

ECONOMICS

HIGHLIGHTS OF ECONOMIC SURVEY 2022-23

INTRODUCTION

The Economic Survey presents a comprehensive analysis of India's growth trajectory including the global optimism towards nation, focus on infra, growth in agriculture, industries and emphasis on futuristic sectors. It is presented a day before the presentation of the Union Budget.

The Economic Survey 2022-23 highlights that the transformative reforms undertaken by the government had lagged growth returns due to temporary shocks in the economy. However, in the present decade, the presence of strong medium-term growth magnets provides optimism and hope that once these global shocks of the pandemic and the spike in commodity prices in 2022 fade away, the Indian economy is well placed to grow faster in the coming decade.

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Chapter 1: State of the Economy: Recovery Complete

► **GDP Growth:** GDP forecast for FY24 to be in the **range of 6-6.8 %**, depending on the trajectory of economic and political developments globally.

► India is the **3rd largest economy in the world in Purchasing Power Parity (PPP) terms** and the **5th largest in market exchange rates**.

► **Growth drivers:**

► **Private consumption:** Private consumption in first half of FY23 is highest since FY15 and this has led to a **boost to production activity resulting in enhanced capacity utilisation across sectors**.

► **Capital expenditure (Capex):**

- **Capex of central government increased by 63.4%** during first 8 months of FY23.
- **Increase in private capex** due to strengthening of corporate balance sheets and increase in credit financing.
- **Capex multiplier effect** will result in at least **4 times increase in economic output** of the country.

► **Capex thrust in last two budgets:** It is supported by:

- **Increase in capex budget** and its high rate of spending
- **Buoyant direct tax collections and GST collections** (proportionate increase in tax revenues in response to rise in national income or output)
- **Pickup in private investment.**

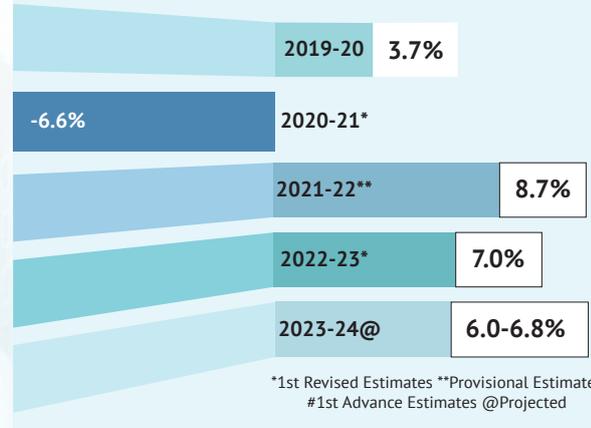
► **Rise in employment levels and improvement in Labour Force Participation Rate (LFPR):** Enhanced Employment generation seen in the declining urban unemployment rate and in the faster net registration in Employee Provident Fund.

► Urban Unemployment Rate was at **four-year low at 7.2% in September 2022**.

► **LFPR was around 41.6% in 2020-21** (Rural + urban) compared to 40.1% in preceding year.

► **Credit growth to MSMEs:** Over 30.6% on average during Jan-Nov 2022.

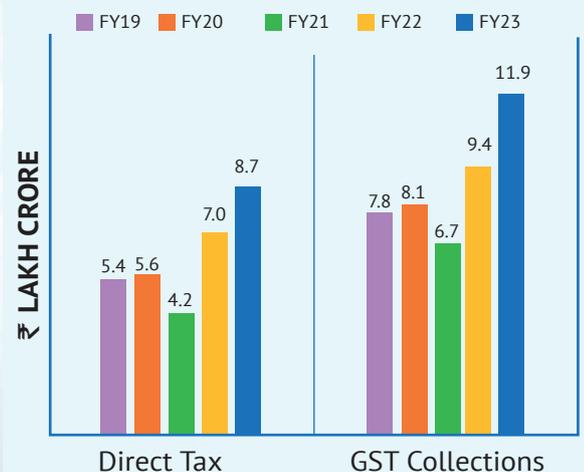
GDP Growth At constant prices



Three major global shocks & their effects



Buoyant tax collections (April-November)



Source: CGA

- ▶ **Retail inflation: Back within RBI's target range (2-6% under Flexible Inflation Targeting Framework) in November 2022** after ten months.
- ▶ **Performance of Indian Rupee:** Performed well compared to other Emerging Market Economies in Apr-Dec 2022.
- ▶ **Outlook 2023-24:** Economic growth to be boosted from the expansion of public digital platforms and measures to boost manufacturing output.

Know the Term



- ▶ **Purchasing power parities (PPPs):** They are the rates of currency conversion that try to equalise the purchasing power of different currencies, by eliminating the differences in price levels between countries.
- ▶ **Capital expenditure (Capex):** There are expenditures of the government which result in creation of physical or financial assets or reduction in financial liabilities.
 - ▶ This includes expenditure on **the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the central government to state and UT governments, PSUs and other parties.**
- ▶ **Labour Force Participation Rate (LFPR):** It is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.

Chapter 2: India's Medium Term Growth Outlook: with Optimism and Hope

- ▶ India's growth outlook seems **better than in the pre-pandemic years**, and the Indian economy is prepared to **grow at its potential in the medium term.**

▶ Reforms:

- ▶ **Structural and Governance Reforms** strengthened the economy's fundamentals by enhancing its overall efficiency during 2014-2022.

- These were based on approach of '**Sabka Saath, Sabka Vikaas**' and emphasized on building partnerships among various stakeholders.

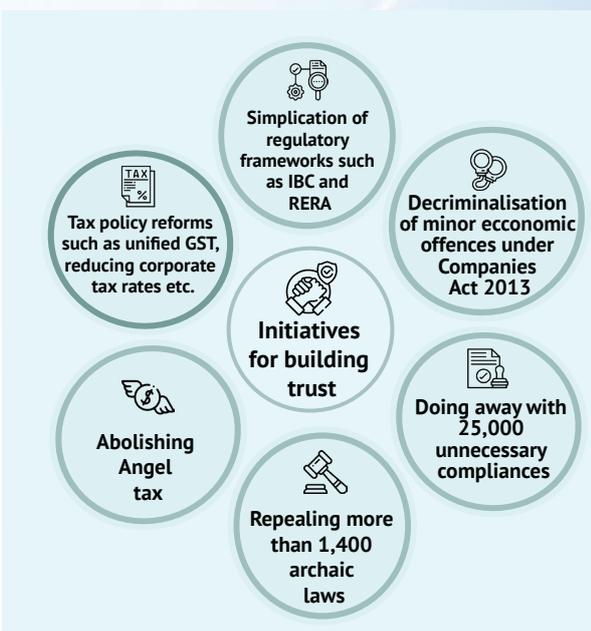
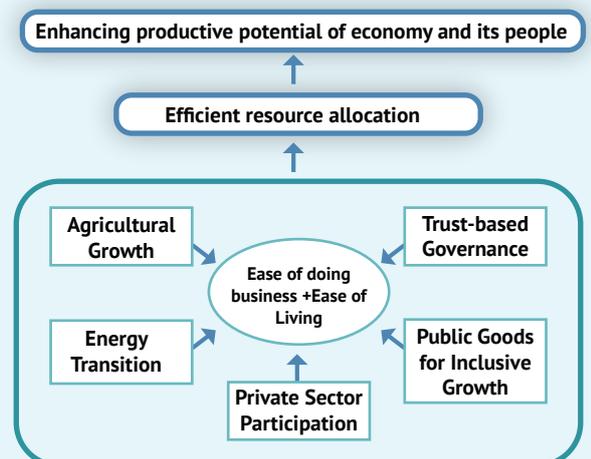
- ▶ **Reforms after 2014 were based on the broad principles** of creating public goods, adopting trust-based governance, co-partnering with the private sector for development, and improving agricultural productivity.

▶ Limited impact of reforms on economic growth:

- ▶ **Adverse impact on key macroeconomic variables** such as credit growth and capital formation due to
 - **balance sheet stress** caused by credit boom in previous years and
 - **one-off global shocks** (pandemic and high commodity prices).
- ▶ **Lagged effects** as outcomes of some reforms take time.
- ▶ This situation of limited impact of reforms is **analogous to the period 1998-2002** when transformative reforms had **lagged growth returns due to temporary shocks** in the economy.

- **Once these shocks faded**, the structural reforms **paid growth dividends from 2003.**

Reforms for New India - Sabka Saath Sabka Vikaas



► Positive signs & hope:

- Indian economy is **well placed to grow faster in the coming decade once the global shocks of the pandemic** and the spike in commodity prices in 2022 fade away.
- **A fresh credit cycle has begun** with improved and healthier balance sheets of the banking, non-banking and corporate sectors.
- **Efficiency gains resulting from greater formalisation, higher financial inclusion,** and economic opportunities created by digital technology-based economic reforms.

Growth Magnets For The Coming Decade:



Know the Term



- **Public Good:** Public goods are those that are available to all (“nonexcludable”) and that can be enjoyed over and over again by anyone without diminishing the benefits they deliver to others (“nonrival”).
- **Credit cycle:** It describes the phases of access to credit by borrowers based on economic expansion and contraction.

Chapter 3: Fiscal Developments: Revenue Relish

► **Fiscal Deficit:** Government on **track to achieve fiscal deficit target** for FY23 (6.4% of GDP).

- **Resilient performance** of Union Government finances during FY23 facilitated by the:
 - recovery in economic activity,
 - buoyancy in revenues from direct taxes and GST, and
 - realistic assumptions in the Budget.

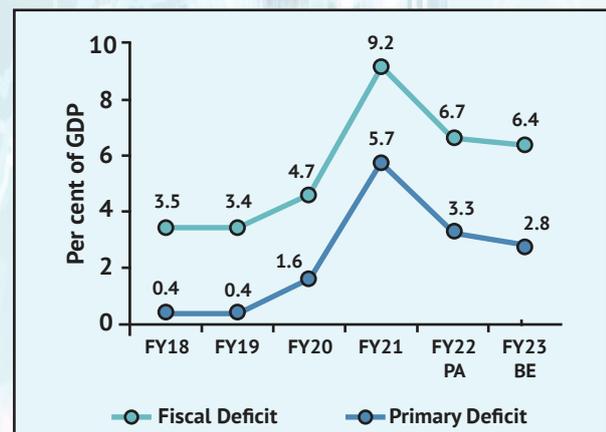
► **Gross Tax Revenue: Growth of 15.5%** from April to November 2022 driven by:

- **Expansion of tax net** due to structural reforms like GST, digitalization of economic transactions.
- **Robust growth in the direct taxes (grew at 26% YoY)** due to corporate and personal income tax growth.

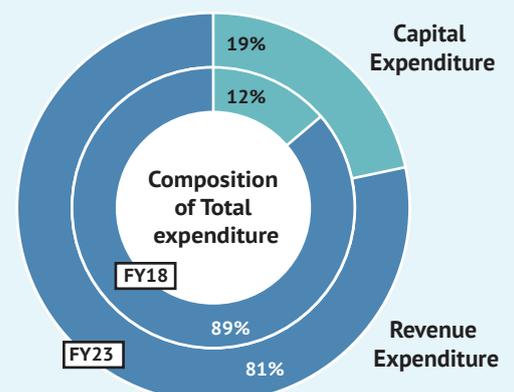
► **Increasing GST collections:** GST has stabilised as a vital revenue source for central and state governments, with the gross GST collections increasing at 24.8% on YoY basis from April to December 2022.

- **GST Tax payers doubled to 1.4 crore** in 2022.
- **Improvement in GST collections** has been due to:
 - the nationwide drive against GST evaders and fake bills and
 - systemic changes such as rate rationalisation correcting inverted duty structure.

Trends in Union government deficits over the years- On the way to fiscal consolidation



Rising share of Capital Expenditure in Centre's Total Expenditure

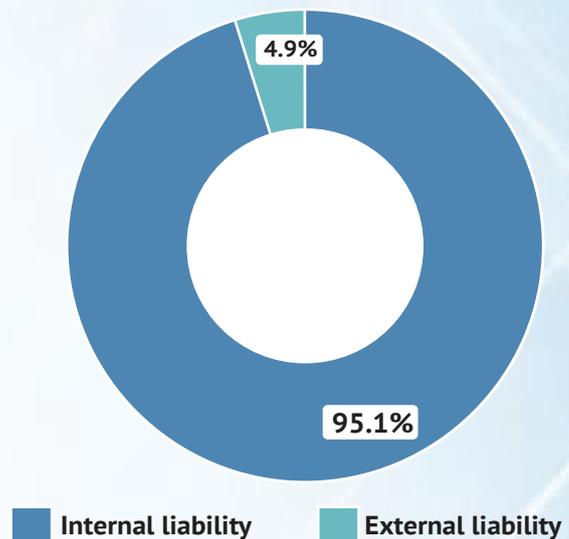


- Capital Expenditure (Capex):** The Centre's Capex has steadily **increased to 2.5% of GDP in FY22 PA (Provisional Actual)** from 1.7% of GDP (FY09 to FY20). It is further budgeted to **increase to 2.9% of GDP** in FY23.
 - Centre announced several incentives to boost states' capex in the form of **long-term interest-free loans and capex-linked additional borrowing provision**.
 - Emphasis of capex on **infrastructure-intensive sectors** like roads and highways, railways, and housing and urban affairs, **has large-scale positive implications for medium-term growth**.
 - The Government's Capex-led growth strategy will enable India to keep the **growth-interest rate differential positive, leading to a sustainable debt to GDP** in the medium run.
- Revenue Expenditure:** Brought down from 15.6% of GDP in FY21 to **13.5% of GDP in FY22 PA**, led by reduction in subsidy expenditure.
- State Government Finances:** Combined Gross Fiscal Deficits of States brought down to 2.8% of GDP in FY22 PA, from 4.1% in FY21.
- Debt profile:** The **total liabilities** of the Union Government moderated from 59.2% of GDP in FY21 to 56.7% in FY22 (P).
 - The **General Government Debt to GDP ratio increased** from 75.7% of end-March 2020 to 89.6% at end of pandemic year FY21.

Know the Term

- Fiscal Deficit:** It is the difference between the government's total expenditure and its total receipts excluding borrowing.
 - Gross fiscal deficit = Total expenditure – (Revenue receipts + Non-debt creating capital receipts)
- Gross tax revenue:** It includes revenue collected from different items like corporation tax, income tax, wealth tax, customs, union excise, service, taxes on Union Territories like land revenue, stamp registration etc.
- Revenue Expenditure:** It is expenditure incurred for purposes other than the creation of physical or financial assets of the central government.

Proportion of external liability in public debt (FY22)

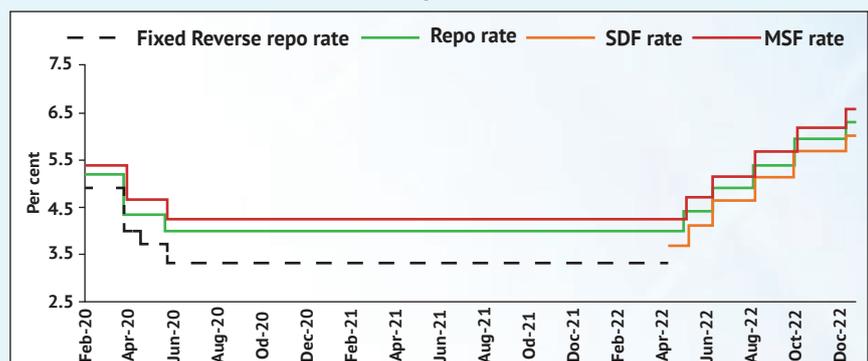


Chapter 4: Monetary Management And Financial Intermediation A Good Year

Monetary developments and Liquidity Conditions

- The **repo rate was raised by 225 bps** since April 2022 (increased from 4% to 6.25%).
- Tightened Monetary Policy **reduced the liquidity in the market**.
- There is an increase in **Reserve money (M0) and broad money (M3)** by 10.3% and 8.7% year-on-year (YoY) respectively, whereas the **Money Multiplier has remained stable at an average of 5.1%**.

Policy Rates



Measures of Money Supply



Reserve Money (M0): also called High Powered money, monetary base, base money etc. $M_0 = \text{Currency in Circulation} + \text{Bankers' Deposits with RBI} + \text{Other Deposits with RBI}$.



Narrow Money (M1) = Currency with public + Demand deposits with the Banking system (current account, saving account) + other deposits with RBI.



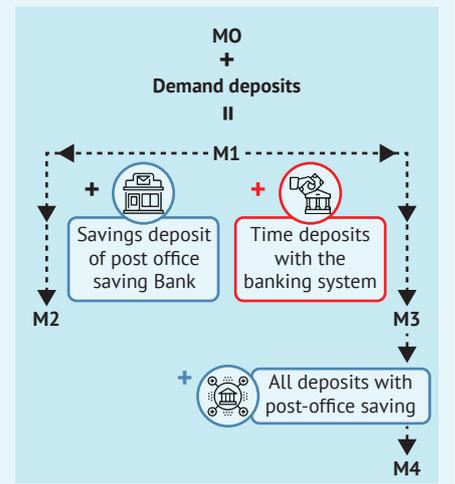
$M_2 = M_1 + \text{Savings deposits of post office savings banks}$.



Broad Money (M3) = $M_1 + \text{Time deposits with the banking system}$.



$M_4 = M_3 + \text{All deposits with post office savings banks}$.



► **Monetary Policy Transmission: The Lending and deposit rates of banks increased** during FY23 in line with the Repo rate changes.

► **Developments in the G-sec Market: The trading volume in G-Secs (including T-Bills and SDLs) reached a two-year high**, registering a YoY growth of 6.3%.

► **Banking Sector: 4R's approach of Recognition, Resolution, Recapitalisation and Reforms** to clean and strengthen the balance sheet of the banking system resulted in;

► **Improvement in the asset quality of the Scheduled Commercial Banks (SCB).**

► **The Gross Non-Performing Assets (GNPA) ratio decreased** from 8.2% in 2020 to 5.0% in 2022, which is a seven year low.

► **Credit Growth and Recovery**

► **Non-food credit** by the Banks has been **growing in double digits** since April 2022.

► There is a **consistent rise of NBFCs' credit** as a proportion to GDP

► The **recovery rate for the Banks through Insolvency and Bankruptcy (IBC) was highest** in FY22 compared to other channels.

► **Development in Capital Markets**

► **Primary Market: The number IPOs almost doubled and the total funds rose by the companies increased by almost three times** (Compared to FY22). The year also witnessed **the largest IPO ever in the history of India.**

Know the Term



► **Monetary Tightening policy:** A policy which aims at **decreasing the money supply** by increasing reserve rates and interest rates, and conducting Open Market Operations.

► **Money Multiplier:** The money-multiplier explains how an increase in the monetary base causes the money supply to increase by a multiplied amount. It is defined as the **ratio of Broad money (M3) over the Reserve Money (M0) i.e. M_3/M_0** .

► **Repo rate:** Repo is a money market instrument, which enables **collateralised short term borrowing and lending through sale/purchase operations in debt instruments.**

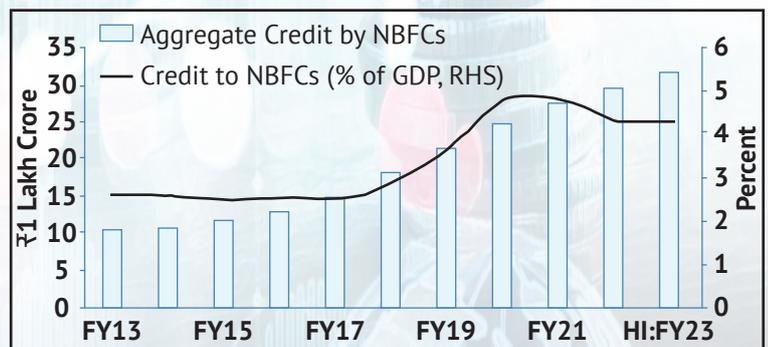
► Under a repo transaction, a holder of securities sells them to an investor with an agreement to repurchase at a predetermined date and rate.

► **Government Securities (G-Secs):** G-Sec is a tradeable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation.

► **Treasury Bills (T-bills):** They are short term G-Secs issued by the Government of India and are presently issued in three tenors, namely, 91 day, 182 day and 364 day.

► **State Development Loans (SDLs):** Dated Government securities issued by the State Government.

Increasing credit disbursed to and by NBFCs



▶ **Secondary Market:** In spite of the global volatility, the Indian stock markets outperformed their global peers by huge margin.

▶ **Developments in the Insurance Market:** India is one of the fastest-growing insurance markets in the world and its life insurance premium has registered YoY growth of 10.2%.

▶ **Insurance penetration and insurance density has been steadily increasing between FY13 to FY 22.**

▶ **Pension Sector:** The number of pension subscribers has multiplied over three-fold between FY18 to FY22.

Know the Term



▶ **Insurance penetration:** It refers to the ratio of total insurance premiums to Gross Domestic Product (GDP) in a year.

▶ **Insurance density:** It refers to the ratio of insurance premium to population, i.e.; insurance premium per capita and is measured in US Dollar, as they reflect the level of development of the insurance sector in a country.

Chapter 5: Prices and Inflation: Successful Tight-Rope Walking

▶ **Consumer Price Inflation (CPI):** The CPI in India went through 3 phases in 2022, which

- ▶ peaked at 7.8%
- ▶ holding phase at 7.0% and
- ▶ declined to around 5.7% by year end.

▶ **Wholesale Price Inflation (WPI):** WPI started to increase in 2022 with a **peak value of 16.6%** in May 2022 (as economic activities resumed post pandemic and the Russia-Ukraine conflict alleviated it more) and it slipped to 5.0% by year end.

▶ **WPI and CPI trends:** Since 2021, there had been a divergence between the WPI and the CPI indexes, followed by a trend of convergence.

▶ **Reasons for divergence:** The difference in relative weights of the two indexes and the lagged effect of imported input costs on retail prices.

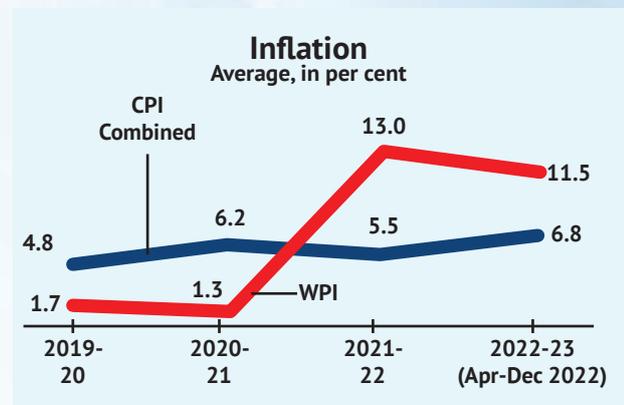
▶ **Reasons for convergence:** A cooling in WPI inflation of commodities such as crude oil, iron, aluminium etc. along with the rise in CPI inflation (fuelled by the rise in services cost).

▶ **Domestic Retail Inflation:** Retail inflation was mainly **driven by higher food inflation.**

▶ Most States witnessed **higher rural inflation than urban inflation** due to marginally higher food inflation in rural areas.

▶ **Housing Price Indices (HPI):** There is an overall increase in composite HPI assessment and HPI market prices, which **indicates a revival in the housing finance sector.**

▶ **Policy intervention by the government in housing sector and low home loan interest rates** propped up demand and attracted buyers in the affordable segment in FY23.



Know the Term



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

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

▶ **Housing Price Index (HPI):** It represents the price changes in residential housing properties in 50 cities across 18 States which is compiled and published by National Housing Bank.

Prices And Inflation: Successful Tight-Rope Walking

Inflation has come off its peak, moderation in Global Comodity prices

Govt measures to ensure domestic supply and contain inflation:



Import duty on major inputs-ferronickel, coking coal, PCI coal cut were brought to zero



Phase wise reduction in excise duty of petrol and diesel



Waived customs duty on cotton



Prohibition on export of wheat



Chapter 6: Social Infrastructure and Employment: Big tent

▶ The share of expenditure on social services in the total expenditure of the Government increased to 26.6% in FY23.

▶ The share of expenditure on health in social services has increased from 21% in FY19 to 26% in FY23.

▶ Improving Human Development Parameters

▶ India ranked 132 out of 191 countries in the 2021/2022 HDI report.

▶ 16.4% of the population in India are multi-dimensionally poor (UNDP's Multi-dimensional Poverty report).

▶ **Aspirational Districts Programme:** It was observed that many Aspirational Districts have performed better than non-aspirational districts in the context of financial inclusion.

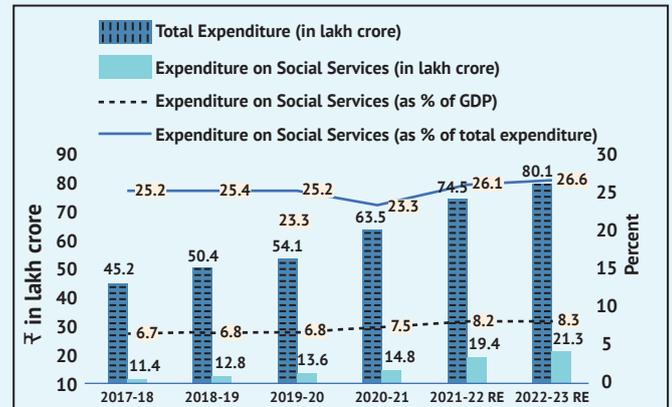
▶ **Labour Reform Measures:** Majority of the states have adopted all the four labour codes.

▶ **Over 28.5 crore unorganised workers have been registered on eShram portal** (a National database of unorganised workers) with major enrolments from Agriculture, domestic workers and construction workers.

▶ **Aadhaar:** 318 Central schemes and over 720 state DBT schemes are notified under section 7 of the Aadhaar Act, 2016.

▶ Employment Trends

Trends in social service sector expenditure by General Government (Combined Centre and States)



Source: Reserve Bank of India, Budget Documents of Union and State Governments.

Key usages of Aadhaar

- ▶ Aadhaar – Usage in DBT.
- ▶ Aadhaar Enabled Payment Systems.
- ▶ JAM (Jan-Dhan, Aadhaar, and Mobile) trinity
- ▶ One Nation One Ration Card Scheme.
- ▶ PM Kisan Samman Nidhi
- ▶ Co-WIN
- ▶ Face Authentication

Parameters	Trends	
Labour Markets	Recovered beyond pre-Covid levels, in both urban and rural areas.	Unemployment rate declining from 8.3% to 7.2% by Mid-2022.
Worker population ratio	Improved for both males and females in both rural and urban areas. (Periodic Labour Force Survey (2020-21))	
Female Labour Force Participation Rate (LFPR)	The Survey highlights measurement issues in calculating Female Labour Force Participation Rate.	
Employment in the organised manufacturing sector	Steady upward trend with food products industry (11.1%) employing the most as per the Annual Survey of Industries.	
Pension subscriptions	There is a net increase in the subscriptions of EPF and the National Pension Scheme, as compared to the FY21.	
MGNREGS	The number of persons demanding work under MGNREGS was seen to be around pre-pandemic levels and around 70.6 lakh works were completed so far in FY23.	

► Ensuring School Education

- ▶ **The enrolments increased across all levels** of schooling i.e., Primary, Upper-Primary, Secondary, and Higher Secondary **except for the Pre-Primary level** (reduced from 1.1 crore to 1 crore in FY22).
- ▶ **School dropout rates** at all levels have witnessed a **steady decline** for both boys and girls.
- ▶ **Pupil-teacher ratio improved from 34 in FY13 to 26.2 in FY22** at primary level and substantially in other levels too.

► Higher Education

- ▶ The total **enrolment in higher education has increased to nearly 4.1 crore in FY21 from 3.9 crore in FY20.**
 - **Female enrolment has increased to 2.0 crore in FY21** from 1.9 crore in FY20.
- ▶ The total number of **faculties in Higher Education is around 15.5 Lakhs** of which about 57.1% are male and 42.9% are female.

► Skill Development

- ▶ **Periodic Labour Force Survey**, highlights that the **formal vocational/technical training** among youth (age 15-29 years) and the working population (age 15-59 years) have **improved** in FY21 over FY19 and FY20.
- ▶ About **1.1 crore persons** have been trained under **PMKVY (Pradhan Mantri Kaushal Vikas Yojana)**
- ▶ **21.4 lakh apprentices** have been engaged by Industries, since the launch of the **National Apprenticeship Promotion Scheme.**
- ▶ **724 District Skill Committees** have been constituted under **Skill Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP) initiative.**

► Health

- ▶ **Central and State Government's budgeted expenditure on health sector touched 2.1% of GDP in FY23 (BE)** and 2.2% in FY22 (RE) against 1.6% in FY21.
- ▶ **Out of-Pocket Expenditure** as a percentage of Total Health Expenditure **has declined substantially** from 64.2% in FY14 to 48.2% in FY19.
- ▶ **Infant Mortality Rate (IMR), Under Five mortality rate (U5MR) and neonatal Mortality Rate (NMR)** have shown a **steady decline.**
- ▶ **Ayushman Bharat beneficiaries have reached nearly 22 crore with over 1.54 lakh Health and Wellness Centres operationalized across the country.**

► Social Protection

- ▶ **Pradhan Mantri Jeevan Jyoti Bima Yojana:** Around 14.96 crore persons have been enrolled and about 6.4 Lakh claims have been paid under the scheme.
- ▶ **Pradhan Mantri Suraksha Bima Yojana:** Around 32.1 crore persons have been enrolled cumulatively and about 1.1 Lakh claims have been paid under.
- ▶ **PM Street Vendor's Atmanirbhar Nidhi Scheme:** Around 45 Lakh loan applications have been sanctioned in all, out of which around 39 lakh loans have been disbursed.
- ▶ **Pradhan Mantri Mudra Yojana:** More than 38.4 crore loans have been sanctioned through this scheme.

► Rural Economy

- ▶ **Around 65% of the entire population of the country live in rural areas, of which nearly 47% of them are dependent on agriculture.**
- ▶ **The quality of rural lives**, including, inter alia, access to electricity, presence of improved drinking water sources, coverage under health insurance schemes, have **improved significantly (National Family Health Survey 2019-21)**
- ▶ **Deendayal Antyodaya Yojana-National Rural Livelihood Mission:** The Mission has mobilised a total of 8.7 crore women from poor and vulnerable communities into 81 lakh SHGs.

► Rural Housing

- **Pradhan Mantri Awaas Yojana –Gramin:** A total of 2.7 crore houses have been sanctioned and 2.1 crore houses have been completed so far under the scheme.

► Drinking Water and Sanitation

- **Jal Jeevan Mission:** As a result of the mission, of the 19.4 crore rural households, 11.0 crore households are getting tap water supply in their homes.
- **JALDOOT App:** A total of around 3.7 Lakh wells have been measured and their water level is updated in Central records.
- **Swachh Bharat Mission (Grameen):** About **1.2 Lakh villages have been declared ODF plus.**
 - **Andaman & Nicobar Islands has declared all its villages as ODF plus model, thus becoming the first Swachh, Sujal Pradesh.**

► LPG connections

- **Pradhan Mantri Ujjwala Yojana 2.0, Swachh Indhan Behtar Jeevan:** the **LPG coverage improved** from 62% in 2016 to 99.8% in 2021.

► Rural connectivity

- **Pradhan Mantri Gram Sadak Yojana:** Since inception it has led to creation of **roads measuring 7.2 Lakh kms and 7,789 Long Span Bridges.**

► Electricity

- **SAUBHAGYA- Pradhan Mantri Sahaj Bijli Har Ghar Yojana and Deendayal Upadhyaya Gram Jyoti Yojana** scheme has successfully **completed its objective of universal household electrification.**



Chapter 7: Climate change and environment: Preparing to face the future

▶ India is one of the most vulnerable regions to climate change. Although it contributes only about 4% of cumulative global emissions (for 1850-2019).

▶ India declared the **Net Zero Pledge** to achieve a net zero emissions goal by 2070.

▶ Progress on India's Climate Action

▶ India achieved its target of **40% installed electric capacity from non-fossil fuels ahead of 2030**.

▶ **Estimated installed capacity from non-fossil fuels to be more than 500 GW by 2030**. This could result in a decline of the average emission rate by around 29% by 2029-30, compared to 2014-15.

▶ India to reduce the **emissions intensity of its GDP by 45% by 2030 from 2005 levels**.

▶ **About 50% of cumulative electric power installed capacity to come from non-fossil fuel-based energy resources by 2030**

▶ Difficulties in implementation of Climate change policies-

▶ Citizens in developed countries are **reluctant to change their lifestyles**.

▶ Lack of availability of **rare earth elements (REE) and critical minerals (CM)**.

▶ Developments related to other Environmental Issues

▶ India achieved the goal of **doubling the tiger numbers** in 2018, four years before the targeted year 2022.

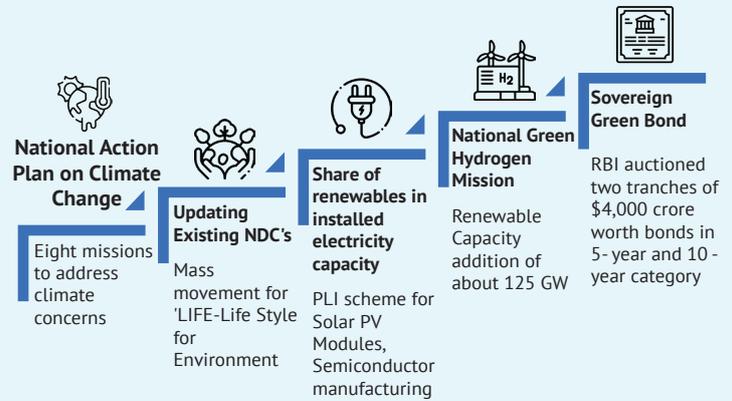
▶ **A ban was imposed** on the manufacture, import, stocking, distribution, sale, and use of identified **single-use plastic items**.

▶ The Government published the **Battery Waste Management Rules, 2022** and notified the **E-Waste (Management) Rules, 2022**.

▶ **National Green Hydrogen mission:** Green hydrogen production capacity of at least 5 MMT (Million Metric Tonne) per annum to be developed by 2030.

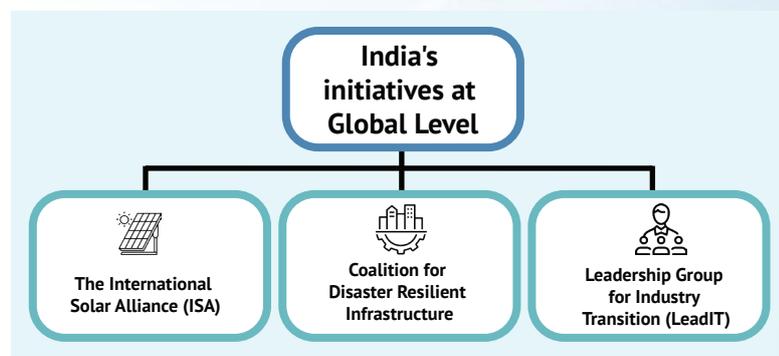
▪ **Cumulative reduction in fossil fuel imports** over ₹1 lakh crore and creation of over 6 lakh jobs by 2030.

Energy Transition for a Cleaner Tomorrow



National Action Plan for Climate Change

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



Chapter 8: Agriculture and Food management: From Food Security to Nutritional Security

The performance of the agriculture and allied sector has been buoyant over the past several years.

► Enhanced access to credit

- **Kisan Credit Card (KCC) facility extended to fisheries and animal husbandry farmers in 2018-19.**
- **Agriculture credit was about 13% more than the target in 2021-22.**
- **Private investment in agriculture increases to 9.3% in 2020-21.**

► Allied Sectors

- **The livestock sector grew at a CAGR of 7.9% during 2014-15 to 2020-21, and its contribution to total agriculture GVA is about 30.1% in 2020-21.**
- **The fisheries sector annual growth rate has been about 7% since 2016-17 and has a share of about 6.7% in total agriculture GVA.**

- **The dairy sector is the most critical component of the livestock sector, employing more than eight crore farmers directly.**

► Cooperatives hold the key to rural economic transformation.

- There are **8.5 lakh registered cooperatives** in the country, and **98% of villages are covered by Primary Agriculture Credit Societies (PACS).**
- **Around 19% of agriculture finance is through cooperative societies.**

► Food Processing Sector: The food processing industries sector has been growing at an average annual growth rate of around 8.3%.

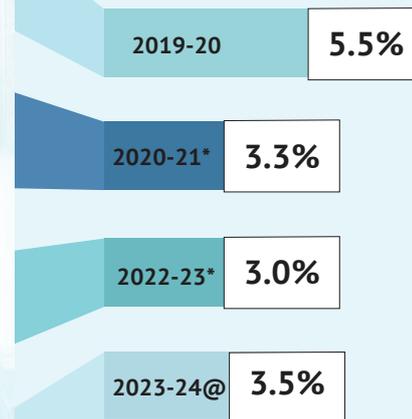
- The value of agri-food exports, including processed food exports, was about **10.9% of India's total exports during 2021-22.**

► Food Security: Free foodgrains to about 81.4 crore beneficiaries under the National Food Security Act for one year from January 1, 2023.

- India stands at the forefront to **promote millets through the International Year of Millet's initiative.**

Agriculture and Allied Activities

Growth Rate of GVA at Basic Prices



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

Agriculture And Food Management: From Food Security To Nutritional Security

MSP for all mandated crops fixed at **1.5 times** of all India weighted average cost of production since 2018

Continued growth in **institutional credit to agricultural sector**

315.7 million tonnes of foodgrains produced in India in 2021-22

11.3 Cr Farmers covered under PM-KISAN for financial support

Post-Harvest Support and Community Farms via sanction of **13,681 crores under AIF**

National Agriculture Market Scheme (e-NAM) covering **1.74 crore farmers and 2.39 lakh traders**

Chapter 9: Industry: Steady Recovery

▶ The industry sector contributed about **30% of the total gross value added** in the country during FY12 and FY21 and **employed over 12.1 crore people**.

▶ **Overall Gross Value Added (GVA)** by the Industrial Sector (for the first half of FY 22-23) rose 3.7%, which is higher than the average growth of 2.8% achieved in the first half of the last decade.

▶ Demand Stimulus to Industrial Growth:

- ▶ Robust growth in **Private Final Consumption Expenditure**.
- ▶ **Export stimulus** during the first half of the year.
- ▶ **Increase in investment demand** triggered by **enhanced public capital expenditure**.
- ▶ **Strengthened bank and corporate balance sheets**.

▶ The **supply response** of the industry to the demand stimulus has been robust.

▶ **PMI manufacturing** has remained in the expansion zone for 18 months since July 2021, and the **Index of Industrial Production (IIP)** grows at a healthy pace.

▶ The **eight core industries'** growth was steady, reflecting a broad momentum in industrial activity.

▶ **Credit to Micro, Small, and Medium Enterprises (MSMEs)** has grown by an average of **around 30%** since January 2022.

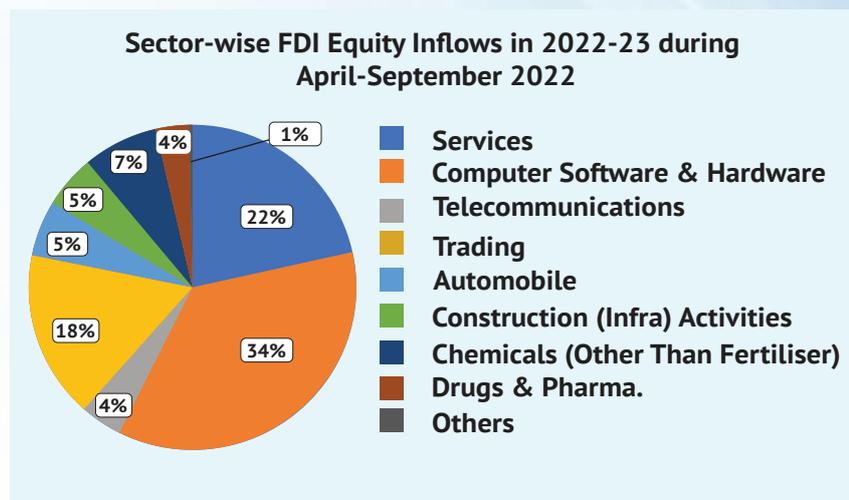
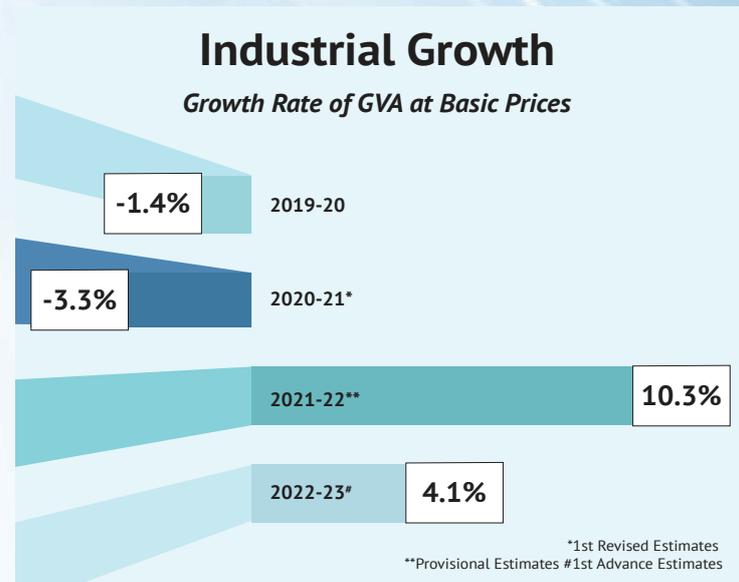
▶ Credit to the large industry has been showing double-digit growth since October 2022.

▶ **FDI inflow in Manufacturing Sector:** Annual FDI equity inflows in the manufacturing sector have been **steadily increasing over the last few years**.

▶ **India became the 3rd largest automobile market (in Dec 2022)**, surpassing Japan and Germany in terms of sales.

▶ **Foreign Direct Investment (FDI) flows into the Pharma Industry** have risen four times, from US \$180 million in FY19 to US \$699 million in FY22.

▶ To enhance integration in the global value chain, **'make in India 2.0'** is focusing on **27 sectors**.



Know the Term

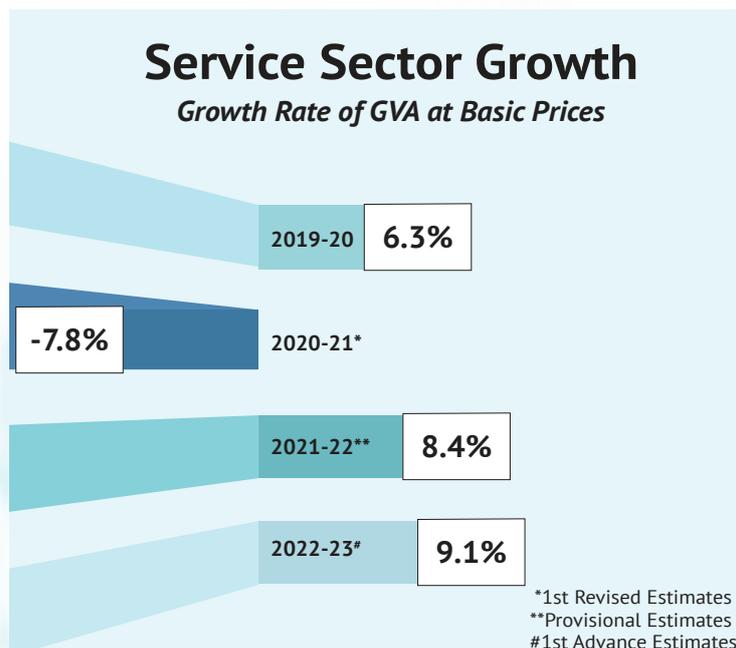


- ▶ **Flipping:** The process of transferring the entire ownership of an Indian company to an overseas entity, accompanied by a transfer of all IP and all data hitherto owned by the Indian company.

Chapter 10: Services: Source of Strength

► Performance of Services Sector

- ▶ India's services exports remained resilient due to **higher demand for digital support, cloud services, and infrastructure modernization.**
- ▶ India was among the **top 10 services exporting countries in 2021.**
 - Its share in world commercial services exports increasing **from 3% in 2015 to 4% in 2021.**
- ▶ **Credit to services sector** has grown by over **16% since July 2022.**
- ▶ **Robust expansion in PMI services,** indicative of service sector activity, observed since July 2022.



► Performance of Services Sector

Sectors	Trends	Other Details
Real Estate	↑ (50% growth between 2021 and 2022)	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.
Tourism and Hotel Industry	↑ (Has shown growth)	India is ranked 10th in the Medical Tourism Index FY21.
Information Technology and Business Process Management (IT-BPM)	↑ (15.5% growth between 2021 and 2022)	IT services constitute the majority share in revenue (greater than 51%).
E-Commerce	↑ (Has shown growth)	E-commerce market is projected to grow at 18% annually through 2025.
Digital Financial	↑ (Has shown growth)	India took the lead with the fintech adoption rate of 87%, substantially higher than the world average of 64% as per the latest Global FinTech Adoption Index.

► Foreign Direct Investment (FDI) in Services

- ▶ The World Investment Report 2022 of UNCTAD places India as the **7th largest recipient of FDI in the top 20 countries in 2021.**
- ▶ In FY22 India received the highest-ever **FDI inflows of US\$ 84.8 billion including US\$ 7.1 billion FDI equity inflows** in the services sector.

Know the Term



- **Fintech (Financial Technology):** It refers to software and other modern technologies used by businesses that provide automated and improved financial services.

Chapter 11: External Sector: Watchful and Hopeful

► **Trends in Merchandise Trade:** All-time high annual merchandise export of US\$ 422.0 billion in FY22.

► **Petroleum products, gems & jewellery, organic & inorganic chemicals, drugs & pharmaceuticals** were among the leading export items.

► **Trends in Services export:** India's services exports stood at US\$ 254.5 billion in FY22 recording a **growth of 23.5% over FY21**.

► **Software and business services** together constitute more than **60% of India's total services exports**.

► **Foreign Exchange Reserves**

► As of December 2022, Forex Reserves **stood at US\$ 563 bn covering 9.3 months of imports**.

► As of end-November 2022, India is the **6th largest foreign exchange reserves holder in the world**.

► **Remittances are the second largest major source of external financing** after service export.

► **Balance of Payments**

► **The Current Account Deficit (CAD) has widened** due rise in oil prices.

► The **surplus of the capital account was lower than the CAD** leading to a depletion of forex reserves.

► **External Debt:** External debt as a ratio to **GDP fell to 19.2%** as of end-September 2022 from 20.3% a year ago.

► India has relatively low levels of:

- total debt as a percentage of Gross National Income and
- short-term debt as a percentage of total debt.

► **Growing and Diversifying Trade**

► In the year 2022, India signed **Economic Cooperation and Trade Agreement (ECTA)** and **Comprehensive Economic Cooperation Agreement (CECA)** with **Australia and UAE**, respectively.

► India diversified its markets and increased its exports to **Brazil, South Africa and Saudi Arabia**.

Top Remittance Recipients

During 2022



Know the Term



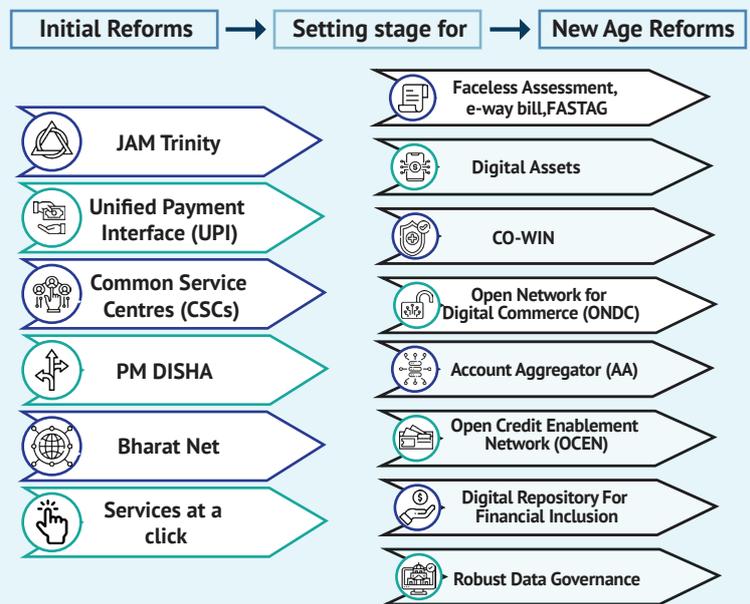
- **Free Trade Agreements (FTA):** It is an agreement between two or more countries where the countries agree on certain obligations that affect trade in goods and services, and protections for investors and intellectual property rights, among other topics.
- **Remittance:** It refers to money that is sent or transferred to another party, usually overseas. Remittances can be sent via a wire transfer,
- **Current Account Deficit (CAD):** It is the shortfall between the money received by selling products to other countries and the money spent to buy goods and services from other nations.
- **General government debt-to-GDP ratio:** It measures the gross debt of the general government as a percentage of GDP. It is a key indicator for the sustainability of government finance.

Chapter 12: Physical and Digital Infrastructure

Government's Vision for Infrastructure Development: Physical Public Infrastructure

- ▶ **Public Private Partnerships: India Infrastructure Project Development Fund Scheme (IIPDF)** Scheme with ₹150 crore outlay from FY 23-25, launched in 2022
- ▶ **National Infrastructure Pipeline: NIP and Project Monitoring Group (PMG)** portal linked to fast-track approvals/ clearances for projects
- ▶ **National Monetisation Pipeline: FY23 target is envisaged to be ₹1.6 lakh crore** (27% of overall NMP ₹ 9.0 lakh crore Target).
- ▶ **GatiShakti: PM GatiShakti National Master Plan creates** comprehensive database for integrated planning and synchronised implementation across Ministries/ Departments.
- ▶ **Electricity Sector and Renewables:** As of September 2022, the government has sanctioned 59 Solar Parks (40 GW) in 16 states.
 - ▶ The total installed power capacity (industries having demand of 1 Mega Watt (MW) and above) increased **from 460.7 GW on 31 March 2021 to 482.2 GW on 31 March 2022.**
- ▶ **Making Indian Logistics Globally Competitive**
 - ▶ **National Logistics Policy** accelerated inclusive growth.
 - ▶ Rapid increase in National Highways (NHs) /Roads **Construction with 10457 km NHs/roads constructed in FY22 compared to 6061 km in FY16.**
 - ▶ **Capacity of major ports nearly doubled** in 8 years.

Digital Public Infrastructure: Formalisation & Financial Inclusion



India's Digital Public Infrastructure

- ▶ UPI-based transactions grew in value (121%) and volume (115%) terms, between 2019-22.
- ▶ Overall tele-density in India stood at 84.8% in March 22.
- ▶ 200% increase in rural internet subscriptions between 2015 and 2021.
- ▶ Under Account Aggregator, the consent-based data sharing framework is currently live across over 110 crore bank accounts.

Know the Term



- ▶ **Digital Public Infrastructure:** It refers to digital solutions that enable basic functions essential for public and private service delivery, i.e., identification (ID), payment and data exchange systems, and governance systems (e-governance).
- ▶ **Digital Public Goods:** They are types of open-source software, models and standards that countries can use to operationalise their digital public infrastructure. (e.g. payment and data exchange systems).
- ▶ **Account Aggregator (AA):** The Account Aggregator (AA) is a global techno-legal framework that enables individuals to share their financial data quickly and securely, with their consent, with any regulated third-party financial institution of their choice.