (SDG) of halving poverty by 2030, more than 41 crore people exited poverty between 2005-06 and 2019-21 according to the UN Multidimensional Poverty Index.





Source: UNDP Report on Multidimensional Poverty, 2022

- ✓ 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 (value: 0.508) and close to the world average of 0.465.

- ✓ As per usual status13, the labour force participation rate (LFPR)14, worker population ratio (WPR) and unemployment rate (UR)16 in PLFS 2020-21(July-June) have improved for both males and females in both rural and urban areas compared to PLFS 2019-20 and 2018-19.

Table VI.5: Employment trends as per current weekly status
(for ages 15-plus)

(per cent)

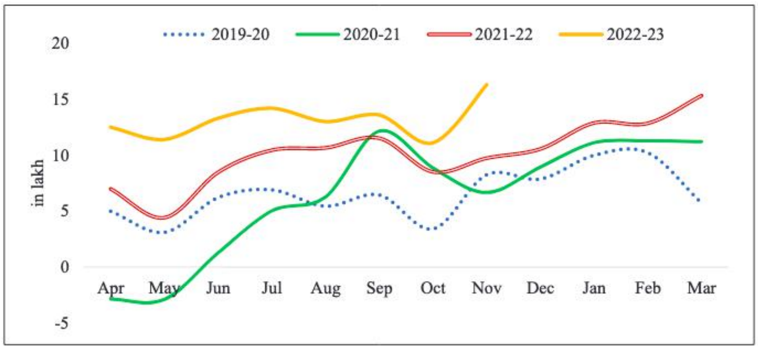
2018-19		Rural			Urban			Rural + Urban		
		2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Male	LFPR	75.5	76.7	76.7	73.7	73.8	73.8	74.9	75.8	75.8
	WPR	69.0	70.1	71.2	67.2	66.0	66.8	68.4	68.8	69.9
	UR	8.6	8.7	7.1	8.8	10.5	9.4	8.7	9.3	7.8
Female	LFPR	22.5	28.3	30.0	19.7	22.1	21.7	21.6	26.3	27.5
	WPR	20.9	26.7	28.6	17.4	19.4	19.0	19.8	24.4	25.7
	UR	7.3	5.5	4.8	12.1	12.4	12.2	8.7	7.3	6.6
Person	LFPR	49.1	52.5	53.4	47.1	48.2	48.0	48.5	51.2	51.8
	WPR	45.0	48.4	50.0	42.7	43.0	43.1	44.3	46.7	47.9
	UR	8.3	7.8	6.5	9.5	11.0	10.1	8.7	8.8	7.5

Source: Annual PLFS 2017-18 to 2020-21, MoSPI
Note: 2020-21 refers to the period July 2020-June 2021 and likewise for 2019-20 and 2018-19

Formal employment:

- ✓ Employment generation coupled with improving employability is the priority of the Government.
- ✓ Following this path, the organised sector job market conditions measured by payroll data for Employees' Provident Fund Organisation (EPFO) and Employees' State Insurance Corporation (ESIC) reveal the benefits of the government initiatives towards improvement in the labour market.

Figure VI.10: Net addition of subscribers in the EPFO *(in lakh)*



Source: EPFO
Note: *Net addition in payroll = No. of new subscribers + No. of exited members who re-joined – No. of members exited.*

Health

- ✓ The share of government health expenditure in total health expenditure has increased from 28.6 per cent in FY14 to 40.6 per cent in FY19, with a concomitant decline in out-of-pocket expenditure as a percentage of total health expenditure from 64.2 per cent in FY14 to 48.2 per cent in FY19.
- ✓ The progress of the path-breaking Ayushman Bharat programme, with nearly 22 crore beneficiaries, is being further tech-enabled through digital health IDs 'ABHA' and telemedicine through e-Sanjeevani.

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Major initiatives from 2014 to 2022 for better overall health

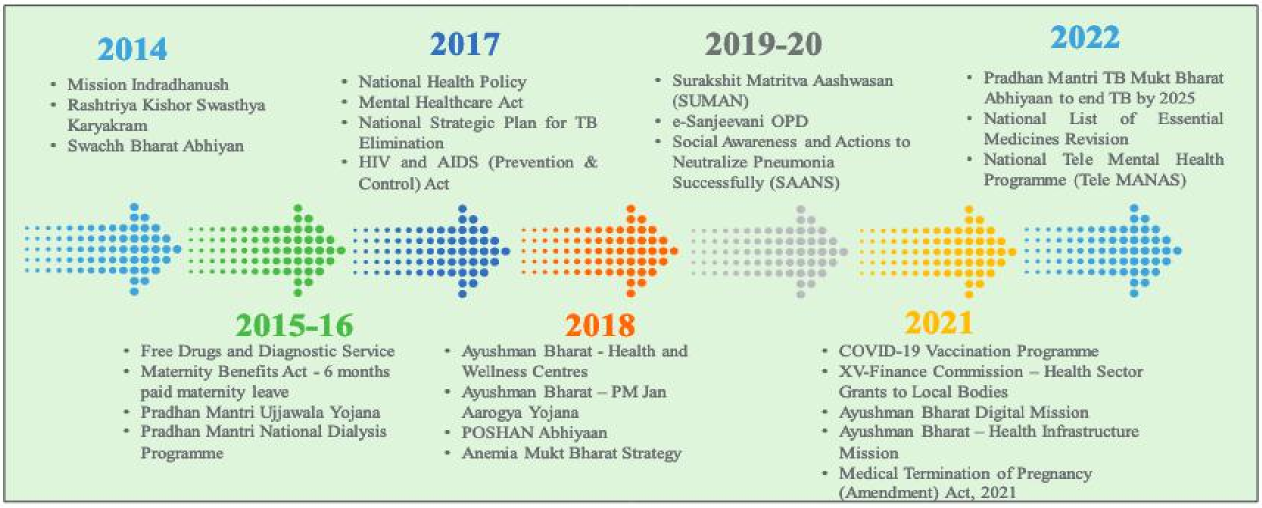

Table VI.17: Improvement in health-related Indicators

	NFHS-4 (2015-16)	NFHS-5 (2019-21)
Households with any usual member covered under a health insurance/ financing scheme (per cent)	28.7	↑ 41.0
Total fertility rate (children per woman)	2.2	↓ 2.0
Current Use of Family Planning Method- Any Method (per cent)	53.5	↑ 66.7
Mothers who had at least 4 antenatal care visits (per cent)	51.2	↑ 58.1
Institutional births (per cent)	78.9	↑ 88.6
Neonatal mortality rate (per 1000 live births)	29.5	↓ 24.9
Infant mortality rate (per 1000 live births)	40.7	↓ 35.2
Under-five mortality rate (per 1000 live births)	49.7	↓ 41.9
Children age 12-23 months fully vaccinated based on information from either vaccination card or mother's recall (per cent)	62.0	↑ 76.4
Children under age 6 months exclusively breastfed (per cent)	54.9	↑ 63.7
Children under 5 years who are stunted (height-for-age) (per cent)	38.4	↓ 35.5
Children under 5 years who are wasted (weight-for-height) (per cent)	21.0	↓ 19.3
Children under 5 years who are underweight (weight-for-age) (per cent)	35.8	↓ 32.1
Children under 5 years who are overweight (weight-for-height) (per cent)	2.1	↑ 3.4
Women who are overweight or obese (BMI≥25.0 kg/m^2) (per cent)	20.6	↑ 24.0
Men who are overweight or obese (BMI≥25.0 kg/m^2) (per cent)	18.9	↑ 22.9
Women age 15-24 years who use hygienic methods of protection during their menstrual period (per cent)	57.6	↑ 77.3

Source: National Family Health Surveys (NFHS) 2015-16 and 2019-21, MoHFW

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

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).

Progress on Eight National Missions of the NAPCC highlighting achievements across various domains

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

INDIA'S UPDATED NATIONALLY DETERMINED CONTRIBUTION (NDC):

- India submitted its first NDC to **UNFCCC in October 2015**.
- This was recently updated in **August 2022.**
- The 2015 NDC comprised eight goals, three of which were quantitative targets to be achieved up to 2030.
- The three targets included cumulative electric power installed capacity from non-fossil sources to reach 40 per cent, **reduction in the emissions intensity of GDP by 33 to 35 per cent compared to 2005 levels**, and creation of **additional carbon sink of 2.5 to 3 billion tonnes of CO2 equivalent** through additional forest and tree cover.

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STATUS OF FOREST AND TREE COVER

- India 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 in this regard.
- **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 and 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 and Nicobar Islands (162.9 tonnes).**

LONG-TERM LOW EMISSIONS DEVELOPMENT STRATEGY (LT-LEDS)

- India submitted its Long-Term Low Carbon Development Strategy (LT-LEDS) recently at **COP 27 of UNFCCC.**
- LT-LEDS has been prepared in the framework of India's right to an equitable and fair share of the global carbon budget and is the practical implementation of India's call for "**climate justice."**
- The LT-LEDS is driven by the vision of **Lifestyle for the Environment** (**LiFE)** that calls for a worldwide paradigm shift from mindless and destructive consumption to mindful and deliberate utilisation.

FINANCE FOR SUSTAINABLE DEVELOPMENT

Green Bonds:

- Green bonds are **financial instruments** that generate proceeds for in**vestment in environmentally sustainable and climate-suitable projects.**
- 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 SGrBs will be designated as specified securities under the **'Fully Accessible Route'** for investment in Government Securities by non-residents.

Regulatory Framework for Issuance of Green Debt Securities

- In November, 2021, the RBI published its '**Statement of Commitment to Support Greening India's Financial System' - NGFS.**
- **Securities Exchange Board of India (SEBI)** introduced the regulatory framework for issuance of green debt securities as a mode of sustainable finance under the erstwhile **SEBI (Issue and Listing of Debt Securities) Regulations, 2008, (ILDS Regulations).**
- SEBI has issued new sustainability reporting requirements under the **Business Responsibility and Sustainability Report (BRSR),** which are more granular with quantifiable metrics in line with the principles ensconced in the **'National Guidelines on Responsible Business Conduct'.**

INDIA'S INITIATIVES AT THE INTERNATIONAL STAGE

International Solar Alliance (ISA)

- The International Solar Alliance (ISA) is a **treaty-based inter-governmental organisation** working to create a global market system to tap the benefits of solar power and promote clean energy applications.
- ISA's mission is to unlock **US$ 1 trillion of investments in solar by 2030** while reducing the cost of the technology and its financing.
- ISA became the first international intergovernmental organisation to be **headquartered in India.**
- The ISA has expanded its coverage to all its **110 member countries**.
- It assists them with the **adoption of solar energy** with the view to improving energy access, ensuring energy security and facilitating the energy transition.

Coalition for Disaster Resilient Infrastructure

- The CDRI was launched by the Hon'ble Prime Minister of India during the **United Nations Climate Action Summit** in September 2019 in New York.
- As of June 2022, **31 Countries**, **6 International Organisations** and two private sector organisations have joined as members of CDRI.
- It aims to promote the **resilience of infrastructure systems** to **climate and disaster risks,** thereby ensuring sustainable development.

Leadership Group for Industry Transition (LeadIT)]

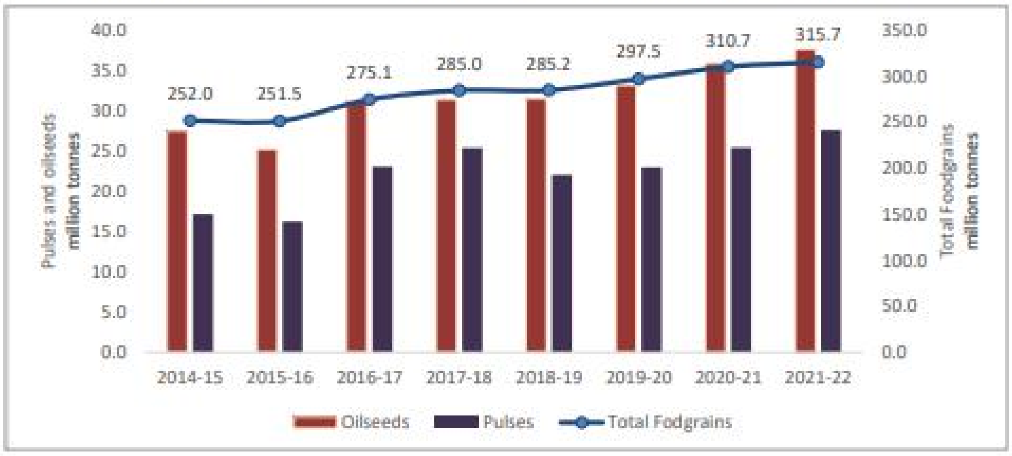
- It was launched by the **governments of Sweden and India** at the UN Climate Action Summit in September 2019 and is supported by the **World Economic Forum.**
- The LeadIT gathers countries and companies that are **committed to action to achieve the Paris Agreement.**
- LeadIT members subscribe to the notion that **energy-intensive industries** can and must progress on low carbon pathways, **aiming to achieve net-zero carbon emissions**.

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

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.**
- The year experienced a decline in the sown area for paddy cultivation too in the Kharif season due to delayed monsoons and deficient rainfall.
- As per the **First Advance Estimates for 2022-23 (Kharif only)**, total food grains production in the country is estimated at 149.9 million tonnes which is **higher than** the **average Kharif food grain production** of the previous five years (2016-17 to 2020-21).

Figure VIII.4: Sustained increase in Foodgrains Production in India (Million Tonnes)



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

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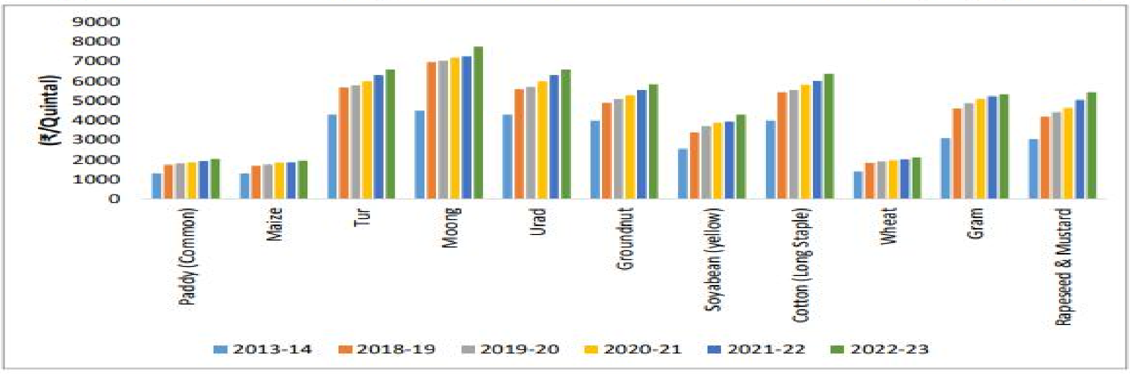
MSP to Ensure Returns Over the Cost of Production

- As announced in the **Union Budget for 2018-19** the Government has been increasing the **MSP for all 22 Kharif, Rabi and other commercial crops** with a margin of at least 50 per cent over the all-India weighted average cost of production since the agricultural year 2018-19.

Figure VIII.5: Minimum Support Price for selected Kharif and Rabi Crops (₹/Quintal)



Source: Based on data of DAFW and CACP.

Source: Based on data from DAFW and Agricultural Statistics at a Glance 2021.

Enhanced Access to Agricultural Credit

- **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.**
    - As of 30 December, 2022, banks issued Kisan Credit Cards (KCC) to **3.89 crore eligible farmers with a KCC limit of ₹4,51,672 crore.**
- The Government of India has introduced the **Interest Subvention Scheme (ISS)** to ensure that the farmers pay a minimal interest rate to the banks.
    - It is now renamed **Modified Interest Subvention Scheme (MISS),** to provide short-term credit to farmers at subsidised interest rates.
    - An additional **3 per cent subvention (Prompt Repayment Incentive)** is also given to the farmers for prompt and timely repayment of loans.
- The target for the **flow of credit to agriculture for 2022-23** has been fixed at ₹18.5 lakh crore.

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 became the first State** in the world by voluntarily adopting organic farming commenced at ground level since 2010.
- 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.
- Under PKVY, **financial assistance of ₹50,000 per ha for three years** is provided to the farmer, out of which **₹31,000 is given as incentives for organic inputs** provided directly through **Direct Benefit Transfer (DBT).**

- **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).**

OTHER IMPORTANT INITIATIVES IN AGRICULTURE

PM KISAN Scheme:

- It is a **Central Sector Scheme** to supplement the financial needs of land-holding farmers.
- The **financial benefit of ₹6,000 per year** is transferred into the bank accounts of farmer families through DBT.

Agriculture Infrastructure Fund (AIF):

- AIF is a financing facility operational from the year 2020-21 to 2032-33 for the creation of **post-harvest management infrastructure** and **community farm assets,** with benefits including **3 per cent interest subvention and credit guarantee support.**
- Under this, a provision of **₹1 lakh crore for 2020-21 to 2025-26** has been made, and **interest subvention and credit guarantee assistance** will be given until **2032-33.**

Pradhan Mantri Fasal Bima Yojana (PMFBY)

- **PMFBY** was launched in the **2016 Kharif season** to provide **comprehensive insurance** coverage to farmers in case of **crop failure, helping stabilise their incomes**.
- The scheme is implemented through **empanelled general insurance companies.**
- It is modified/revamped on a timely basis considering the prevailing policy regime and requirement of policy intervention in crop insurance in the country.
- The Scheme covers **all Food and Oilseeds crops and Annual Commercial/Horticultural Crops** for which past yield data is available and for which the requisite number of **Crop Cutting Experiments (CCEs)** are being conducted under the **General Crop Estimation Survey (GCES).**
- The scheme is implemented on an '**Area Approach' basis.**
- Admissible claims are **worked out and paid directly to the insured farmer's account** by the **insurance companies** on the yield data based on the requisite number of **CCEs per unit area furnished to the concerned insurance.**

Mission for Integrated Development of Horticulture (MIDH):

- The scheme was introduced in 2014-15 to promote horticulture covering fruits, vegetables, root and tuber crops, spices, flowers, plantation crops etc.,
- The interventions include introducing **improved varieties and quality seeds, incentives for plantation crops, cluster development, and post-harvest management.**

National Agriculture Market (e-NAM) Scheme:

- The Government of India launched the National Agriculture Market (e-NAM) Scheme in 2016 to create an **online transparent, competitive bidding system to ensure farmers get remunerative prices for their produce.**
- Under the Scheme, the Government **provides free software and assistance of ₹75 lakh per APMC mandi** for related hardware, including quality assaying equipment and the creation of infrastructure like cleaning, grading, sorting, packaging, compost unit, etc.

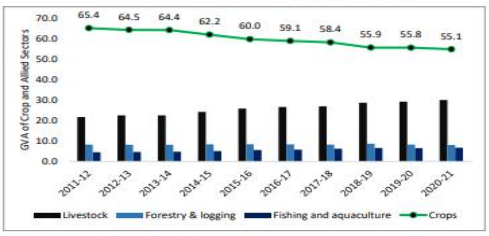
International Year of the Millets

- The **United Nations General Assembly**, in its 75th session during March 2021, declared **2023 the International Year of Millets (IYM).**
- Millets are Smart Food with high nutritional value, are climate resilient, and align with several **UN Sustainable Development Goals (SDGs).**
- **The Indian Institute of Millets Research** has incubated 250 start-ups under **Rashtriya Krishi Vikas Yojana – Remunerative Approaches for Agriculture and Allied Sectors Rejuvenation (RKVYRAFTAAR)** working in the millet value chains.

Allied Sectors: Animal Husbandry, Dairying and Fisheries Catching Up in Recent Years

- The livestock sector grew at a CAGR of 7.9 per cent during 2014-15 to 2020-21 (at constant prices), and its contribution to total agriculture GVA (at constant prices) has **increased from 24.3 per cent in 2014-15 to 30.1 per cent in 2020-21.**
- The **Animal Husbandry Infrastructure Development Fund (AHIDF)** was launched in 2020 through which the Central Government provides a **3 per cent interest subvention** to the borrower and credit guarantees up to 25 per cent of total borrowing.
- **National Livestock Mission (NLM) scheme** has been restructured for 2021-22 to 2025-26.
  - The scheme focuses on entrepreneurship development and breeds improvement in poultry, sheep, goat and piggery, including feed and fodder development.
- **National Animal Disease Control Programme (NADCP**) is being implemented by completely vaccinating cattle, buffalo, sheep, goat and pig populations against **Foot & Mouth Disease** and bovine female calves of **4-8 months of age against brucellosis.**
- In May 2020 the Govt of India launched the **Pradhan Mantri Matsya Sampada Yojana (PMMSY)** to drive sustainable and responsible development of the fisheries sector while ensuring socio-economic development of the fishers, fish farmers and fish workers.

Figure VIII.7: Though the Crop sector is still the major contributor to agriculture GVA, the livestock sector is catching up (per cent)

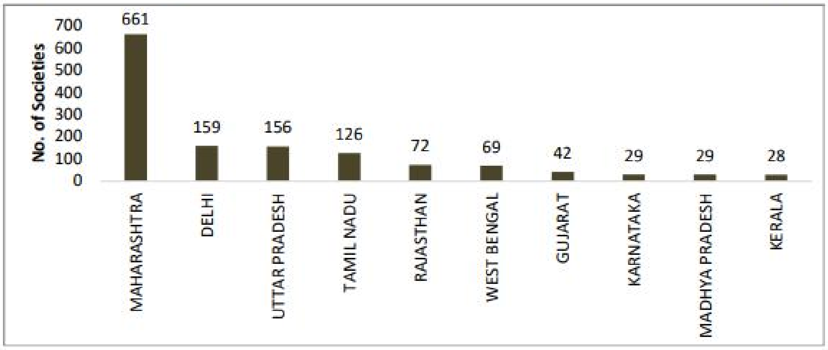


Source: Based on data of MoSPI.

Sahakar-Se-Samriddhi: From Cooperation to Prosperity

- A full-fledged **Ministry of Cooperation** was established in **July 2021** to provide greater focus to the **cooperative sector.**
- There are **8.5 lakh registered cooperatives** in the country, comprising mainly from the marginalised and lower-income groups in the rural areas, and 98 per cent of villages are covered by **Primary Agriculture Credit Societies (PACS).**

Figure VIII.8: Top ten states with Multi-State Cooperative Societies as on 20 October 2022



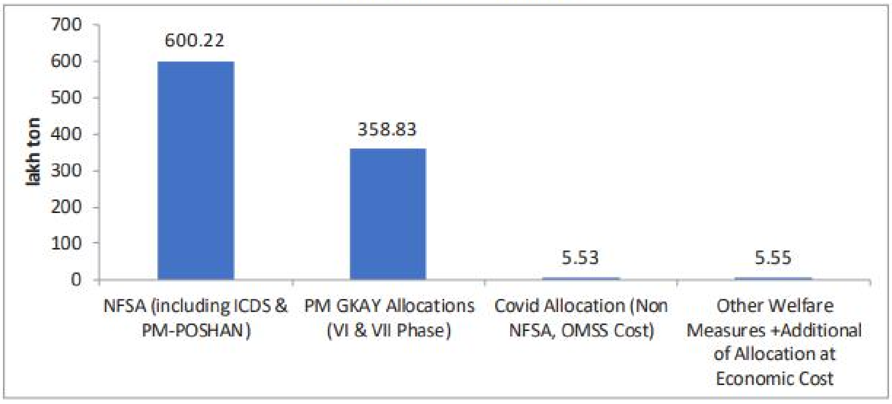
Food Processing Sector-The Sunrise Sector

- During the last five years ending FY21, the food processing industries sector has been growing at an average annual growth rate of around 8.3 per cent.
- 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 launched in 2020 ,the **Prime Minister's Formalisation of Micro Food Processing Enterprises (PMFME) Scheme** to enhance the competitiveness of individual micro-enterprises in the unorganised segment.
    - 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 to promote investments in the manufacturing of **'Ready to Eat/ Ready to Cook' products.**
- **The Airports Authority of India (AAI)** through **Krishi UDAN 2.0** provides a full waiver of Landing, Parking, Terminal Navigational Landing Charges (TNLC) and Route Navigation Facility Charges (RNFC) for Indian freighters and P2C (Passenger-to-Cargo) aircraft on transporting perishable food products, including horticulture, fishery, livestock and processed products.

Food Security- Social & Legal Commitment to the People of the Nation

- 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.
- Under this, the Government will provide 5 kg of foodgrains per person to Priority Households (PHH) beneficiaries and 35 kg per household to Antyodaya Anna Yojana (AAY) beneficiaries (poorest of the poor) free of cost for the next year.

Figure VIII.9: Allocation of Foodgrains under NFSA and Other Welfare Schemes in 2022-23 and as of 1 January 2023 (LMT)



Source: Department of Food and Public Distribution.

- Under the **Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) scheme**, 5 kg of additional food grains per person per month has been/is being provided free of cost to NFSA beneficiaries in all the phases.
- **One Nation One Ration Card (ONORC)** 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.**

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CHAPTER 9: INDUSTRY: STEADY RECOVERY

- Industry holds a prominent position in the Indian economy, accounting for **31 per cent of GDP**, on average, **during FY12 and FY21** and employing **over 12.1 crore people**.
- Manufacturing GVA, which contributes more than 50 per cent of industrial GVA, has grown at an even higher rate when compared to overall GVA.
- **In FY23**, the Industry sector witnessed **modest growth of 4.1 per cent** compared to the **strong growth of 10.3 per cent in FY22.**
    - This is likely on account of **input cost-push pressures**, **supply chain disruptions** and **the China lockdown** impacting the availability of essential inputs and slowing the global economy.

Table IX.1: Growth and Share of Industrial Components (in Per cent)

	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**	**-**

Source: National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI)
Note: Data for FY23 presents the First Advance Estimates

DEMAND STIMULUS TO INDUSTRIAL GROWTH

- 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.**
- In this half of the year FY23, **exports of goods and services as a share of GDP have been the highest since FY16.**

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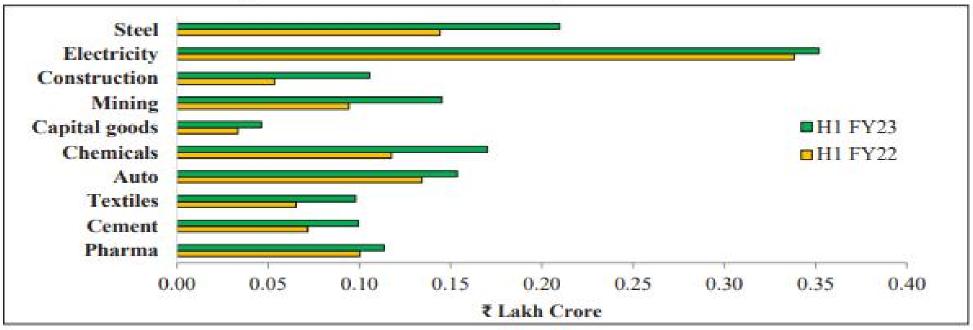
- New Investment announced in the manufacturing sector during **April-December of FY23** was five times the corresponding level in FY20.
- A

Figure IX.1: Private Investment gathers momentum



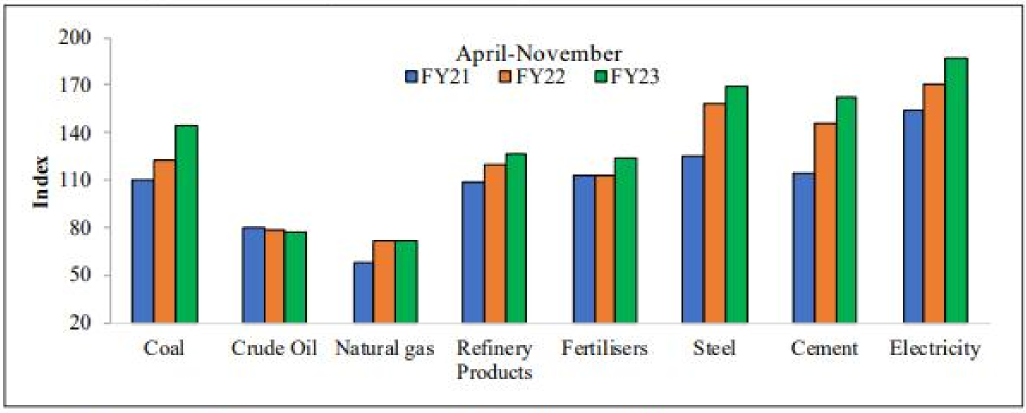
Source: Axis Bank Research, Capitaline

beginning has been made in H1 of FY23, which recorded the **highest share of Gross Fixed Capital Formation (GFCF) in GDP among all half-years since FY15.**

SUPPLY RESPONSE OF INDUSTRY

- 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**.**

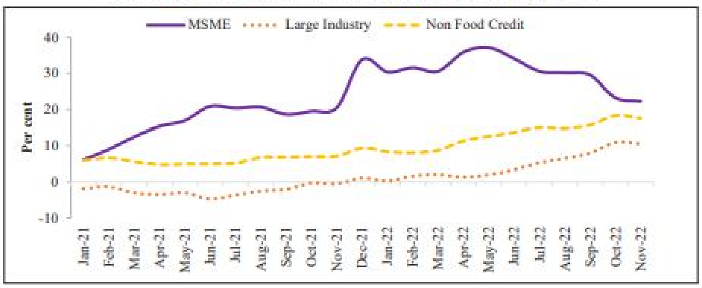
Figure IX.4: Steady Growth in Components of Index of Core Industries



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

ROBUST GROWTH IN BANK CREDIT TO INDUSTRY

Figure IX.7: Double-digit credit growth in Industry driven by MSMEs



Source: RBI

- The impact of **Emergency Credit Line Guarantee Scheme (ECLGS)** on increasing the growth of credit to MSME was felt most during the pandemic impacted years of **2020 and 2021**.
- It continued in 2022 as the scheme was **extended to March 2023.**
- The **share of MSMEs in gross credit offtake** to the industry rose from **17.7 per cent in January 2020 to 23.7 per cent in November 2022.**
- All segments within the **manufacturing sector except the textile industry** witnessed growth in **credit offtake in November 2022.**

Table IX.3: Growth in credit deployed in Industry Subsegments (Per cent, YoY)

-23 0 65

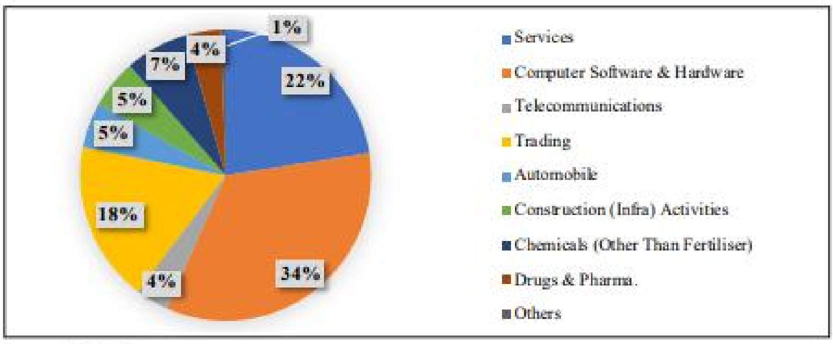
Industry	Nov-21	Apr-22	Nov-22
Mining and quarrying (incl. coal)	13.8	10.9	6.3
Food processing	6.1	10.7	7.4
Beverages and tobacco	2.0	4.1	24.4
Textiles	8.6	7.1	3.0
Leather and leather products	-1.7	7.3	5.9
Wood and wood products	6.6	8.4	15.9
paper and paper products	8.4	9.3	6.6
Petroleum, coal products and nuclear fuels	24.6	25.4	65.0
Chemicals and chemical products	6.4	10.4	19.1
Rubber, plastic and their products	23.3	26.4	18.4
Glass and glassware	-13.2	-3.8	11.0
Cement and cement products	-23.4	-12.2	10.2
Basic metals and metal products	-15.5	-4.4	15.3
Engineering	5.2	9.7	11.1
Vehicles, vehicle parts and transport equipment	-2.0	6.8	8.3
Gems and Jewellery	5.0	11.9	-1.2
Construction	-8.2	-6.5	2.1
Infrastructure	6.1	9.7	10.5
Other Industries	10.9	12.8	25.3

Source: Survey Calculations, RBI

RESILIENT FDI INFLOW IN MANUFACTURING SECTOR

- **Annual FDI equity inflows** in the **manufacturing sector** have been **steadily increasing over the last few years.**
- The government has implemented an **investor-friendly FDI policy** under which **FDI up to 100 per cent is permitted through automatic route in most sectors.**

Figure IX.8: Sector-wise FDI Equity Inflows in 2022-23 during April-September 2022



Source: DPIIT data

INDUSTRY GROUPS AND THEIR CHALLENGES

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

- While the contribution of the MSME sector to overall GVA rose from 29.3 per cent in FY18 to 30.5 per cent in FY20, the economic impact of the pandemic caused the sector's share to fall to 26.8 per cent in FY21.

MSME Performance

Figure IX.9a: MSME share in exports

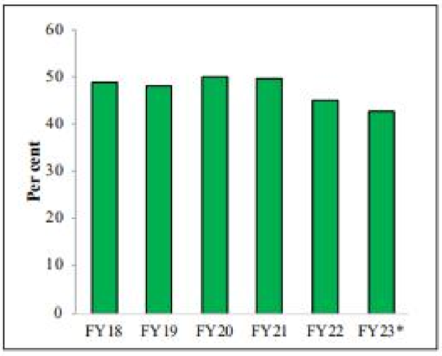
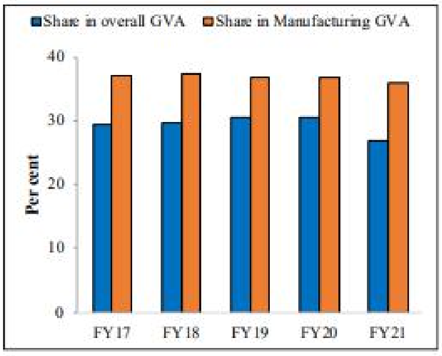


Figure IX.9b: MSME Share in overall GVA and Manufacturing GVA



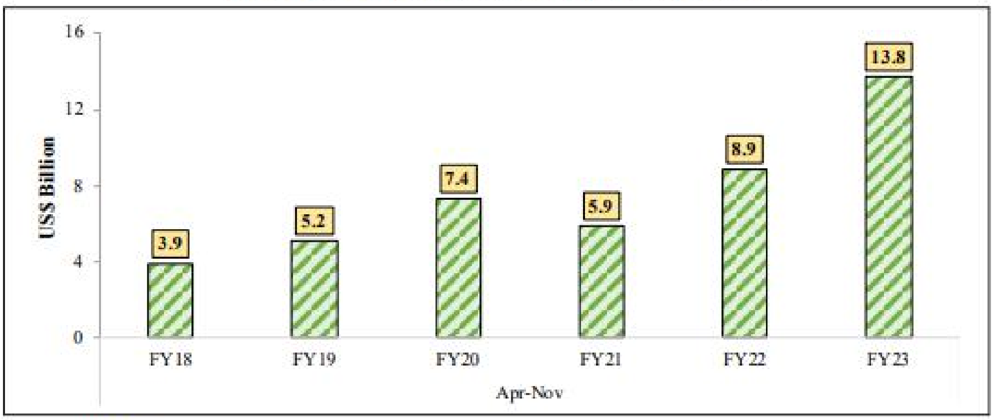
Source: MoSPI, Directorate General of Commercial Intelligence and Statistics (DGCI&S
Note: *Data for FY23 is until Aug 2022

- 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 Trade Receivables Discounting System (TReDS) platform for facilitating the discounting of trade receivables of MSMEs through multiple financiers.
- The World Bank-supported Raising and Accelerating MSME Performance' scheme (RAMP)scheme aims at strengthening and improving access of MSMEs to market and credit, technology upgradation and addressing issues of delayed payments and greening of MSMEs.

Electronics industry to be a key driver of manufacturing output and exports

- The domestic electronics industry, as of FY20, is valued at US$118 billion.
- India aims to reach **US$300 billion worth of electronics manufacturing** and **US$ 120 billion in exports by FY26**, supported by the vision of a **US$ 1 trillion digital economy by 2025.**

Figure IX.12: Robust growth in Electronics Exports

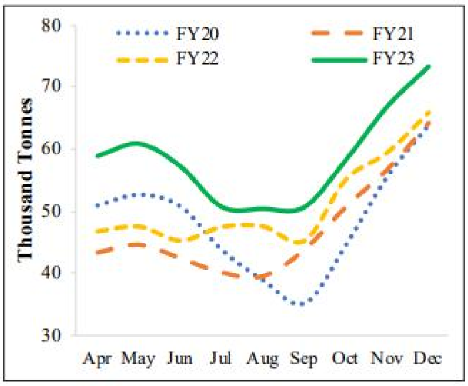


Source: DGCI&S

Coal Industry: Key in maintaining energy self-reliance during uncertain times

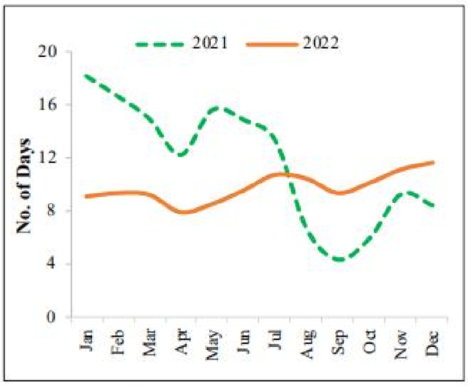
- In the wake of rising international coal prices, the **power sector curtailed coal import drastically** from **69 MT in FY20 to 45 MT in FY21** and **further to 27 MT in FY22.**
- The coal production for FY23 is estimated to **increase to 911 million tonnes**, about **17 per cent higher compared to the previous year**.
- The coal industry is expected to grow **at 6-7 per cent annually** to reach a production level **of 1 billion tonnes by FY26 and about 1.5 billion tonnes by 2030**.

Figure IX.13: Adequate Coal Production



Source: Ministry of Coal
Note: Production by Coal India Limited (CIL), Singareni Collieries Company Ltd (SCCL) and Captives/Others

Figure IX.14: Improving Coal Stock

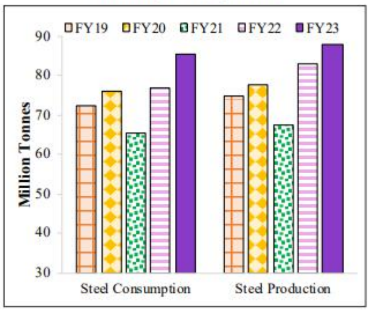


Source: National Power Portal

Re-invigorated infrastructure sector & construction activity to drive steel industry

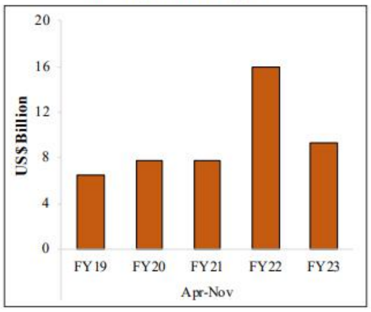
- India is now a global force in steel production and the **2nd largest crude steel producer in the world.**
- The **steel sector's performance** in the current fiscal year has been higher than the corresponding period during the **previous four years.**
- **Iron and Steel exports are higher by 20 per cent** over the corresponding **pre-pandemic levels of FY20**.

Figure IX.15: Increasing Steel Production and Consumption (Apr-Dec)



Source: Joint Plant Committee (JPC), Ministry of Steel

Figure IX.16: A slight moderation in Iron and Steel Exports during FY23



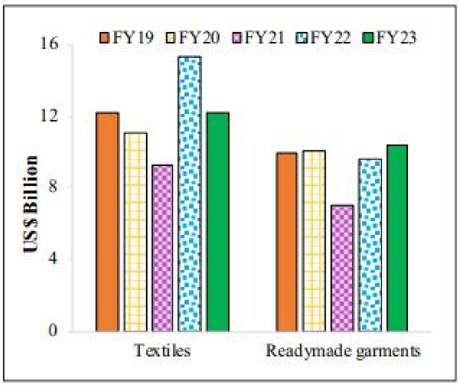
Source: DGCI&S

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.

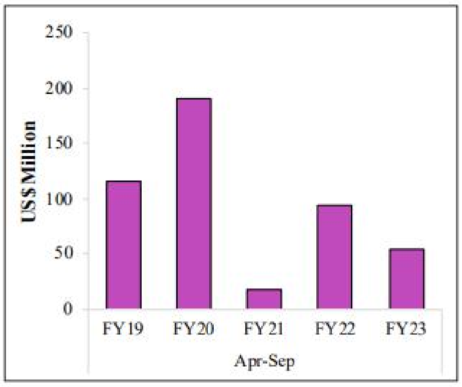
- The government approved the setting up of seven **PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks** to develop **integrated large-scale and modern industrial infrastructure** facilities.

Figure IX.17: Export of Textiles moderated, while there is an uptick in Readymade Garment exports (April-Nov)



Source: Dept. of Commerce

Figure IX.18: FDI Equity inflows in Textile yet to Recover

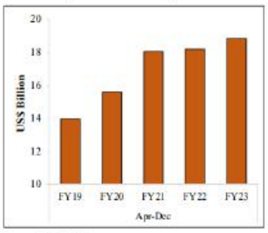


Source: DPIIT

Growth momentum in pharmaceuticals industry sustains after the pandemic

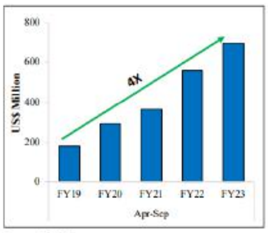
- India is ranked **3rd worldwide in the production of pharma products by volume and 14th by value.**
- India is the **largest provider of generic medicines globally**, occupying a **20 per cent share in global supply by volume**, and is the **leading vaccine manufacturer globally** with a market share of 60 per cent.

Figure IX.19: Strong growth in pharmaceutical exports



Source: DGCI&S

Figure IX.20: High inflow of FDI in the Pharma Sector



Source: DPIIT

Figure IX.21: Three PLI Schemes to boost Manufacturing Capacity in the Pharmaceutical Sector

Critical KSMs/DIs/APIs
- **Tenure**:FY21 to FY30
- **Outlay**: ₹6,940 crore
- **Progress**: Until Dec 2022, 51 applicants approved with committed investment of ₹4,138.4 crore.
- **Employment**: Estimated employment generation from 51 projects is 10,598 persons.
- **Financial incentive**: NA

Medical Devices
- **Tenure**: FY21 to FY28
- **Outlay**: ₹3,420 crore
- **Progress**: Until Dec 2022, 21 applicants approved with committed investment of Rs 1,058.97 crore.
- **Employment**: Estimated employment generation from 21 projects of around 6,411 persons.
- **Financial incentive**: The financial incentive at the rate of 5 per cent on incremental sales of medical devices for 5 years.

Pharmaceuticals
- **Tenure**: FY21 to FY29
- **Outlay**: ₹15,000 crore
- **Progress**: Until June 2022, 55 applicants approved with actual investment of Rs 18,669 crore.
- **Employment**: Estimated employment generation from 55 projects : 20,000 direct and 80,000 indirect jobs.
- **Financial Incentive**: on incremental sales under various categories at varying rate over the years ranging from 10 per cent to 3 per cent.

Source: Department of Pharmaceuticals

INDIA BECOMES THE WORLD'S 3RD LARGEST AUTOMOBILE MARKET

- In December 2022, India became the 3rd largest automobile market, surpassing Japan and Germany in terms of sales.
- The sector's contributes **7.1 per cent to the overall GDP and 49 per cent to the manufacturing GDP** while generating **direct and indirect employment of 3.7 crore at the end of 2021**.

- The **domestic electric vehicles (EV) market** is expected to grow at a compound annual growth rate (CAGR) of **49 per cent between 2022 and 2030** and is expected to hit **one crore units annual sales by 2030.**

Figure IX.25: Consumption Enhancing Incentive Schemes

Source: Ministry of Heavy Industries
Note: FAME stands for Faster Adoption and Manufacturing of Electric Vehicles

INDIA'S PROSPECTS AS A KEY PLAYER IN THE GLOBAL VALUE CHAIN

Make in India 2.0 and the PLI schemes

- Make in India 2.0' is now Industry: Steady Recovery 285 focusing on 27 sectors, which include 15 manufacturing sectors and 12 service sectors to further enhance India's integration in the global value chain.

Figure IX.27: 24 Sub-Sectors under Make in India 2.0

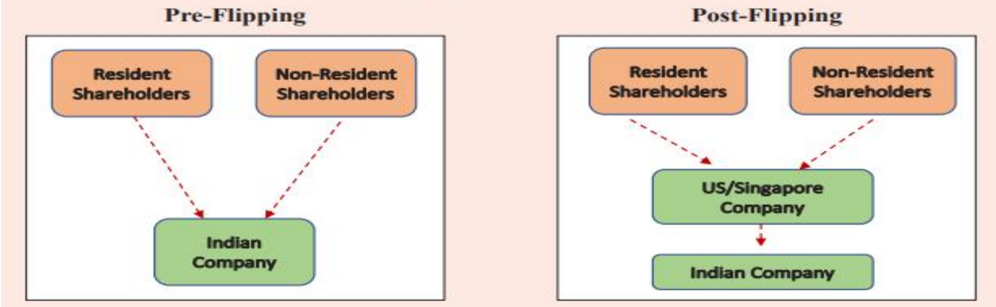
Source: DPIIT

Fostering Innovation

- As per the Global Innovation Index 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.**
- India ranks amongst the **largest startup ecosystems in the world.**
- **Through 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.**
- Entrepreneurship and Innovation are fostered across the start-up ecosystem in the country through the schemes of the **National Initiative for Developing and Harnessing Innovations (NIDHI) and Atal Innovation Mission (AIM**).

- The R and D platform for technology sectors is offered by schemes such as **MeitY Start-up Hub (MSH) and Technology Incubation and Development of Entrepreneurs (TIDE 2.0).**
- **The Support for International Patent Protection in E&IT (SIP-EIT) Scheme** encourages international patent filing by **Indian MSMEs and start-ups.**
- Flipping is the **process of transferring the entire ownership of an Indian company** to an overseas entity, accompanied by a **transfer of all IP and all data** hitherto owned by the Indian company.
- It effectively transforms an **Indian company into a 100 per cent subsidiary of a foreign entity**, with the founders and investors retaining the same ownership via the foreign entity, having swapped all shares.

Figure B: Effect of Flipping on the structure of the company



- To accelerate '**Reverse Flipping**, certain measures as mentioned below should be taken:
  - Simplifying the process for grant of "Inter-Ministerial Board (IMB) certification" for Start-ups
  - simplification of taxation of Employee Stock Options (ESOPs)
  - Simplifying multiple layers of tax and uncertainty due to tax litigation
  - Simplifying procedures for capital flows etc

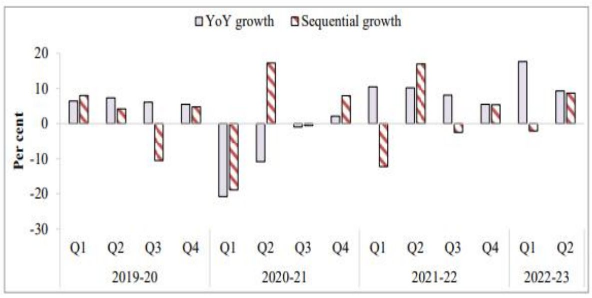
CHAPTER 10: SERVICES: SOURCE OF STRENGTH

- The services sector witnessed a swift rebound in FY22, growing Year-on-Year (YoY) at 8.4 per cent compared to a contraction of 7.8 per cent in the previous financial year.
- As per the First Advance Estimates, Gross Value Added (GVA) in the services sector is estimated to grow at 9.1 per cent in FY23, driven by 13.7 per cent growth in contact-intensive services sector.

Figure X.1: Broad-based growth in the Services sector

Source: NSO, MOSPI

Figure X.2: The services sector witnessed strong growth momentum in Q2 of FY23.



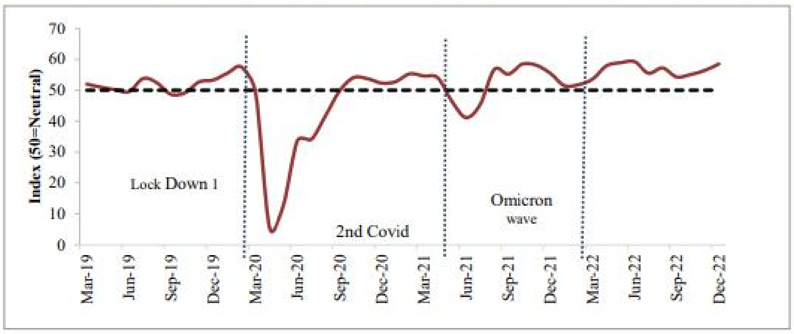
Source: NSO, MOSPI

TRENDS IN HIGH-FREQUENCY INDICATORS

Services PMI

- India's services sector activity, gauged by PMI Services, which remained in the contractionary zone for several months during 2020 and 2021 on account of the restrictions imposed to tackle the Covid-19 pandemic, recovered swiftly with the waning of the Omicron variant at the beginning of 2022.
- However, PMI services again witnessed a setback with the outbreak of the Russia-Ukraine conflict.

Figure X.3: PMI Services remained in an expansionary zone despite geopolitical tensions



Source: IHS Markit

Bank Credit

- The credit to services sector saw a **YoY growth of 21.3 per cent in November 2022**, the second highest in 46 months, compared to a **3.3 per cent growth in November 2021**.
- **Credit to NBFCs grew by 32.9 per cent** as NBFCs shifted to **bank borrowings because of high bond yields.**

Foreign Direct Investment (FDI) in Services

- According to the **World Investment Report 2022 of UNCTAD,** India ranks as the seventh largest recipient of FDI in the **top 20 host countries in 2021.**
- The Government has permitted **100 per cent foreign participation in telecommunication services**, including all services and infrastructure providers, through the Automatic Route to ensure the liberalisation of investment.
- The FDI ceiling in **insurance companies was also raised from 49 to 74 per cent**, under Automatic Route.
- The government has allowed **20 per cent foreign investment in Life Insurance Corporation (LIC)** under the automatic route.

MAJOR SERVICES: Sub-Sector-Wise Performance

Tourism and Hotel Industry

- As per the **World Tourism Barometer of the United Nations World Tourism Organisation** (November 2022), international tourism showed robust performance in January-September 2022, with international tourist arrivals reaching 63 per cent of the pre-pandemic level in the first nine months of 2022, boosted by strong pent-up demand, improved confidence levels and the lifting of restrictions.

- As per a study conducted by **the Ministry of Tourism in collaboration with the National Council of Applied and Economic Research (NCAER), Tourism Direct Gross Value Added (TDGVA**) witnessed a **decline of 42.8 per cent in Q1, 15.5 per cent in Q2, and 1.1 per cent in Q3 of FY21** due to the overall economic slowdown in FY21.
- However, Foreign tourist arrivals in India in FY23 have been growing month-on-month with the resumption of scheduled international flights and the easing of Covid-19 regulations.
- **India is ranked 10th** out of the **top 46 countries** in the World in the **Medical Tourism Index FY21** released by **Medical Tourism Association**.

Figure X.8: Foreign Tourist Arrivals (FTAs) in India are catching-up with the pre-pandemic levels

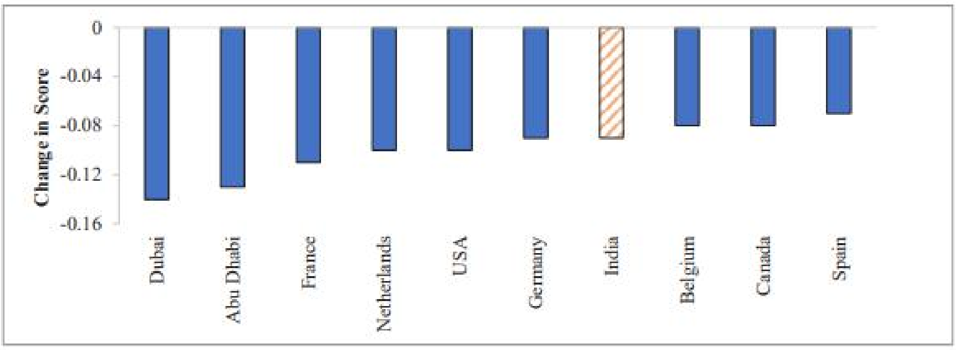
Source: Ministry of Tourism

- Recent initiatives like the **Ayush visa for tourists** who desire **to visit India for medical treatment**, the launch of the **National Strategy for Sustainable Tourism & Responsible Traveller Campaign**, the introduction of the **Swadesh Darshan 2.0 scheme**, and **Heal in India** can assist in capturing a larger share of the global medical tourism market.

Real Estate

- The various policy intervention by the government, including '**Housing for All', Aatmanirbhar Bharat, etc.**, provided an impetus to the Housing Finance sector post pandemic.
- The permission by RBI to lending institutions to grant a **total moratorium of 6 (3+3) months** in case of payment failure due between **1st March 2020 to 31st August 2020, infusion of ₹75,000 crore for Non-Banking Financial Corporations (NBFCs), Housing Finance Companies (HFCs) and Micro Finance Institutions (MFIs),** among others, have also contributed to the revival of the real estate sector post pandemic.
- According to **JLL's 2022 Global Real Estate Transparency Index**, **India's real estate market transparency is among the top ten most improved markets globally**, with its composite transparency score improving from 2.82 in 2020 to 2.73 in 2022, driven by increased **institutional investment and the growing number of Real Estate Investment Trusts (REITs).**

Figure X.11: Top Transparency Improvers in Global Real Estate Transparency Index between 2020 and 2022



Source: JLL, LaSalle 2022

IT-BPM Industry

- According to NASSCOM's report, **India's IT-BPM industry** has been **exceptionally resilient during the pandemic**, driven by increased technology spending, accelerated technology adoption, and digital transformation.
- **IT-BPM revenues registered YoY growth of 15.5 per cent during FY22** compared **to 2.1 per cent growth in FY21**, with all sub-sectors showing **double-digit revenue growth**.

Figure X.12: Geographic distribution of IT-BPM exports (excluding hardware)

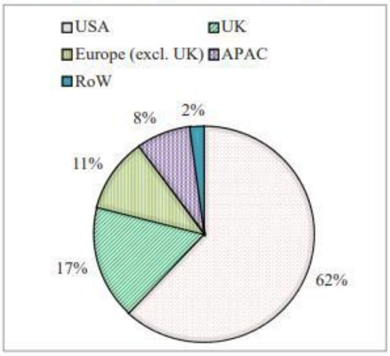
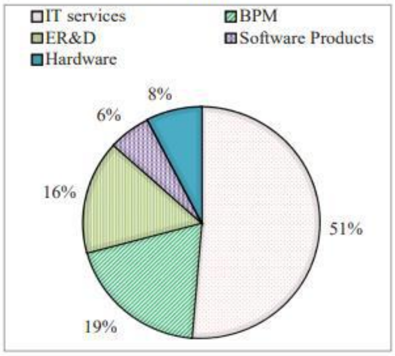


Figure X.13: Segment-wise break-up of Revenues in FY22



Source: NASSCOM
Note: APAC stands for Asia Pacific Region

E-Commerce

- According to the **Global Payments Report by Worldpay FIS**, India's e-commerce market is projected to post impressive gains and grow at **18 per cent annually through 2025.**
- As per **the Retail and E-commerce Trends report** released by **Unicommerce and Wazir Advisors**, overall e-commerce order volume witnessed a **growth** of **69.4 per cent YoY in FY22**, driven mainly by consumers from **tier-II and tier-III cities in the last two years**.
- The **Government E-Marketplace (GeM)** has also witnessed tremendous growth **in Gross Merchandise Value (GMV)** and is catching up with E-commerce giants like Amazon and Flipkart.
- GeM attained an **annual procurement of ₹1 lakh crore within FY22**, representing a 160 per cent growth compared to last FY.

- Initiatives taken by the Government for the promotion of **e-Commerce, including the Digital India program, Unified Payment Interface (UPI), GeM, etc**., have been major contributory factors to the growth of E-commerce in recent years.
- **Tribal Cooperative Marketing Development Federation of India Limited (TRIFED)** has been onboarding tribal artisans with their products for online sales, ensuring tribal products find a larger audience in the international market as well.

Digital Financial Services

- The Covid 19 pandemic provided the **opportunity for fintech companies** to reach the underserved and provide cost-effective financial services to those at the **bottom of the pyramid.**
- With a strong foundation provided by **the Jan Dhan-Aadhaar-Mobile (JAM) trinity, UPI, and other regulatory frameworks**, the pandemic has aided acceleration in digital adoption and provided a fillip to digital financial services solutions by banks, NBFCs, insurers as well as fintech.
- Over the last few years, the number of neo banking platforms and global investments in the neo-banking segment has also risen consistently.
- **Neobanks operate entirely online**, with no physical presence apart from office space in the offline world.
- **75 Digital Banking Units (DBU)** across 75 districts announced in **Union Budget 2022-23** to take banking solutions to every nook and corner of the country have been launched.
- Account Aggregator (AA) is a Non-Banking Financial Company (NBFC) engaged in the business of providing the service of retrieving or collecting financial information pertaining to the customer.
  - AA transfers data from one **financial institution** to **another based on an individual's instruction and consent.**
  - Registering with an AA is **fully voluntary for consumers.**
  - Entities may enrol themselves on **AA framework as Financial Information Provider (FIP).**

CHAPTER 11: EXTERNAL SECTOR: WATCHFUL AND HOPEFUL

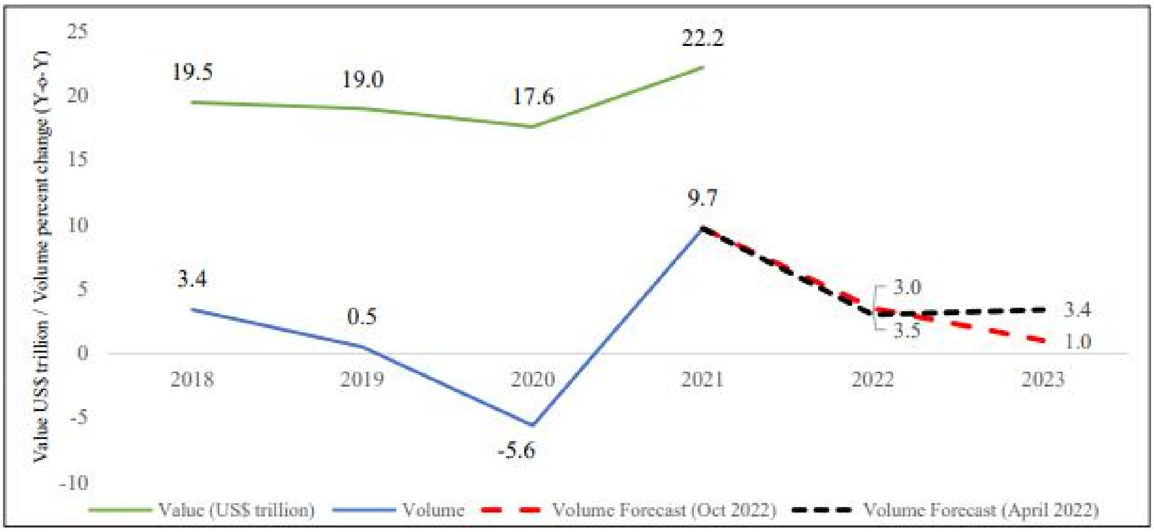
- Two global shocks in the new millennium – the **global financial crisis in 2007-08** and the **Covid-19 pandemic** , a health shock - have had very contrasting repercussions on the global economy.
- According to the International Monetary Fund (IMF).Global growth is forecast to slow from **6.0 per cent in 2021 to 3.2 per cent in 2022 and 2.7 per cent in 2023.**

TRADE HELPING INDIA REAP THE BENEFITS OF GLOBALISED WORLD

- According to the **World Bank database**, for the world as a whole, the s**hare of trade as a percentage of world GDP** has been in the **range of 50-60 per cent since 2003 and stood at 52 per cent in 2020**.

- For India as well, the **share of trade as a percentage of GDP** has been steadily increasing, being above **40 per cent since 2005** (except 2020 being the pandemic year).
- The **United Nations Conference on Trade and Development (UNCTAD)**, the ongoing trade slowdown is expected to **worsen for 2023** and further that while the **outlook for global trade remains uncertain, negative factors appear to outweigh positive trends.**

Figure XI.1: Growth in Global Merchandise Trade: Actual and Forecast

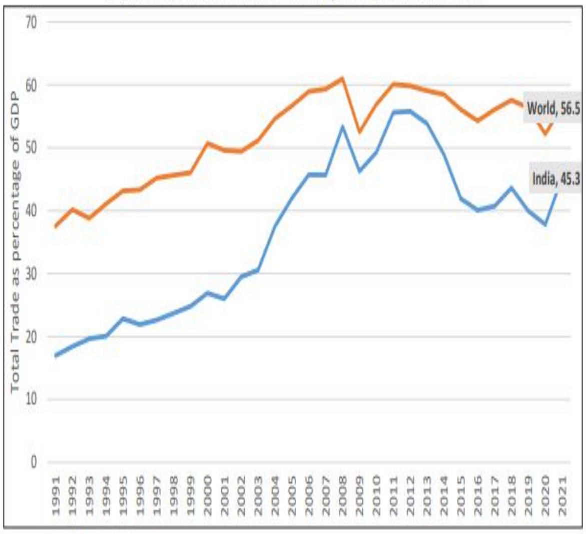


Source: WTO

India's growing and diversifying trade

- Trade as a percentage of GDP for India was in the range of 12-15 per cent in the 1980s; 16-25 per cent in the 1990s and 25-50 per cent in the 2000s.

Figure XI.2: India's Trade catching up with global trade levels



Source: World Bank database

Table XI.1: Key aspects of India's trade (Calendar year-wise)

	2019	2020	2021
Export performance (in per cent)			
Share in World Merchandise Exports	1.7	1.6	1.8
Share in World Commercial Services Exports	3.5	4.0	4.0
Share in World Merchandise Plus Services Exports	2.1	2.1	2.2
Import Performance (in per cent)			
Share in World Merchandise Imports	2.5	2.1	2.5
Share in World Commercial Services Imports	3.0	3.2	3.5
Share in World Merchandise Plus Services Imports	2.6	2.3	2.7
India's rank in world trade			
Merchandise Exports	18	21	
Merchandise Imports	10	14	
Services Exports	8	7	
Services Imports	10	10	

Source: DGFT, Monthly Foreign Trade Statistics, November 2022 (based on data till October 2022)

Trends in Merchandise Trade

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

- Merchandise exports were **US$ 332.8 billion** over April-December 2022 against **US$ 305.0 billion during the period April-December 2021.**
    - **Non-petroleum and non-gems & jewellery exports** in April-December 2022 were US$ 233.5 billion, as compared to US$ 230.0 billion in April-December 2021.
    - **Petroleum, oil, and lubricants (POL) exports** constituted about 21.1 per cent and non-POL exports were 78.9 per cent of total exports during FY23 (until December 2022).
- Merchandise imports for the period April-December 2022 were US$ 551.7 billion as against US$ 441.5 billion during the period April-December 2021.
- Among major import commodities, **petroleum crude & products imports** increased by 45.6 per cent 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.**

Figure XI.5: Trends in merchandise imports, exports, and trade balance

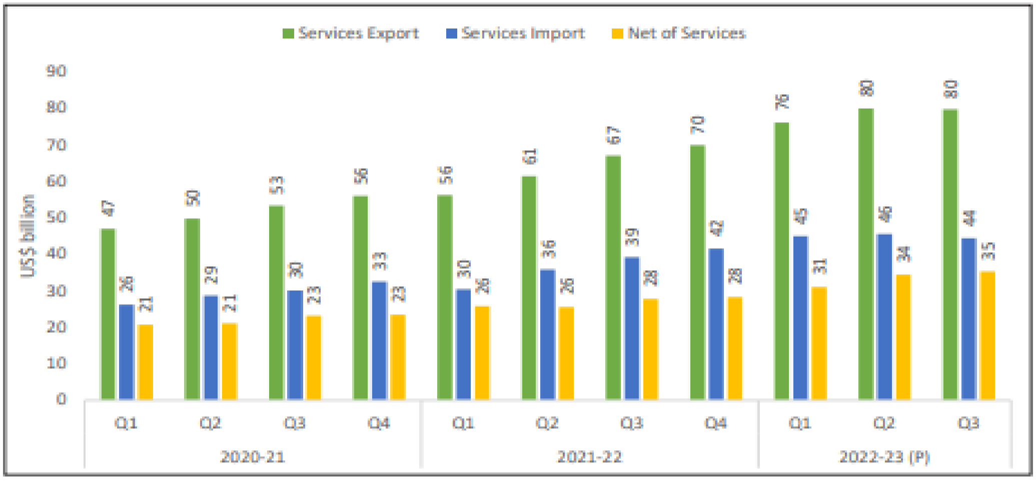
Source: Department of Commerce P: provisional

- The **USA remained the top export destination** in April-November, 2022 **followed by UAE and the Netherlands** which occupied 3rd spot displacing China.
- Countries such as **China, UAE, USA, Russia, and Saudi Arabia** have a joint share of 40 per cent of the total imports of India.
- The **share of China declined to 13.8 per cent during April-November 2022 from 15.5 per cent a year ago**.
- Similarly, the share of the **USA declined to 6.9 per cent in April-November 2022 from 7.2 per cent a year ago.**

Trade in Services

- **India's services exports** stood at a **growth rate of 23.5 per cent over FY21** and **registered a growth of 32.7 per cent in April-September 2022** over the same period of FY22.
- **India's Services imports rose by 25.1 per cent** between FY22 and FY21 and have **registered growth of 36.7 per cent in April-September 2022** over the same period of FY22.

Figure XI.6 Accelerating trend in services trade



Source: Department of Commerce, RBI ; P: provisional

Foreign Trade Policy

- In order to provide greater market access with a **reduction in tariff and non-tariff barriers on goods and services** and make the exporters competitive, **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.**

International Trade Settlement in Indian Rupees

- **The Reserve Bank of India (RBI)** issued a circular permitting an additional arrangement **for invoicing, payment, and settlement of exports/imports in Indian Rupees (INR).**
- It is 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 could **largely reduce the net demand for foreign exchange, the US dollar in particular**, for the settlement of current accountrelated trade flows.

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 **including the schemes such as Interest Equalisation Scheme, Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, Export Credit Guarantee by the Export Credit Guarantee Corporation (ECGC), Krishi Udan Scheme, Trade Infrastructure for Export Scheme, One District One Product Initiative etc.**

BALANCE OF PAYMENTS IN CHALLENGING TIMES

Current Account Balance

- India's current account balance (CAB) recorded a **deficit of US$ 36.4 billion (4.4 per cent of GDP)** in Q2FY23 in contrast to a **deficit of US$ 9.7 billion (1.3 per cent of GDP)** during the corresponding period of the previous year.

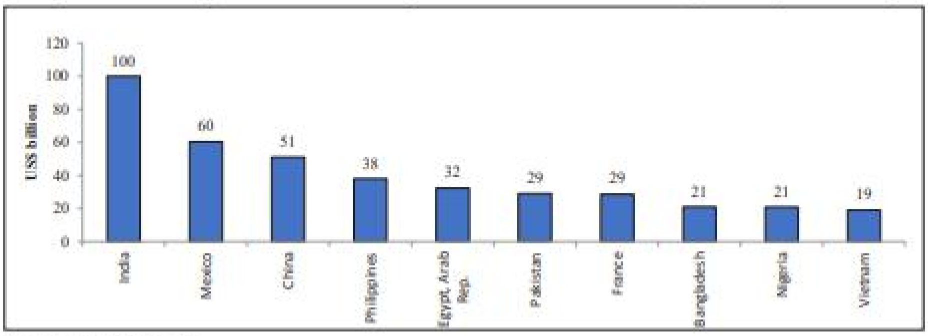
- A comparison with the **position of the CAB** for selected countries shows that **India's CAD is modest and within manageable limits.**

XI.8: Current account balance as percentage of GDP: India vs Select Countries

Source: OECD Economic Outlook 112 Database

- 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 Balance of Payments**.
- According to the World Bank report, India has the **largest emigrant population** and is the **top remittance recipient country** with remittances anticipated to reach a milestone of US$100 billion in 2022.

Figure XI.10 Top Remittance recipients of the World during 2022 (Estimated)



Source: World Bank

Capital Account Balance

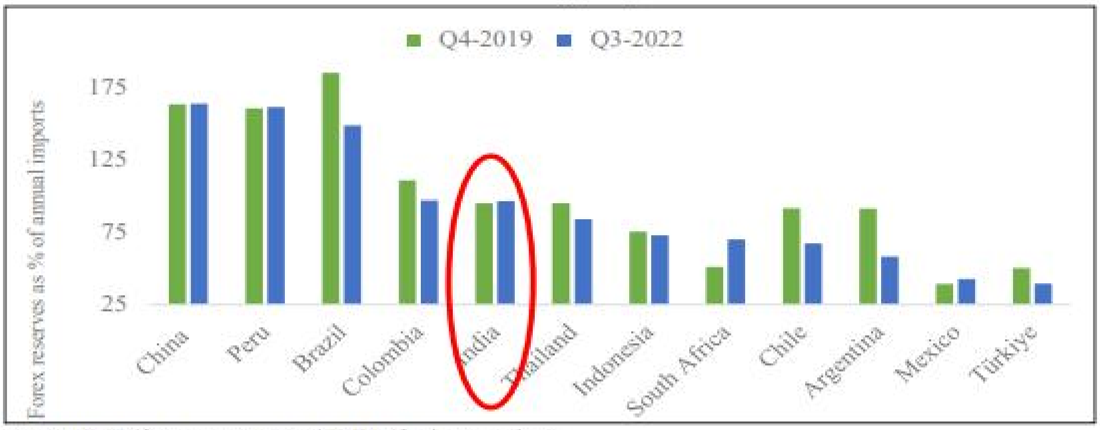
- Foreign investment, consisting of **Foreign Direct Investment (FDI) and foreign portfolio investment (FPI**), is the largest component of the capital account.
- **Computer Software and Hardware** attracted the h**ighest share of FDI equity inflow (23.4 per cent) followed by Services** (15.4 per cent) and **Trading** (12.2 per cent).
- In terms of FDI inflow, **Singapore was the top investing country with a 37.0 per cent share**, followed by **Mauritius (12.1 per cent), UAE (11.0 per cent), and the USA (10.0 per cent).**

Balance of Payments and Foreign Exchange Reserves

- As a result of sha**rp rise in oil prices, policy tightening by the US Fed and the strengthening of the US dollar,** the net financial inflows fell short of the CAD.

- This resulted in the 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.**
- **India's foreign exchange reserves stood at US$ 532.7 billion** as of end-September 2022.

Figure XI.15 Adequacy of India's Forex Reserves (as a percentage of Annual Imports): A Cross-country perspective



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

Safe and Sound External Debt Situation

- India's external debt as a **ratio to GDP fell to 19.2 per cent as of end-September 2022 from 20.3 per cent a year ago.**
- 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.**

Table XI.4: India's Key External Debt Indicators: A snapshot of stability

(Per cent, unless indicated otherwise)

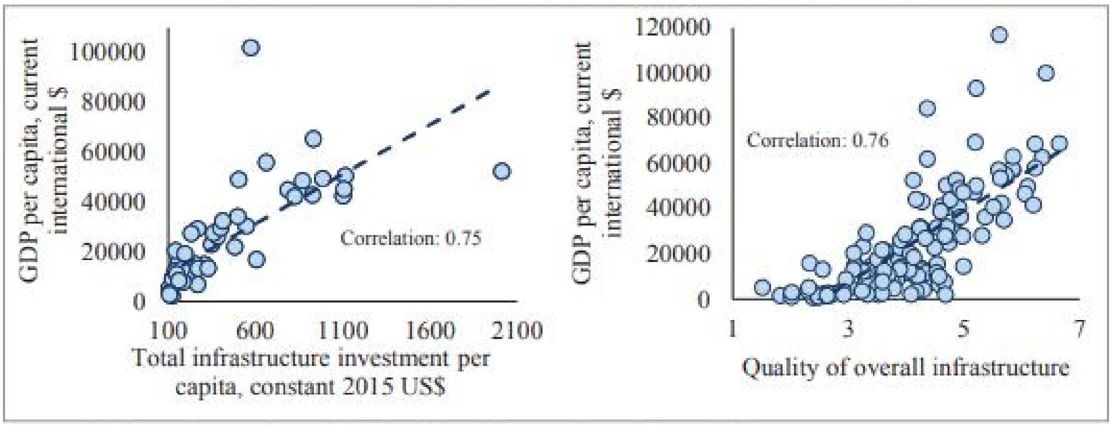
End-March	External Debt (US$ billion)	Ratio of External Debt to GDP	Debt Service Ratio	Ratio of Foreign Exchange Reserves to Total Debt	Ratio of Concessional Debt to Total Debt	Ratio of Short-Term Debt (original maturity) to Foreign Exchange Reserves	Ratio of Short-Term Debt (original maturity) to Total Debt
2017	471.0	19.8	8.3	78.5	9.4	23.8	18.7
2018	529.3	20.1	7.5	80.2	9.1	24.1	19.3
2019	543.1	19.9	6.4	76.0	8.7	26.3	20.0
2020	558.4	20.9	6.5	85.6	8.8	22.4	19.1
2021	573.6	21.2	8.2	100.6	9.0	17.5	17.6
2022PR	619.0	19.9	5.2	98.0	8.3	20.0	19.7
End-June 2022 PR	612.7	19.3	4.9	96.5	8.0	21.4	20.6
End-Sept 2022 P	610.5	19.2	5.0	87.3	7.7	24.7	21.6

PR: Partially Revised. P: Provisional.
Source: RBI and Ministry of Finance

CHAPTER 12: PHYSICAL AND DIGITAL INFRASTRUCTURE: LIFTING POTENTIAL GROWTH

- The below correlation between infrastructure and development brings us to the present scenario when during the times of pandemic and geo-political crisis, the government kept its focus on reforms in areas of physical, digital and regulatory infrastructure.

Figure XII.1: Quantity and quality of infrastructure and level of economic development across countries are strongly correlated

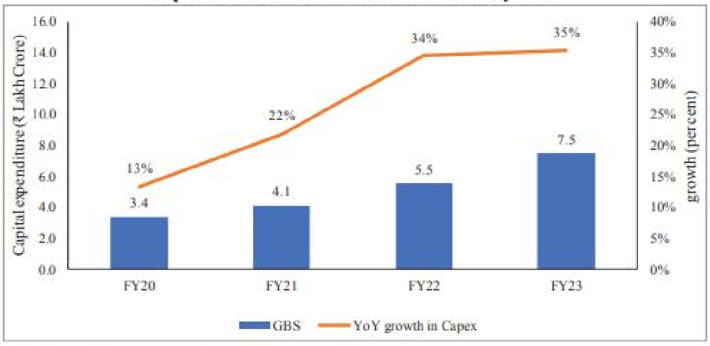


Note: The left graph pertains to 2019, and the right graph pertains to 2018.
Quality of overall infrastructure: 1=worst and 7=best.
Source: World Bank, Global Infrastructure Hub, and World Economic Forum Global Competitiveness Index

Government's Vision and Approaches to Infrastructure Development in India

- Increase in infrastructure investment provides a critical push to the potential growth of the economy.
- The **outlay (target) for capital expenditure in 2022-23 (BE)** was increased sharply by **35.4 per cent from ₹ 5.5 lakh crore in the previous year (2021-22) to ₹ 7.5 lakh crore**, of which **approximately 67 per cent has been spent from April to December 2022.**
- The steady increase in **public capital expenditure** has helped support economic growth while laying the foundation for future growth as **capital assets boost economic efficiency and potential growth.**
- **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) playing a major role.**
- The government has also set up **National Bank for Financing Infrastructure and Development (NaBFID) as development financial institution** to set in motion a virtuous investment cycle.

Figure XII.2: Central Government has sharply increased Capital Expenditure in the last two consecutive years*



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

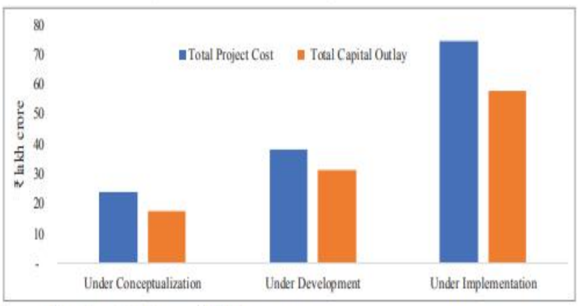
Public-Private Partnerships (PPPs)

- In India, private participation in infrastructure programmes supports several PPP models, including management contracts like **Build-Operate-Transfer (BOT), Design-Build-FinanceOperate-Transfer (DBFOT), Rehabilitate-Operate-Transfer (ROT), Hybrid Annuity Model (HAM), and Toll-Operate-Transfer (TOT) model.**
- **The Public Private Partnership Appraisal Committee (PPPAC),** the apex body for appraisal of PPP projects in the **Central Sector** has streamlined appraisal mechanism to ensure speedy appraisal of projects, eliminate delays, adopt international best practices and have uniformity in appraisal mechanism and guidelines.
- The **PPPAC is chaired by Secretary**, **Department of Economic Affairs (DEA)** with **Secretaries of Department of Expenditure, Department of Legal Affairs, the Sponsoring Ministry/Department and CEO, NITI Aayog as members** to consider and appraise the proposals for Central Sector PPP Projects.
- Department of Economic Affairs (DEA) launched the **Viability Gap Funding (VGF) scheme in 2006** to provide financial assistance to financially unviable but socially/ economically desirable PPP projects.
    - Under this scheme, economic sector projects may get up to **40 per cent of Capex as VGF grant.**
    - From 2014-15 to 2022-23, under the VGF Scheme, **56 projects with TPC of ₹57870.1 crore were granted In-Principle Approval and 27 projects with TPC of ₹25263.8 crore** were granted final approval with a **Total Viability Gap Funding** approval of ₹5813.6 crore (Both GoI & State Share).
- A scheme for financial support for project development expenses of PPP Projects – the 'India Infrastructure Project Development Fund Scheme' (IIPDF) – was notified by the government in November 2022.
    - IIPDF Scheme has a **total outlay of ₹150 crore** for a **period of 3 years from FY23 to FY25**.
    - Under the scheme, **a maximum amount of ₹5 crore for a single proposal**, inclusive of any tax implications, can be funded, which can include **the cost of consultants/transaction advisers of a PPP project.**

National Infrastructure Pipeline (NIP)

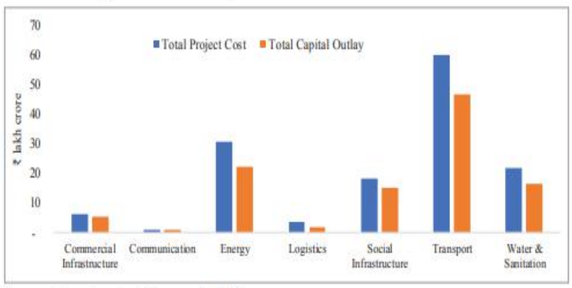
- The **National Infrastructure Pipeline (NIP**) with a forward-looking approach and with a projected infrastructure investment of **around ₹111 lakh crore during FY20-25** to provide high quality infrastructure across the country.
- The NIP includes infrastructure **projects of more than ₹100 crore** covering **greenfield and brownfield investments.**
- **NIP is hosted on the Invest India Grid (IIG)** platform and provides opportunities for States/UTs and Ministries to collate **all major infrastructure projects at a single location.**
- **IIG thus acts as a centralised portal** to track and review project progress across **all economic and social infrastructure sub-sectors.**

Figure XII.3: Status of Projects under NIP



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

Figure XII.4: Transportation sector dominates the NIP



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

National Monetisation Pipeline – Creation through monetisation

- The **National Monetisation Pipeline (NMP)**, was announced in August 2021 in order to scale up **infrastructure investment despite fiscal pressures** from Covid-19 pandemic which required unlocking of capital from **various projects across sectors.**
- The process of monetisation entails a limited period license/ lease of an asset, owned by the government or a public authority, to a private sector entity for upfront or periodic consideration.
- The top 5 sectors (by estimated value) capture around 83 per cent of the aggregate pipeline value: **roads (27 per cent) followed by railways (25 per cent), power (15 per cent), oil & gas pipelines (8 per cent), and telecom (6 per cent).**
- **Roads and railways together contribute around 52 per cent of the total NMP value.**
- **NMP's 2nd year, i.e., FY23**, target envisaged is **₹1.6 lakh crore** (27 per cent of overall NMP Target) under **Core-Asset Monetisation.**

National Logistics Policy: Reducing the cost of logistics

- Logistics costs in India have been in the range of 14-18 per cent of GDP against the global benchmark of 8 per cent.
- Through 'infrastructure initiatives' such as **Ude Desh ka Aam Nagrik (UDAN), Bharatmala, Sagarmala, Parvatamala, National Rail Plan, and through 'process reforms' GST, e-Sanchit, Single Window Interface for Trade (SWIFT), Indian Customs Electronic Data Interchange Gateway (ICEGATE), Turant Customs** etc the Government of India is trying to improve the logistics ecosystem in the country.

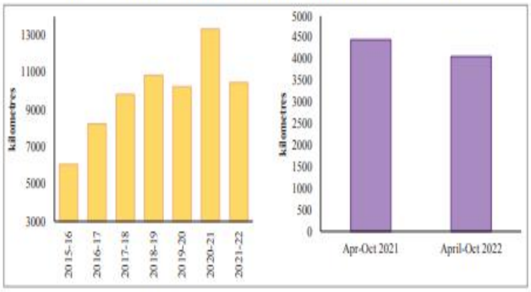
PM GatiShakti: A master plan for integrated project planning

- 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.
- In order to facilitate integrated planning and coordinated implementation, a GIS based and data-driven decision support platform called **PM GatiShakti National Master Plan** has been introduced.
- Data layers on important assets pertaining **to health, education, culture, tourism, gram panchayats, municipal corporation, social welfare housing** etc. are being **mapped and data validation** is being done for optimum **use of PM GatiShakti principles** in planning of both **physical and social infrastructures**.

DEVELOPMENTS IN PHYSICAL INFRASTRUCTURE SECTORS

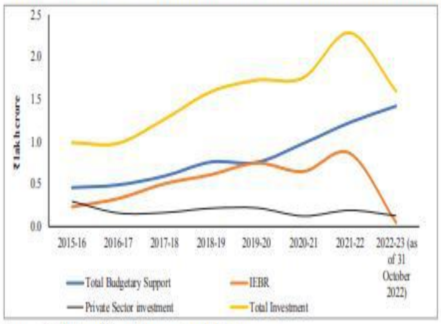
- There has been an increase in the construction of National Highways (NHs)/roads over time, with 10,457 km of roads constructed in FY22 as compared to 6,061 km in FY16.
- In **FY23 (until October 2022), 4,060 km of NHs/roads** were constructed, which was **around 91 per cent of the achievement** in 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).**

Figure XII.5: National Highways/Road construction has increased since 2015-16, hitting unprecedented levels in 2020-21



Source: Ministry of Road Transport and Highways

Figure XII.6: Tremendous increase in total budgetary support for investment in the road sector

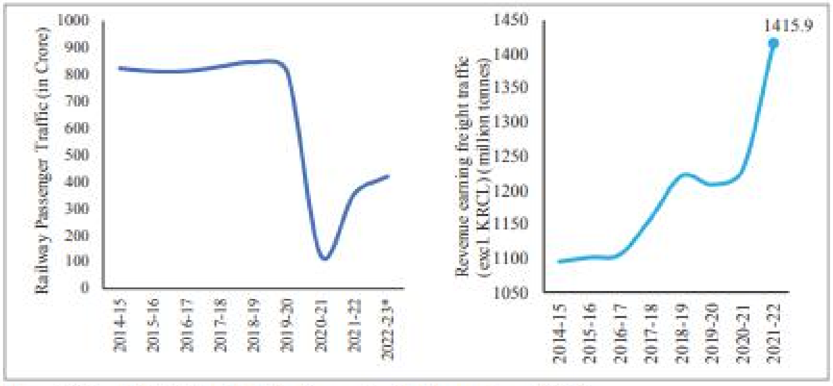


Source: Ministry of Road Transport and Highways

Railways: Expansion and modernisation, a continuous process

- The Indian Railways (IR), with over 68,031 route kms, is the fourth largest network in the world under single management.
- In the case of revenue-earning, freight traffic was **sustained by IR despite the Covid-19 shock**.
- Between **FY20-21 and FY21-22**, there was a **sharp increase in the freight traffic**, reflecting the strong revival in the economic activity in the domestic economy.
- The **capital expenditure (Capex) on infrastructure in railways** has seen a **continuous increase in the last four years with Capex (B.E.)** of ₹2.5 lakh crore in FY23, up by around **29 per cent compared to the previous year.**

Figure XII.7: Railways passenger as well as freight traffic have seen strong growth post Covid-19 period

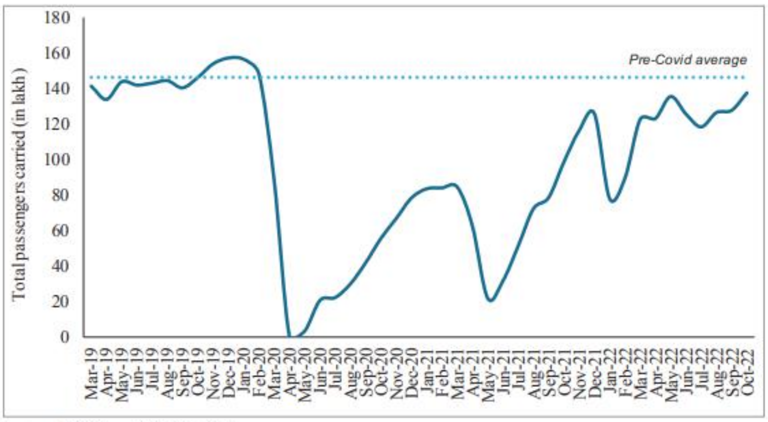


Note: * For FY23 the data is from April-November, 2022
Source: Ministry of Railways

Civil Aviation: Revival backed by domestic demand

- The **total number of passengers** carried in **December 2022 stood at 150.1 lakh**, which was **106.4 per cent of the pre-Covid level** (average for 11 months from April 2019 to February 2020).
- During November 2022, **total air cargo tonnage stood at 2.5 lakh MT, which is 89 per cent of the pre-Covid levels.**
- 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.

Figure XII.8: Performance of the Indian aviation sector



Source: Ministry of Civil Aviation

Ports: Handling higher capacity with governance reforms

- The capacity of major ports, which was **871.5 Million Tonnes Per Annum (MTPA)** at the end of March 2014, has increased to **1534.9 MTPA by the end of March 2022**.
- Cumulatively the sector handled **720.1 MT traffic during FY22**.
- The **Port Community System (PCS 1x**) has digitised processes such as **Electronic Invoice (e-Invoice), Electronic Payment (e-Payment) and Electronic Delivery Order (e-DO)** for the physical release of cargo by custodians, in addition to the processes of generating electronic **Bill of Lading (e-BL) and Letter of Credit (LC).**

Inland Water Transport: Tapping the potential of navigable waterways

- The total navigable length of waterways in India is around 14,850 kilometres with large endowment of rivers, canals, and other waterways.
- Under the **National Waterways Act 2016,** 106 new waterways have been declared as National Waterways (NWs), taking the total number of NWs in the country to 111.
- The cargo movement on **National Waterways achieved an all-time high of 108.8 million tons** during FY22, recording **30.1 per cent growth compared to the previous year.**

Electricity: Installed capacity growth driven by renewables

- The **total installed power capacity of utilities** and **captive power plants** was 482.2 GW on 31 March 2022 as compared to 460.7 GW on 31 March 2021, **up by 4.7 per cent.**
- **Thermal sources of energy make up the largest (59.1 per cent)** share of total installed capacity in utilities, followed by **renewable energy resources** with 27.5 per cent and **hydro with 11.7 per cent**.

Table XII.2: All India Installed Capacity Mode-Wise (GW)

	Hydro	Thermal	Nuclear	Renewables	Total
2020-21	46.3	307.4	6.8	100.1	460.7
2021-22@	46.9	312.2	6.8	116.4	482.2
Growth (in per cent)	1.1	1.6	0	16.2	4.7

Source: Ministry of Power.

- The total electricity generated, including that from **captive plants during the year FY22 was 17.2 lakh GWh as compared to 15.9 lakh GWh during the FY21**, of which **14.8 lakh GWh** was generated by utilities and **2.3 lakh GWh in captive plants.**

Table XII.3: All India Gross Electricity Generation Mode-Wise (GWh)

	Hydro	Thermal	Nuclear	Renewables	Total
2020-21	1.5	12.5	0.4	1.5	15.9
2021-22@	1.5	13.4	0.4	1.7	17.2
Growth (in per cent)	0.9	7.3	9.5	16.2	7.6

Source: Ministry of Power.
Note: @ Estimated

- 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**.
- Indian Railways, which is **a major user of electricity in the country**, has announced its intention to **achieve net zero carbon emission by 2030.**

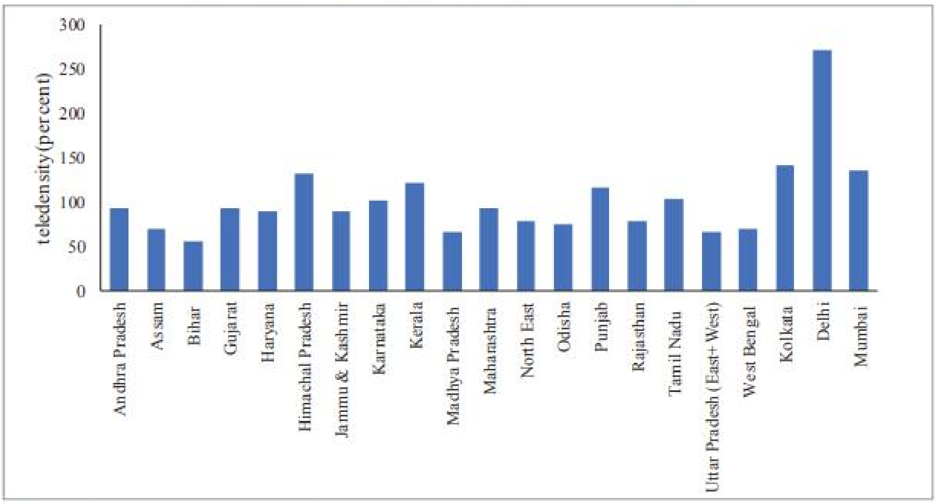
- Other important incentives for renewable power generation include **Hydropower Purchase Obligation (HPO)** within **Non-Solar Renewable Purchase Obligation (RPO).**

DEVELOPMENTS IN DIGITAL INFRASTRUCTURE

Telecommunications: Accelerating provision of affordable services

- At present the **total telephone subscriber base** in India stands at **117 crore (as of November 2022).**
- While **more than 97 per cent of the total subscribers** are connected wirelessly, **83.7 crore have internet connections as of June 2022.**
- The **overall tele-density** in India stood at **84.8 per cent,** with wide differences across states.
- It ranged from **55.4 per cent in Bihar to 270.6 per cent in Delhi.**

Figure XII.10: Overall tele density, license service area wise



Source: Department of Telecommunications

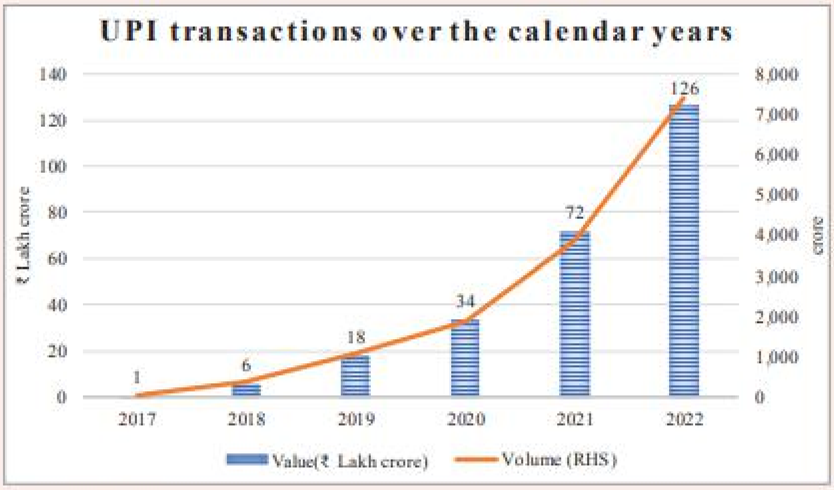
- As a major reform measure, **the Indian Telegraph Right of Way (Amendment) Rules, 2022,** will facilitate **faster and easier deployment of telegraph infrastructure** to **enable speedy 5G rollout.**
- The **National Frequency Allocation Plan 2022 (NFAP)** provides a broad regulatory framework, identifying which frequency bands are available for **cellular mobile services, Wi-fi, sound and television broadcasting, radio navigation for aircraft and ships**, and other wireless communications.

Growth Story of Digital Public Infrastructure

Figure XII.11: MyScheme portal provides information on schemes in three easy steps

Source: https://www.myscheme.gov.in/, accessed on 3rd January 2023.

- 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.
- To reduce the search cost for the commoners, the government launched **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.
  - Four hundred and eighty-nine DBT (Direct Benefit Transfer) schemes were made live on UMANG until September 2022.
- The **Open Network for Digital Commerce (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.
- **The National Language Translation Mission** called **Bhashini was launched in July 2022**, aiming at nurturing **Indian language technologies and solutions as a public good**.
  - The **Digital India Bhashini portal** is a public digital platform on which **260 open-source API-based AI models are available for speech-to-text conversion, machine translation, and text-to-speech conversion** in **11 Indian languages and English for various purposes.**
- On average, between FY19-22 growth in **UPI-based transactions** in value and volume terms have been **121 per cent and 115 per cent, respectively**.
  - Recently, in Dec 2022, UPI touched its **highest-ever mark with 782 crore transactions worth ₹12.8 lakh crore.**


UPI transactions over the calendar years
140
120
100
80
60
40
20
0
₹ Lakh crore
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
crore
1
6
18
34
72
126
2017
2018
2019
2020
2021
2022
Value(₹ Lakh crore)
Volume (RHS)

Source: NPCI