Summary of ‘Indian Economy, a review’

1. Introduction

The document "Indian Economy - A Review" offers insights into the current state and future prospects of India's economy across two chapters. It is distinct from the official Economic Survey of India prepared by the Department of Economic Affairs, which will be released after the general elections. Chapter 1 presents an overview of the past, present, and future trajectory of the Indian economy, while Chapter 2 delves into government policies and progress across various sectors.

Projections suggest that the Indian economy is likely to maintain a growth rate of 7% or higher for FY24, with some forecasts indicating a similar trend for FY25. This potential achievement, especially amid global economic challenges, reflects the resilience and promise of the Indian economy.

The global economy faces challenges in its post-Covid recovery, with recurring disruptions such as supply chain issues impacting trade, transportation, output, and inflation worldwide. India, having navigated through previous shocks of COVID 19 and geopolitical tensions, remains cautiously optimistic about overcoming emerging disturbances.

Looking ahead, several trends will shape the economic landscape. The era of hyper-globalization in manufacturing is waning, although complete de-globalization isn't imminent. Governments are exploring onshoring and friend-shoring of production, which may influence transportation, logistics costs, and product prices in the long term. In essence, the challenges ahead for India's economy include the difficulty of relying solely on exports for growth, emphasizing the need to reduce logistics costs and improve product quality to maintain and expand market share. Additionally, the rise of Artificial Intelligence raises concerns about the future of services trade and employment, as technology may erode the cost advantage enjoyed by countries exporting digital services.

Another significant challenge is the energy transition, driven by global concerns about climate change and the push to reduce carbon emissions. While there's pressure on developing nations to shift to greener energy sources, the immediate trade-off between economic growth and energy transition poses challenges, particularly in the post-Covid global economy. India is navigating this balance adeptly, with a focus on steady economic growth while investing in climate change adaptation and mitigation.

The Indian economy is well-positioned to address these challenges, thanks to policies implemented over the past decade. The government has significantly increased infrastructure investment, with public sector capital investment steadily rising from ₹5.6 lakh crore in FY15 to ₹18.6 lakh crore in FY24. This substantial investment has led to tangible improvements in physical and digital infrastructure, including highways, airports, metro rail networks, and trans-sea links, driving transformative changes in the economy.

The pursuit of inclusive development reflects positively on Indian households' financial health, with over 51 crore Jan Dhan Yojana bank accounts holding total deposits exceeding ₹2.1 lakh crore, over 55% of which belong to women.

The economy has generated employment opportunities, with a decline in unemployment rates and an increase in labor force participation, particularly among women. Post-Covid, new subscribers to the Employee Provident Fund (EPF) have risen, especially among the youth, and more women are enrolling in tertiary education. India's youth employability has increased to 51.3%, up from 33% a decade ago.

Inflation is under control, fiscal and current account deficits have reduced, and foreign exchange reserves cover nearly eleven months of imports, indicating stability and strength compared to the situation in 2014. The government's effective management of COVID and vaccination drives, along with prudent crude oil supply management, contributed to the economy's swift recovery.

Addressing longstanding issues like deficient infrastructure and financial exclusion has elevated aspirations and expectations among the populace, reflecting positively on government policies and performance. Many young Indians are optimistic about achieving a better life, reflecting a growing belief in themselves and their nation's potential for positive change.

2. INDIAN ECONOMY: PAST, PRESENT AND FUTURE

In the last 10 years, India has grown from being the 10th largest economy to the 5th largest economy. In this section, the economic situation of the country since its independence to 2014, 2014 to the present and an economic outlook till 2030 is given.

2.1 India's growth from 1950-2014

By the time India gained independence, its share of global income had declined from 22.6% in 1700 to 3.8% in 1952. To liberate the economy from colonial constraints and foster growth and modernization, the government adopted a strategy in the 1950s focused on achieving economic self-sufficiency. This era witnessed rapid industrialization through substantial investments in large state-owned enterprises (SOEs). The average growth rate during the 1952-1960 period was 3.9%.

However, the **1960s** brought challenges. The Indian economy faced setbacks due to the 1962 Sino-Indian war, the 1965-66 India-Pakistan war, and severe drought in 1965. High taxation rates and extensive economic controls further impeded growth, resulting in a decadal growth rate of 4.1% in the 1960s.

The **1970s** marked a period of significant challenges for India, including a sharp 57% devaluation of the Indian rupee, political instability, and the imposition of Emergency in 1975, resulting in a decadal average growth rate of 2.9%. This decade coincided with global economic volatility due to the oil shock, impacting growth worldwide.

In the **1980s**, India initiated reforms aimed at enhancing domestic competitiveness, such as removing price controls, fiscal reforms, revamping the public sector, reducing import duties, and promoting exports. These measures, along with changes in the entrepreneurial mindset, led to GDP growth improving to 5.7%.

However, external shocks like the breakup of the Soviet Bloc and the Iraq-Kuwait war disrupted trade and current account balances in, leading to a balance of payment crisis. The crisis demanded bold reforms, including removing complex regulations, reducing state ownership, and adopting an outward-looking trade strategy. These reforms are otherwise popularly known as the Liberalisation, Privatisation and Globalisation (LPG Reforms).

The latter half of the **1990s** saw a loss of growth momentum due to factors like the East Asian financial crisis, setbacks to fiscal correction, agricultural slowdown, slackening pace of reforms, and frequent changes in government. Despite these challenges, real GDP growth averaged 5.8% per annum in the 1990s, marking a pivotal period in India's economic trajectory.

In the early 2000s, India experienced sustained economic momentum, improved corporate performance, and a favorable investment climate, bolstered by transformative reforms undertaken during 1998-2002. The country was viewed favorably as an investment destination, benefiting from global liquidity conditions and positive sentiments. Decisive measures like Sarva Shiksha Abhiyan (SSA), National Rural Health Mission (NRHM), and National Rural Employment Guarantee Scheme (NREGS) were implemented, contributing to India's decadal average growth rate of 6.3% in the 2000s.

However, the global financial crisis of 2008 revealed vulnerabilities in India's growth trajectory. Bad debts in banks surged, reaching double-digit percentages by March 2018, largely originating between 2006 and 2008.

During **2009-2014**, the government aimed to sustain high growth through elevated fiscal deficits and loose monetary policy. High inflation rates persisted, with annual double-digit inflation from 2009 to

2014, leading to high **twin deficits** - fiscal deficit (4.9% in FY13) and current account deficit (4.8% in FY13).

2.2 Lessons from the growth experience till 2014

a. **The Indian economy underwent a significant transition from a closed to an open economy.** Between 1950 and 1980, policies focused on import substitution, export subsidies, and stringent restrictions on technology and investment cooperation. Controls on capacity expansion and manufacturing licensing were also prevalent. Post-1980, recognizing the limitations of the controlled regime, pro-business reforms were initiated. These reforms encompassed import liberalization, export incentives, exchange rate adjustments, and expansionary fiscal policies. While these changes aimed to enhance productivity and stimulate demand through increased credit availability and public expenditure, they also led to unsustainable investments, questionable loans, opaque resource allocation, and high fiscal deficits, culminating in the Balance of Payments (BoP) crisis of 1990-91.

The BoP crisis prompted a comprehensive overhaul of economic policies towards a market-oriented approach. Major trade policy reforms and the liberalization of industrial policies, including the removal of industrial licensing and facilitation of foreign direct investment (FDI), were key features of this transformation.

b. **The economy shifted from reliance on public investment to a blend of public and private investments**. Initially, the development strategy focused on generating public sector savings but by the 1970s, it proved unsustainable. Public sector borrowing increased substantially, reaching 9% of GDP by 1989-90. During the 1990s and 2000s, the private sector became the primary driver of growth and employment generation.

c. technology began to be identified as a key growth driver. In pre-liberalised India, foreign technologies were denied because of a lack of resources, a closed economy regime, and due to security and strategic reasons. Since the 1980s, India has progressively leveraged technology to drive economic transformation.

The Indian economy faced challenges, with GDP growth below 5% in consecutive years, 2012-13 and 2013-14. WPI inflation in food articles, averaging 12.2% annually, surpassed non-food inflation, accentuating structural constraints. The challenges faced during the pre 2014 era included

- Delays in project approvals leading to project delays and inadequate complementary investments.
- Ill-targeted subsidies limiting fiscal space for public investment and distorting resource allocation.
- Low manufacturing base, particularly in capital goods, and insufficient value addition in manufacturing.
- Large informal sector with inadequate labor absorption in the formal sector.
- Low agricultural productivity due to intermediaries in marketing, shortage of storage and processing infrastructure, and challenges in inter-state movement of agricultural produce.

2.3 2014-2024: Decade of transformative growth

Since 2014 several structural reforms has propelled India to become the fastest-growing economy among G20 nations. Despite the pandemic, India's economy witnessed robust growth, estimated at 7.3% in 2023-24 following 9.1% (FY22) and 7.2% (FY23) growth in previous years.

- The government's efforts have led to job creation and a decline in urban unemployment rates to 6.6%.
- The extension of schemes like Pradhan Mantri Gharib Kalyan Anna Yojana until December 2028 demonstrates a commitment to social welfare.
- Infrastructure development has seen significant progress, with 74 airports built in the first 67 years after independence, doubling in the last nine years.
- The number of universities increased from 723 in 2014 to 1,113 in 2023, with more girls enrolled in higher education than boys.

India faced economic challenges in FY21 due to the global pandemic, resulting in a 5.8% contraction in real GDP. However, the government's agile response, including fiscal, monetary, and health interventions, supported economic recovery and helped mitigate the crisis's adverse impacts, alongside ongoing economic reforms.

Despite the Ukraine conflict disrupting supplies, the government effectively managed crude oil purchases to prevent increases in retail prices of petrol and diesel for over eighteen months.

n FY23, the government provided states with a 50-year interest-free loan of ₹1 lakh crore, followed by another ₹1.3 lakh crore in FY24 leading to improvements in infrastructure such as schools, rural roads, and electricity provision.

Capital expenditure by states increased by over 47% in the first six months of April-September 2023 compared to the same period in 2022.

2.4 Drivers of India’s growth in the last decade

The government's economic policy focus post-2014 aimed at restoring India's growth potential, enhancing the ease of doing business, and bolstering physical and digital infrastructure to boost competitiveness. Structural reforms have created a business-friendly environment, improved ease of living, and strengthened governance systems.

a. Following a credit boom in the early 2000s, India faced a financial crisis up to 2020. Reforms, including recapitalization and merger of Public Sector Banks (PSB), enactment of the Insolvency and Bankruptcy Code 2016 (IBC), and simplification of regulatory frameworks, strengthened the financial sector and improved business environment transparency.

b. Tax policy reforms, such as the Goods and Services Tax (GST), reduced tax burden on individuals and businesses, enhanced tax base, and formalized the economy.

c. The government's engagement with the private sector has evolved, with strategic sectors opened for private participation and liberalization of Foreign Direct Investment (FDI) policy.

d. Decriminalization of minor economic offences, elimination of unnecessary compliances and archaic laws

e. Focus on Micro, Small, and Medium Enterprises (MSME) sector through schemes like Emergency Credit Line Guarantee Scheme (ECLGS) and definition revision have nurtured start-ups and supported smaller businesses.

f. Large-scale public spending addressed infrastructure bottlenecks, while digitalization reforms improved financial inclusion and efficiency gains.

Inclusive growth policies focused on providing free gas connections, building toilets and houses for the poor, opening Jan Dhan accounts, registering beneficiaries, and providing hospital admissions under the Ayushman Bharat Scheme to ensure traditionally excluded sections become active contributors to India's growth story.

2.5 Challenges Confronting the Indian Economy

The reform-led growth that was witnessed by the Indian economy over the course of the last nine years is not without its accompanying share of challenges which include:

a. In an increasingly integrated global economy, India's growth outlook is influenced not only by domestic performance but also by global developments, including **geoeconomic fragmentation and the slowdown of hyper-globalization**. Friend-shoring and onshoring trends impact global trade and growth.
b. The **trade-off between energy security, economic growth, and energy transition** involves geopolitical, technological, fiscal, economic, and social dimensions. Policy actions by individual countries affect global economies.
c. The **advent of Artificial Intelligence (AI)** raises concerns about employment in service sectors globally. Around 40% of global employment is exposed to AI, highlighting the need for investments in infrastructure and a digitally skilled workforce in developing economies to harness AI's potential.
d. Domestically, ensuring a talented and appropriately **skilled workforce, achieving age-appropriate learning outcomes in schools, and maintaining a healthy population** are critical policy priorities. A healthy, educated, and skilled population enhances the economically productive workforce.

2.6 Track record of overcoming challenges

The aforementioned challenges are not insurmountable and are actively addressed through government policies.

a. The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) provides relevant industry skill training to Indian youth, benefiting around 1.3 crore candidates with 24 lakh individuals placed as of December 2023.
b. Efforts to mitigate climate change include promoting renewable energy sources, with a combined installed capacity of 179.57 GW as of November 2023.
c. Internet penetration in India, as per the ‘Internet in India’ report 2022, crossed the 50 per cent mark in 2022, growing more than three-fold since 2014.
d. Aadhar facilitated over 34 lakh crores in Direct Benefit Transfers, and Jan Dhan Yojana reached 51.5 crore beneficiaries by January 2024, with nearly 56% being women.
e. Technology, including the CoWin app, enabled India's successful response to the Covid pandemic, administering 221 crore vaccination doses.

In summary, India's 'Mission Mode' approach to tackling challenges positions the country well to address current and emerging issues

2.7. Looking Ahead

India's growth trajectory appears robust, supported by macroeconomic stability and conducive regulatory environments.

- The FY24 growth estimate is 7.3%, with expected gradual decline in headline inflation.
- Favorable factors include resilient service exports, lower oil import costs, and a reduced current account deficit of 1% of GDP in the first half of FY24. The digital revolution,

supportive regulatory environment, and measures for economic upliftment underpin this positive outlook.

- Reforms over the past decade have laid the groundwork for resilient governance and sustained economic growth. India's economic and financial cycles have become more durable, promising sustained brisk growth.
- Sub-national reforms aimed at unlocking MSME potential, ensuring land availability, and meeting energy demands will further accelerate growth.
- In 2023, India's global stature rose significantly, hosting a G20 Presidency and achieving milestones in space exploration including the Chandrayaan 3 lunar mission and technology deployment.

Despite global economic uncertainties, India has exhibited resilience and progress through effective policy actions, investment in infrastructure, and macro stability measures.

3. Resilience of Indian Economy

India's remarkable resilience in recent years, particularly in the face of the COVID-19 pandemic, has been a testament to its ability to rebound and adapt. Despite the contraction in FY21, India has recorded two consecutive years of over 7% GDP growth and is poised for a third year of strong growth in FY24, with the economy expanding by 7.6% in the first half of the fiscal year.

Various indicators reflect India's resilience beyond economic growth. Unemployment rates have declined, high-frequency indicators show robust economic activity, and mobility indicators, such as air travel, have surpassed pre-pandemic levels. This resilience is not solely a response to the pandemic but also reflects India's historical capacity to withstand challenges and rebuild.

Policy decisions made six years prior to the pandemic have significantly contributed to India's resilience. Smart COVID management, targeted fiscal policies for the poor, ample liquidity support for MSMEs, and substantial government spending have all played vital roles. Additionally, reforms in the banking sector, fiscal discipline, and a focus on energy security alongside transition have strengthened the economy's foundations.

This chapter discusses the measures that the government has taken in the past ten years in several aspects of public policy, which have contributed to the post-Covid economic resilience and set India on a path to sustained economic growth in the coming years. These have been identified across four blocks in this chapter - **Domestic Economy, Macroeconomic Stability, Human Resources and External Economy**. Adaptation strategies and building resilience to **Climate Change** is the penultimate section. The concluding section, Outlook, discusses possible growth outturns of the Indian economy in the near term.

3.1 Domestic Economy.

India's real GDP is estimated to grow at an average of 7.9 per cent between FY22 and FY24. The government's targeted interventions have played a significant role in driving growth across key sectors. The manufacturing sector's contribution to total Gross Value Added (GVA) increased from 17.2% in FY14 to 18.4% in FY18, primarily propelled by the Make in India initiative. Despite challenges, the share remained robust at 17.7% in FY24, supported by Production Linked Incentive (PLI) schemes.

Similarly, the construction sector, which faced setbacks due to real estate price fluctuations and the pandemic, has shown resilience. Its share in total GVA nearly recovered to 8.7% in FY24, buoyed by moderate prices, the Real Estate Regulatory Authority (RERA), and increased government capital expenditure.

The services sector's share in total GVA has grown from 51.1% in FY14 to 54.6% in FY24, driven by the surge in non-contact services during and after the pandemic. The government's digitalization efforts, embodied in India Stack, have contributed significantly to the sector's transformation.

The robust domestic and external demand has further bolstered sectoral growth, supported by effective pandemic management, the Insolvency and Bankruptcy Code (IBC), and increased government spending. Additionally, impressive export growth, including in services, facilitated by government initiatives, has stimulated economic expansion.

3.1.1 Resilience of Consumption Demand.

The share of Private Final Consumption Expenditure (PFCE) in GDP at current prices has risen steadily, increasing from an average of 58.4% in the eight years before the pandemic to 60.8% in the last three years leading up to FY24. This trend indicates a growing contribution of private consumption to the overall GDP, reflecting increased consumer spending and economic activity.

Private final consumption expenditure (PFCE) refers to the total value of goods and services purchased by private individuals and households for their own consumption during a specific time period, typically within a nation's economy. It is a significant component of the gross domestic product (GDP) calculation, representing the portion of economic output that individuals and households consume rather than save or invest.

PFCE includes expenditures on a wide range of goods and services such as food, clothing, housing, healthcare, education, transportation, entertainment, and other consumer goods and services. It excludes government spending, investments, and exports.

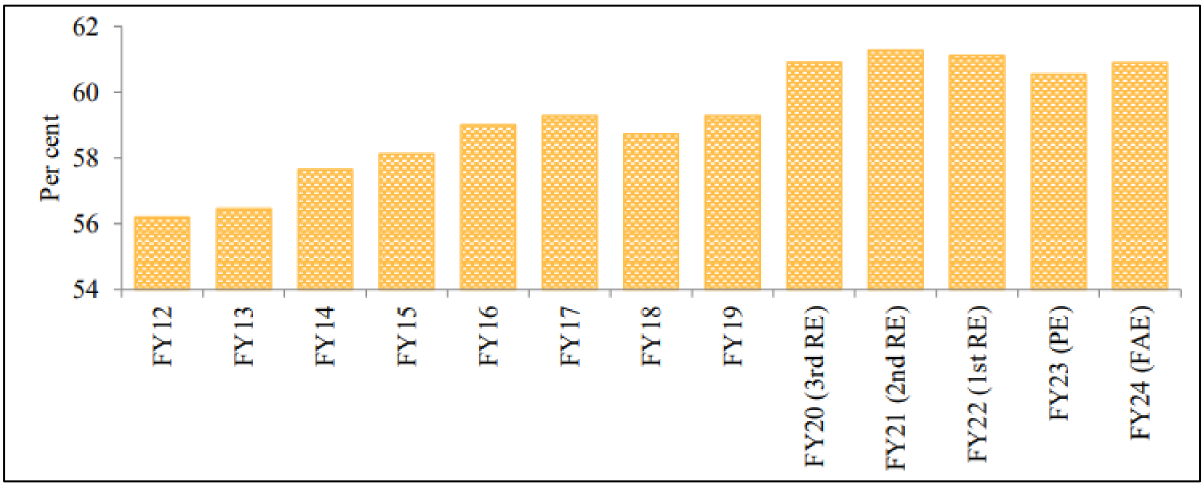

Chart 2.1 Share of Private Final Consumption Expenditure in GDP

Source: NSO, MoSPI
Note: RE stands for Revised Estimates, PE for Provisional Estimates and FAE for First Advance Estimates

The robust increase in **Per Capita Real Gross National Income (GNI)** over the nine years before the pandemic provided a secure consumption base. From FY12 to FY20, Per Capita Real GNI grew at a compounded annual rate of 5.3%. This growth was driven by the government's strategic vision and reforms aimed at macroeconomic expansion, alongside policies that reduced regulatory burdens and spurred private sector growth. Simplifying laws, cutting compliance requirements, opening up sectors, and strategically divesting public enterprises created opportunities for private sector expansion.

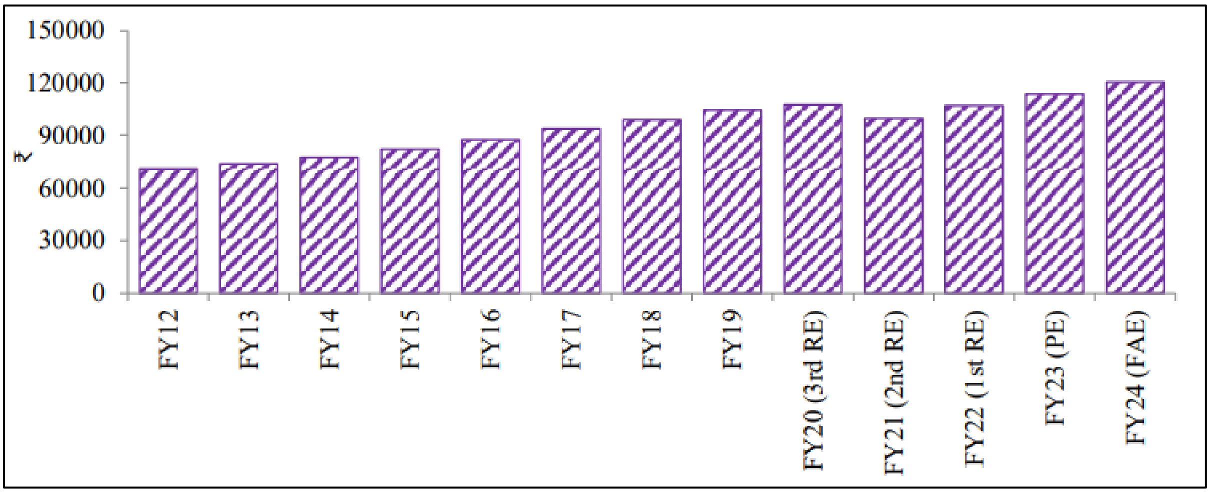

Chart 2.2 Per Capita Real Gross National Income

Measures to promote foreign investment include an investor-friendly policy allowing 100% FDI in most sectors. Nursing the financial sector back to health, pragmatic monetary policy, and coordination of economic policies have bolstered robust economic growth pre-pandemic, reflected in increased per capita income.

The increase in Private Final Consumption Expenditure (PFCE) is balanced across durables, semi-durables, and services. Double-digit growth in FY22 across various sectors like transport and recreation, aided by prudent COVID-19 management, boosted PFCE. Increased market transparency by SEBI and infrastructure investments further fueled consumption.

Government emphasis on public digital infrastructure has enhanced economic potential. Digitalization increased private consumption pre- and post-pandemic. Aarogya Setu and CoWin apps facilitated pandemic management, while digital payment systems like UPI drove e-commerce growth. Rural economic inclusiveness, aided by schemes like PMJDY and DBT, reduced rural-urban divides and increased aspirations, contributing to higher spending.

3.1.2 Enabling Investment led Economic Growth

In recent years, the investment climate in India has undergone a significant transformation, with investment emerging as a crucial driver of economic growth. The high investment rate witnessed in the first decade of the millennium was unsustainable due to excessive borrowing and over-optimism. Consequently, in the second decade, banks became cautious about lending to corporates, leading to a decline in the investment share of GDP.

The **investment** rate of an economy typically refers to the portion of its GDP (Gross Domestic Product) that is invested in capital goods, infrastructure, and other productive assets within a certain period, usually a year. It represents the level of investment activity occurring within the economy and is an important indicator of economic health and future growth prospects.

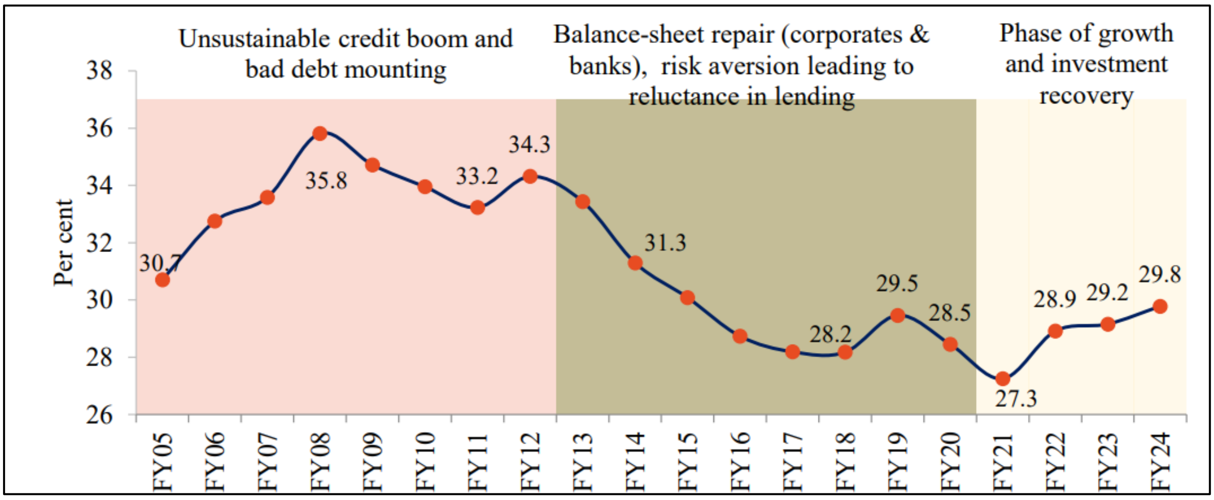

Chart 2.3 Trends in investment rate over the years

Note: Investment Rate is the ratio of Nominal GFCF over Nominal GDP
Data for FY24 is as per the First Advance Estimates
Source: NSO, MoSPI

The stresses on balance sheets accumulated in the first decade exacerbated the macroeconomic fragility of the Indian economy, characterized by a high fiscal deficit, current account deficit, and sustained double-digit inflation. As a result, India was labeled as one of the 'fragile-five' emerging economies. To address these challenges, the government recapitalized banks and facilitated industry restructuring, strengthening balance sheets across sectors.

With improved balance sheets in the non-financial corporate and banking sectors, there is a positive trajectory for investment and credit growth in the current decade. This trend is already evident in the data from the last three years.

Through a series of investment-boosting reforms and improvements in balance sheets, private corporate investment has started to increase, while banks are expanding credit disbursement. Non-food bank credit growth, excluding personal loans, which had declined from over 20 per cent in 2008 to below 10 per cent in FY 2016, has rebounded and reached 13 per cent in FY23.

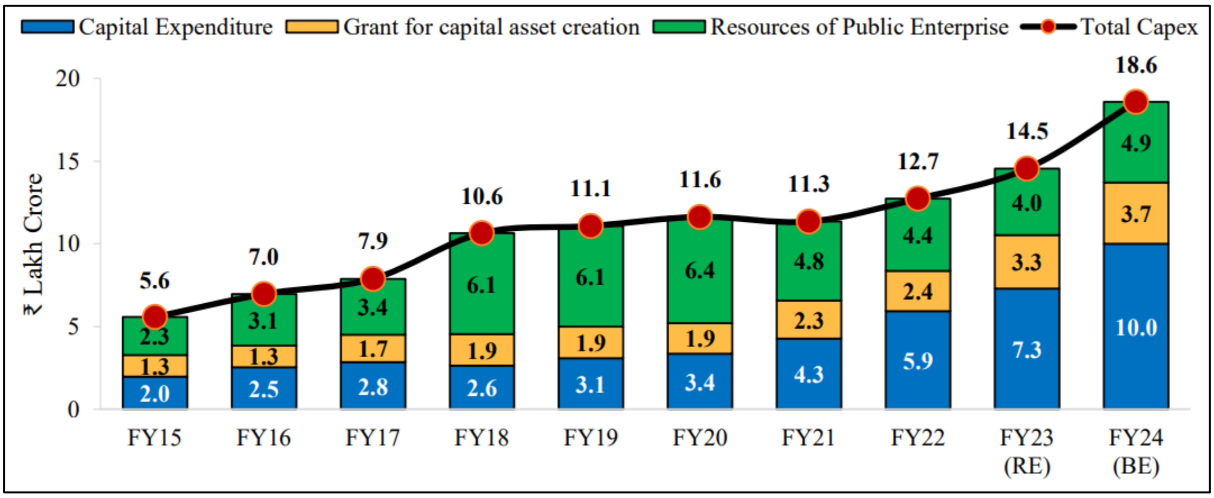

Chart 2.4 Capital Expenditure by Public Sector (Centre + CPSEs)

During the second decade of the new millennium, as the private corporate sector faced balance sheet retrenchment, the Union government stepped in to sustain investment growth and employment generation. Public sector **capital expenditure** surged from ₹5.6 lakh crore in FY15 to ₹18.6 lakh crore in FY24, marking a 5.1-fold increase. Grants to states for capital asset creation rose by 2.8 times, and resources of Public Sector Enterprises (PSEs) increased by 2.1 times during this period. The government rebalanced its fiscal expenditure to prioritize capital spending, which rose from 12 per cent of total expenditure in FY18 to 22 per cent in FY24 (Budget Estimate). Even during the pandemic, targeted spending continued to emphasize capital expenditure, focusing on infrastructure investments to address long-standing supply-side deficiencies in the Indian economy.

3.1.3. Infrastructure

The government accelerated infrastructure projects stalled due to various issues, employing digitalization, streamlined administrative procedures, and a supportive tax environment. Initiatives like the Pragati/Project Monitoring Group expedited project execution, with 2,169 projects worth ₹49.4 lakh crore onboarded since June 2014, leading to the commissioning of 676 projects worth ₹12.2 lakh crore. Notable projects include the Eastern and Western Dedicated Freight Corridors, Hyderabad Metro Rail, and pipeline projects.

Industry reports and indicators suggest a resurgence in private capital expenditure post-pandemic. The Index of Industrial Production (IIP) data shows robust growth in capital and infrastructure/construction goods indices, with FY23 growth rates of 12.9% and 8.4% respectively. The trend continued into FY24, with cumulative growth rates of 7.5% and 11.1% respectively till November 2023.

3.1.4 Rising household investments in real estate strengthens the investment rate

Household investment, the largest contributor to Gross Fixed Capital Formation, was on the rise before the pandemic, driven by declining real-estate prices and increased bank credit for housing. Despite pandemic-induced challenges, housing prices have begun to recover, with average annual growth rates increasing from 2.3% in FY22 to 3.8% in FY23 and 4.3% in H1 of FY24. The uptrend in housing sales and launches, despite price appreciation and higher interest rates, reflects the strength of income recovery and optimism about the future.

The economy has witnessed a sustained increase in investment rates over the past three years, surpassing levels seen in FY16 relative to GDP. This rise in investments is attributed to all sectors: public, private, and households, signaling confidence in the country's future economic prospects. Such trends are expected to pave the way for sustained investment-led growth in the Indian economy over the coming decade.

3.1.5. Agricultural Sector Policies Ensuring Food Security

The agricultural sector, constituting 18% of India's GVA in FY24, remains foundational to the nation's economy. Despite global health crises and climate variability, the sector has shown resilience, growing at an average annual rate of 3.7% from FY15 to FY23, outpacing the 3.4% growth in the previous decade. In FY23, the sector expanded by 4.0%.

Total **food grain production** for FY23 reached 329.7 million tonnes, up by 14.1 million tonnes from the previous year, with significant increases across rice, wheat, pulses, Nutri/coarse cereals, and oilseeds. India leads globally in the production of milk, pulses, spices, and ranks second in various other agricultural commodities. Agriculture exports surged to ₹4.2 lakh crore in FY23, indicating substantial growth potential and global competitiveness.

The Indian government has implemented several strategic measures to bolster the agriculture sector's growth and resilience.

1. **Minimum Support Prices (MSPs) Increase:**
    - MSPs for 22 crops increased since 2018-19, ensuring a 50% margin over production costs.
    - Aims to reduce import dependence and promote diversification towards pulses, oil, and commercial crops.
2. **Financial Support Initiatives:**
    - Pradhan Mantri Kisan Maandhan Yojana (PM-KMY) provides pension benefits to 23.4 lakh farmers.
    - Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) transfers ₹6,000 per year to landholding farmers, benefiting over 11 crore beneficiaries.
    - Pradhan Mantri Fasal Bima Yojana (PMFBY) offers affordable crop insurance, covering 55.5 crore farmer applications.
3. **Digital Inclusion and Mechanization:**
    - e-NAM (National Agriculture Market) integrates APMC mandis, facilitating online trading of 209 commodities.
    - Over 1.8 crore farmers and 2.5 lakh traders are registered, with trade value increasing from ₹0.3 lakh crore to over ₹3 lakh crore.
4. **Technology Adoption:**
    - Efforts to make drone technology accessible to farmers.
    - Financial assistance provided for drone demonstrations on farmers' fields.
    - Computerization of Primary Agricultural Credit Societies (PACS) to improve credit delivery systems in rural areas.
5. **Agristack and Federated Architecture:**
    - Agristack facilitates effective planning, monitoring, policy-making, and implementation of agricultural schemes.
    - Improves farmers' access to quality inputs, timely information, credit, insurance, and market opportunities at lower costs and higher convenience.
6. **Investment in Post-Harvest Infrastructure:**
    - Agriculture Infrastructure Fund (AIF) and Pradhan Mantri Kisan Sampada Yojana (PMKSY) focus on enhancing post-harvest infrastructure.
    - Sustainable agriculture practices like Per Drop More Crop Component of Pradhan Mantri Krishi Sinchayi Yojana (PMKSY-PDMC) and promotion of Natural Farming are encouraged for resilience.
7. **Food Security Measures:**
    - Timely and efficient procurement and distribution of food grains are ensured.
    - Over 830 LMT of paddy procured for the Central Pool, benefiting over 1.2 crore farmers.
    - Wheat procurement surpassed last year's total, reaching 262 LMT.

- Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) scheme introduced in 2018 to ensure remunerative prices for farmers.
- Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) extended for five years starting from January 1, 2024, providing free food grains to about 81.4 crore beneficiaries.

8. **Encouraging Innovation and Policy Continuity:**
    - Continuous innovation, crop variety improvements, and technology adoption are essential to meet growing demands for diversified and nutritious food.
    - Policy consistency and continuity are crucial for expanding market and production choices for farmers while considering environmental and ecological factors.

3.1.6. Reform push to the Indian industry

Industrial growth surged to 7.1% annually from FY15 to FY19, surpassing the 5.5% rate in the preceding five-year period (FY10 to FY14). Despite a brief contraction due to the COVID-19 pandemic in FY21, recent multi-pronged reforms are expected to drive Indian industry to achieve a robust 8% annual growth till March 2024, as projected by the first advance estimates of National Accounts for FY24. Government initiatives, both pre-pandemic and during, not only addressed challenges but also fueled sectoral growth.

1. Make in India Initiative and PLI Scheme:

- 'Make in India' initiative and Production Linked Incentive (PLI) scheme aim to bolster domestic manufacturing and promote self-reliance.
- 746 applications approved under PLI scheme, leading to significant investments, production, exports, and employment generation.
- Notable achievements include increased value addition, import substitution, and improved domestic sourcing.

2. **Startup India and Regulatory Reforms:**

- Startup India initiative recognized over 1.14 lakh startups, creating more than 12 lakh jobs.
- Open Network for Digital Commerce recorded over 6.3 million transactions in November 2023.
- Decriminalization of 3,600 compliances and Jan Vishwas Amendment Bill 2023 enhance ease of doing business.

3. **Support for MSMEs:**

- Union Budget FY24 facilitates timely payments to MSMEs with tax deduction for expenditure only when payment is made.
- Udyam portal and Udyam Assist Platform (UAP) consolidate MSME information, with significant enrolments.
- Pradhan Mantri Vishwakarma scheme attracted 48.8 lakh enrolments.
- Pradhan Mantri Mudra Yojana disbursed loans of ₹25.98 lakh crore, and Credit Guarantee Fund Trust limit raised to ₹5 crore.
- ECLGS provided guarantees of ₹2.4 lakh crore, leading to improved MSME portfolio of SCBs.

4. **Unified Logistics Interface Platform (ULIP):**

- ULIP integrates with 35 systems of 8 different Ministries, with 699 industry players registered.
- Aided by GST integration, ULIP aims to simplify logistics processes and improve efficiency, contributing to a decline in logistics costs.

5. **Reduction in Logistics Costs and Construction Industry Growth:**

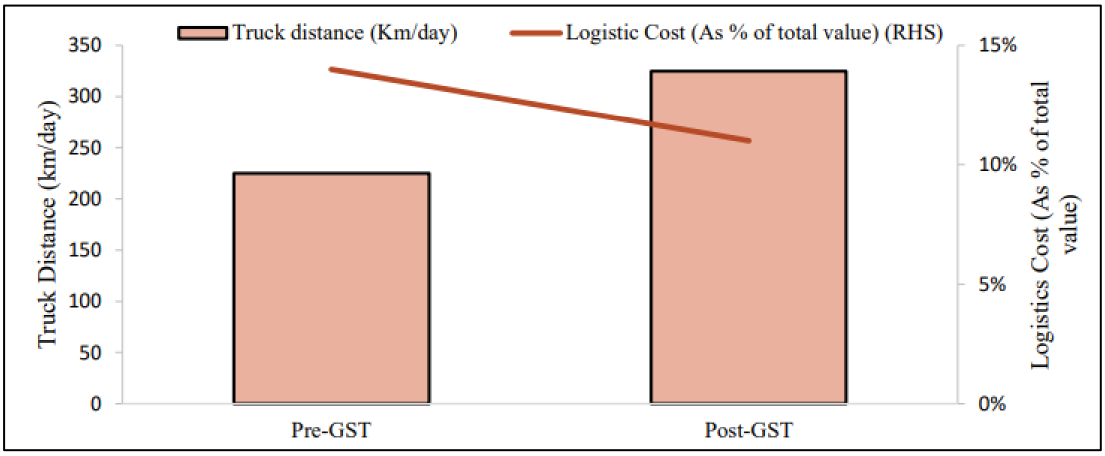

Chart 2.6 Reduction in Logistics Cost for Trucks after implementation of GST
Source: Bernstein [Original source: data sourced from Ministry of Road Transport and Highways (MoRTH)]

- Implementation of GST reduced logistics costs and increased distance travelled per day for trucks.
- Average turnaround time at major ports decreased, contributing to improved logistics efficiency.
- Government's capex push reduced logistics costs and boosted the construction industry, achieving around 12% annual growth from FY22 to FY24.

3.1.7.Digital Infrastructure and Delivery of Citizen-Centric Services

Amidst the pandemic-induced economic turmoil, the government swiftly mobilized efforts to revive the economy. As recovery gained traction and the pandemic receded, India's robust digital public infrastructure (DPI), known as **India Stack**, emerged as a key asset. This framework comprises three integrated layers:

1. Identity Layer (Aadhaar),
2. Payments Layer (Unified Payments Interface, Aadhaar Payments Bridge, Aadhaar Enabled Payment Service), and
3.Data Layer (Account Aggregator).

Aadhaar, under the Identity Layer, provided digital identity to previously unregistered citizens, while the Payments Layer facilitated a surge in cashless transactions, notably through UPI, which saw transactions soar from ₹0.07 lakh crore in FY17 to ₹143.4 lakh crore in FY24 (April-December 2023). The Data Layer streamlined authentication processes, notably reducing e-KYC costs from ₹1000 to ₹534. This digital ecosystem played a crucial role in transitioning various services to online, paperless, and cashless formats, significantly enhancing the efficiency of transactions across sectors.

1. The Pradhan Mantri Jan Dhan Yojana (PMJDY), initiated in 2014, leveraged the Indian Stack to facilitate direct benefit transfers into beneficiaries' bank accounts using Aadhar and mobile connectivity. PMJDY accounts increased threefold from 14.7 crore in March 2015 to 51.5 crore by January 10, 2024, integrating a significant portion of India's population into the formal banking system.

2. During the pandemic, apps like Aarogya Setu and CoWin tracked virus spread and facilitated vaccination, aiding many households.

3. PM eVIDYA used digital tech to bridge learning gaps, while e-commerce platforms for merchandise, food, and transport services proved vital during lockdowns. India's e-commerce market flourished, with a 26.2% growth in FY23.

4. Mobile data tariffs dropped significantly, driving data usage up nearly 300 times. GSTN served 140 lakh active taxpayers in April 2023, up from 105 lakh in April 2018.

5. India's robust DPI fostered financial inclusion and transparency, propelling the fintech industry's growth. India is the world's third-largest fintech market, witnessing a sharp increase in services exports, notably business services, and the rise of Global Capability Centres (GCCs). GCCs, accounting for over 1% of India's GDP, enhance India's services exports, including professional business services like R&D and management consulting.

3.1.8. Credit creation is back

Bank credit has surged in recent years, outpacing deposit growth due to sustained demand and economic recovery post-Covid-19. Non-food bank credit notably expanded by 15% in FY23, the highest in a decade, reflecting the banking sector's improved health. Asset quality across all Scheduled Commercial Bank (SCB) groups improved, with gross and net non-performing assets reaching multi-year lows by September 2023.

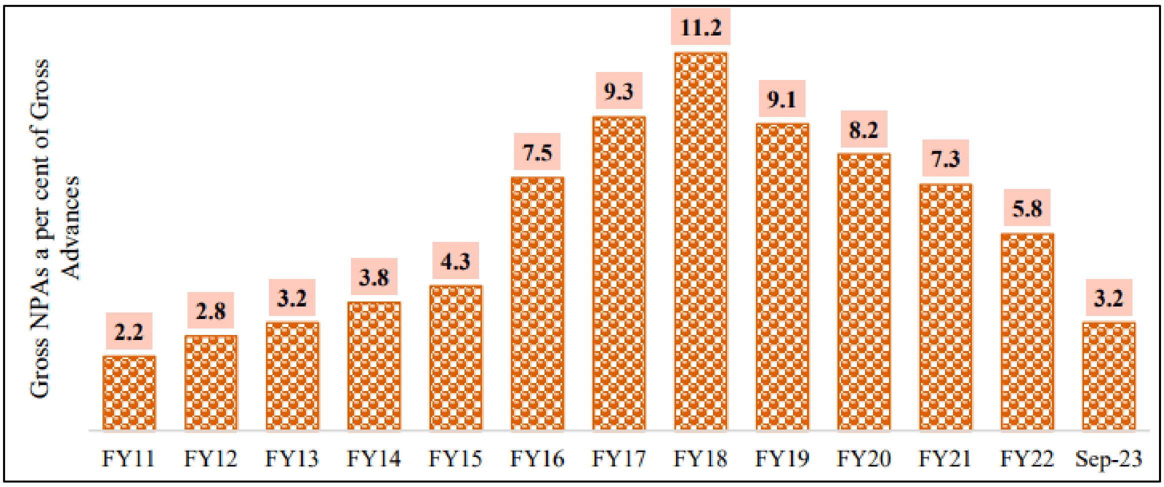

Chart 3.7 Declining Gross Non-Performing Assets of SCBs (as % of Gross Advances)
source: RBI

The banking sector's health has significantly improved compared to the lows experienced in the early 2000s.

The **"twin balance sheet problem"** emerged due to unsustainable credit and investment booms, leading to a sharp rise in gross non-performing assets (GNPAs) from 2.2% in FY11 to 11.2% in FY18. This rise constrained credit growth, as indicated by a negative correlation between GNPAs and credit growth. The RBI's Asset Quality Review (AQR) and prompt corrective action (PCA) framework implemented in FY15 exposed the deterioration in asset quality.

Subsequent measures, including the enactment of the **Insolvency and Bankruptcy Code (IBC)** in 2016, facilitated quicker resolution of bad debts and improved credit repayment culture. The IBC's success is evident in the rescue of 808 corporate debtors, with substantial realizations against liquidation value and admitted claims. Studies show that firms resolved under the IBC witnessed significant performance improvements post-resolution. India's global ranking in resolving insolvency parameters also improved significantly. Measures like recapitalization and resolution of stressed assets contributed to the improved profit margins of public sector banks and corporates.

The decline in gross non-performing assets (GNPA) ratio began in March 2019 and continued during the pandemic due to deleveraging and regulatory intervention. Recapitalization efforts improved the Credit to Risk-Weighted Asset Ratio (CRAR), aiding weaker public sector banks (PSBs) to exit RBI's prompt corrective action framework. Banks resumed extending credit amid the pandemic, supported by RBI's repayment stress relief and the government's Emergency Credit Linked Guarantee Scheme (ECLGS) for MSMEs. Bank credit to MSMEs grew at a Compound Annual Growth Rate (CAGR) of 14.2% from FY19 to FY24 (as of November 17, 2023). The government's focus on capital expenditure further fueled credit growth, with bank credit to the infrastructure sector growing at a CAGR of 4.2% from FY19 to FY24 (as of November 17, 2023).

The enactment of the Insolvency and Bankruptcy Code (IBC) and amendments to the Banking Regulation Act of 1949 have revolutionized the resolution of financial stress in India, empowering creditors to address troubled assets transparently and within deadlines. Government support has bolstered banks' capitalization, enhancing their resilience even during adverse conditions. Bank mergers further strengthen the sector's financial robustness, transforming the erstwhile "twin balance sheet problem" into a "twin balance sheet advantage."

Simultaneously, non-banking financial companies (NBFCs) have experienced robust credit expansion, surpassing bank credit growth. This growth stems from improved asset quality, capitalization, and liquidity within NBFCs. Regulatory reforms, including a revised scale-based framework aligning NBFC regulations with those of banks, and the extension of the formal Prompt Corrective Action (PCA) framework to NBFCs, ensure timely intervention and remedial measures for maintaining financial health.

3.1.8 Evolving financial markets to support the investment needs of a growing economy

Indian financial markets have seen significant growth due to ongoing reforms, balancing liberalization with regulatory stability.

- **Equity Markets**: India's benchmark indices, Sensex and Nifty 50, grew at a CAGR of 13.5% from January 2014 to December 2023, with reduced volatility. Increased digital adoption led to a 536% rise in demat accounts by December 2023, facilitating retail investor participation.
- **IPO Issuances**: IPO activities surged since FY15, with 1,050 companies raising ₹3.9 lakh crore capital by December 2023. India ranked fifth globally in market capitalization, reflecting its attractiveness to investors.
- **Bonds Segment**: Stable sovereign bond yields, aided by fiscal discipline and effective inflation management, characterized India's bond market. Corporate bond issuances tripled in FY23 compared to FY14, indicating a shift towards bond financing.

- **Market Initiatives**: RBI's Retail Direct scheme and SEBI's regulations on InvITs and Municipal Bonds widened market access. SEBI mandated large corporates to meet 25% financing needs through debt securities, encouraging market participation.

Going forward, India's financial markets are expected to play a key role in financing the country's large capital investment needs. On the other hand, access to these financial markets is expected to enable a larger pool of investors to diversify their investments and grow their savings more safely than otherwise. Investment in financial literacy with a keen understanding of the history of financial markets has to proceed hand in hand with investment in financial assets.

3.2 Safeguarding Macroeconomic stability

Macroeconomic stability, characterized by strong output growth, price stability, and a robust external account, is a key focus for the government and the Reserve Bank of India (RBI). This stability is maintained by the fiscal policy charted by the Government and the monetary policies of the RBI.

Inflation Control: Flexible inflation targeting, introduced in FY16 within a band of 4 +/- 2 per cent, has helped rein in high inflation levels experienced between FY09 and FY14. Retail inflation averaged 4.2 per cent till FY20 under this framework. The Price Stabilization Fund (PSF), established in 2014-15, effectively addresses price volatility in key agricultural commodities.

Improved fiscal balance and external balance of the general government have reduced macro-vulnerabilities and created buffers for uncertain economic conditions ahead.

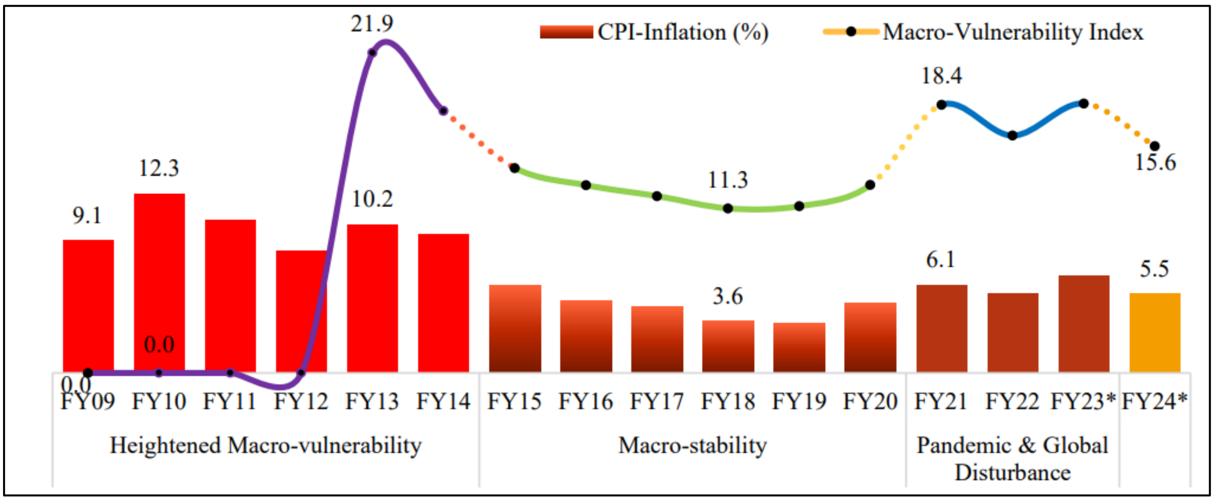

Chart 3.8 Macro-vulnerability Index and Retail Inflation (per cent)
Note: Retail Inflation from FY09 to FY12 is based on CPI-Industrial Workers released by the Labour Bureau, FY13 to FY24 (April-December) is based on CPI-Combined released by MoSPI
Gross fiscal deficit data for FY23 is a Revised Estimate, and for FY24 is a Budget Estimate, Current Account Deficit data for FY24 is up to H1 (April-September)

During the COVID-19 pandemic and its aftermath, maintaining inflation within the 2 to 6 per cent range posed significant challenges due to global economic fragility and weather-related disruptions. Supply chain disruptions and trade dislocations led to elevated food prices, while global financial markets experienced extreme volatility, including a tumble in crude oil prices. Despite the revival of the economy in FY22, geopolitical conflicts and soaring commodity prices, notably crude oil, posed fresh challenges in FY23, affecting India's external account and price situation.

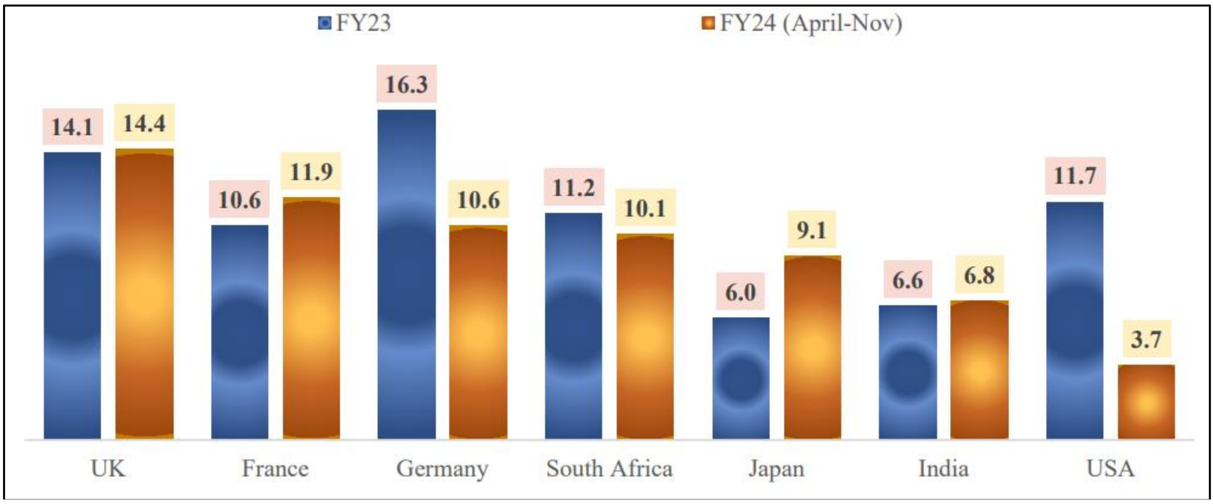

Chart 3.9 Global Food Price Inflation
Source: MoSPI and OECD

India responded by diversifying energy supply sources and ensuring reasonable energy prices, contributing to its growth revival. In FY24, average retail inflation eased to 5.5 per cent, driven by a decline in core inflation to a 49-month low of 3.8 per cent by December 2023, stabilizing within the notified tolerance band of 2 to 6 per cent. Persistent food inflation, driven by untimely rains and supply chain disruptions, remains a global challenge. India implemented supply-side initiatives, including strengthening food item buffers and trade policies, to mitigate inflationary pressures. As a result, India has maintained moderate food inflation levels lower than many large economies, demonstrating the effectiveness of its anti-inflationary policies.

The RBI implemented a supportive monetary policy by progressively increasing the policy repo rate from 4 per cent in April 2022 to 6.5 per cent by February 2023, thereafter maintaining it unchanged. This was aimed at aligning inflation with the target while supporting economic growth. The RBI projects that inflation will average 5.4 per cent in FY24, within the notified tolerance level. Additionally, improvements in the fiscal balance of the general government and the external current account balance are expected to moderate macro vulnerabilities.

3.3 Human Resources: Dovetailing Growth with Capacitating Welfare

Over the past decade, India's welfare paradigm has undergone a substantial transformation, emphasizing long-term efficiency and empowerment. This approach has laid a robust foundation for human development across the country.

1. **Productive Social Spending**: Government expenditure on social services has grown steadily, with a focus on universal access to basic amenities. Capital expenditure in this sector has particularly increased, indicating the creation of societal assets. Initiatives like Ujjwala Yojana, PM-Jan Aarogya Yojana, PM-Jal Jeevan Mission, and PM-AWAS Yojana have gained prominence, empowering underprivileged segments and fostering long-term societal growth.
2. **Outcome-Oriented Budgetary Allocation**: A shift towards outcome-based budget allocation has been observed, with the implementation of the Output-Outcome Monitoring Framework for major schemes. User-friendly dashboards and MIS systems have enhanced transparency and accountability. Programs like the DBT scheme and Jan Dhan Yojana-Aadhaar-Mobile (JAM) trinity have boosted fiscal efficiency and minimized leakages.

3. **Social Enablers and Prioritization**: Investments in child immunization and sanitation have yielded positive externalities, promoting healthier practices and reducing school absenteeism. Accessible social security schemes like Atal Pension Yojana (APY), PM Jeevan Jyoti Yojana (PMJJY), and PM Suraksha Bima Yojana (PMSBY) have expanded the social safety net, covering a significant portion of unorganized sector workers.
4. **Infrastructure Push**: Emphasizing infrastructure development has created a multiplier effect on employment and economic growth, particularly benefiting the bottom of the pyramid. Investments in digital, energy, and transport infrastructure have strengthened the link between growth and development.
5. **Covid-19 Response**: During the Covid-19 crisis, India adopted a phased response, prioritizing safety nets for vulnerable sections while iteratively addressing emerging challenges. This approach ensured food security, provided support for street vendors, and facilitated employment for returnee migrants, while different sectors of the economy recovered at varying paces.

3.3.1 How has the new approach to welfare paid off

The new welfare approach has led to substantial improvements in the quality of life in India, coinciding with its rise as the 5th largest economy globally. Rural and underprivileged areas have particularly benefitted, aligning with the principle of "Antyodaya".

1. **Multidimensional Poverty Reduction**: A NITI Aayog report highlights that 13.5 crore Indians escaped multidimensional poverty between 2015-16 and 2019-21, with significant progress observed in rural and backward areas.
2. **Enhanced Access to Basic Services**: The National Family Health Survey data for 2019-21 indicates improved access to electricity, clean water, sanitation, and clean fuel. Out-of-pocket health expenditure has declined consistently from 62.6% in FY15 to 47.1% in FY20, contributing to improved healthcare accessibility.
3. **Health and Education Milestones**: Maternal mortality ratio has decreased from 130 per lakh live births in 2014-16 to 97 per lakh live births in 2018-20. Additionally, the female Gross Enrollment Ratio (GER) in higher education has surpassed the male GER since FY18.
4. **Reduced Economic Inequality**: Fiscal transfers through welfare schemes have significantly reduced economic inequality, as evidenced by recent essays by the Office of CEA.

The overarching theme of "empowering welfare" has expanded over the past decade, reflecting a comprehensive approach towards improving livelihoods and well-being across the nation. The big tent of “empowering welfare” has expanded over the last decade, as summarised in the table below:

Affordable and Wholesome Health	• 30.3 crore **Ayushman Bharat cards** created and 6.2 crore • hospital admissions (as of January 17, 2024). • More than 1.6 lakh primary healthcare facilities upgraded to Ayushman **Arogya Mandir** (erstwhile AB-HWCs) (as of December 13, 2023). • More than 17.4 crore patients availed e-Sanjeevani OPD services in Ayushman Arogya Mandir (as of November 3,2023). • 10,000 **Janaushadhi Kendras** across the country, selling medicines at 50-90 per cent cheaper rates compared to market rates (as of November 30, 2023). • 16 per cent decline in TB incidence between 2015 and 2022, • with 18 per cent reduction in mortality. • one crore beneficiaries of **Janani Suraksha Yojana** in FY22 .

Revamped Education	• National Education Policy introduced in 2020 – structural reform in education • **National Curriculum Framework for Foundational Stage (NCF FS)** launched on 20th October 2022. Based on this, Learning Teaching Material (JaduiPitara) and Textbooks have been launched in 2023 • **PARAKH** (Performance Assessment, Review, and Analysis of Knowledge for Holistic Development), launched in 2023 for setting norms and implementing activities related to student assessment. • Scheme for 14,500 PM-SHRI Schools to emerge as model schools for NEP • NIPUN Bharat Mission for universal acquisition of foundational literacy and numeracy by 2026-27 • Expansion of digital learning through Swayam Prabha and MOOCs – 200 channels with more than 13,000 contents produced for telecast in 31 languages. **Achievements of Samagra Shiksha from 2018-19 to 2023-24** • 3,062 schools upgraded at Elementary, Secondary and Higher Secondary level. • 235 new residential schools and hostels opened 97,364 schools strengthened, including additional classrooms • 1.2 lakh Schools covered under ICT and digital initiatives • 8,619 Schools covered under Vocational Education • 28,447 Separate girls' toilets constructed
Skilling	• 1.4 crore candidates trained under PM Kaushal Vikas Yojana since 2015 (as of December 13, 2023). • Skill India Digital platform launched in September 2023, bringing all skill initiatives together. • 26.9 lakh apprentices engaged under the National Apprenticeship Promotion Scheme (as of September 30, 2023). • Craftsmen Training Scheme for 1.1 crore persons at it is in 2014-22. • Entrepreneurship Training for 2 lakh beneficiaries between April 2018 and March 2023. • PM Vishwakarma scheme launched in September 2023 to provide end-to-end support to artisans and craftspeople, including skill upgradation, collateral-free concessional loans of up to ₹3 lakh.
Entrepreneurship	• 1,14,902 DPIIT-recognized startups across 763 districts of the country (as of October 31, 2023) • 44.5 crore loans worth ₹26.1 lakh crore were sanctioned under the MUDRA Yojana, with 68 per cent of accounts belonging to women entrepreneurs. • Under PMSVANidhi, 82.3 lakh loans were sanctioned to over 58 lakh street vendors, with a total value exceeding ₹ 10,922.4 crore (as of January 11, 2024) • Under DAY-NRLM, 9.5 crore women mobilised into 87.4 lakh Self-Help Groups under DAY-NRLM (as of December 2023) • • Under Stand-Up India, 2.1 lakh loans have been sanctioned, of which 84 per cent have been sanctioned to women entrepreneurs (as of November 24, 2023)
Basic Amenities	• 11 crore toilets and 2.3 lakh community toilet complexes were constructed under Swachh Bharat MissionGrameen (as of January 11, 2024). • 10.8 crore households provided tap water connection under Jal Jeevan Mission (as of January 11, 2024).

	• Under PM-AWAS-Urban and PM-AWAS-Gramin, 79 lakh and 2.5 crore houses were constructed for the poor in the last 9 years (as of January 8, 2024 and January 11, 2024). • 10 crore LPG connections provided under PM Ujjwala Yojana since 2016 (as of January 8, 2024) • 21.4 crore rural households electrified under Saubhagya since 2015 (as of March 31, 2019) • Digital India: 4.5 lakh common service centres set up in rural areas (as of November 30, 2023)
Social Security 	• 51.4 crore accounts opened under PM Jan Dhan Yojana (as of January 3, 2024). • 18.5 crore and 41.0 crore enrolments under PM Jeevan Jyoti Yojana and PM Suraksha Beema Yojana, respectively (as of November 15, 2023). • Atal Pension Yojana (launched in 2015) total subscriber base has risen to 6.1 crore (as of December 31, 2023) • Assured pension for 49.7 lakh unorganised workers enrolled under PM Shram Yogi Maandhan Yojana (as of December 31, 2023).

3.3.2 Women-led development: Tapping the Gender Dividend for India@100

The passage of the women's reservation Bill (Nari Shakti Vandan Adhiniyam (NSVA)) in September 2023 coincided with the year of India's G20 Presidency, listing "women-led development" as one of its six priorities.

1. **NSVA and Political Representation:**
    - NSVA aims to enhance women's participation in government, mirroring the success of Panchayat seat reservations since 1991, which have led to increased investment in public goods and better health and education outcomes. Currently, 46% of elected Panchayat representatives are women.
2. **Economic Empowerment:**
    - Initiatives like PM Jan Dhan Yojana have increased women's access to financial services, empowering them economically. The proportion of women with bank accounts they use has risen from 53% in 2015-16 to 78.6% in 2019-21.
3. **Self-Help Groups (SHGs) and Skill Development:**
    - Women-led SHGs and programs like DAY-NRLM have significantly contributed to women's empowerment and skill enhancement. The government aims to create 2 crore 'Lakhpati Didis' through skilling programs.
4. **Infrastructure and Health Initiatives:**
    - Schemes such as Swachh Bharat Mission, Ujjwala Yojana, and Jal Jeevan Mission have improved the quality of life for women by addressing sanitation and water supply issues. Over 11 crore toilets have been constructed, and clean cooking gas connections provided to nearly 10.1 crore women.
5. **Housing and Asset Ownership:**
    - PM AWAS Yojana has facilitated women's asset ownership, leading to improved health outcomes and reduced domestic violence. 26.6% of completed houses are solely in women's names, and 69% are jointly owned by wives and husbands.
6. **Girl Child Education and Health:**
    - Initiatives like Beti Bachao, Beti Padhao and Sukanya Samriddhi Yojana emphasize the importance of girl child education and health, contributing to gender equality

and economic growth. Girls' enrollment ratio in secondary schools increased from 75.5% in FY15 to 79.4% in FY22.

These initiatives have resulted in positive outcomes, including increased female labor force participation (LFPR rising to 37% in 2022-23 from 23.3% in 2017-18), improved sex ratios (from 918 in 2014-15 to 933 in 2022-23), and reduced maternal mortality rates (from 130/lakh live births in 2014-16 to 97/lakh live births in 2018-20), signifying a shift towards women-led development in India.

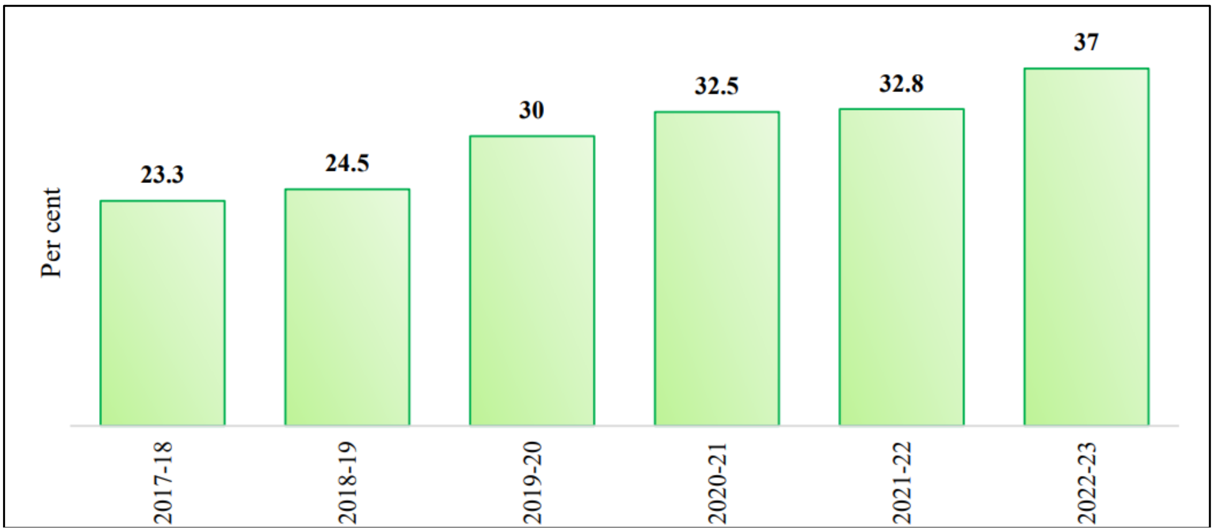

Chart 3.8 Female Labour Force Participation Rate (rural+urban), usual status, 15 years and above

3.3.3. Eyes on the long-term

Under the new welfare approach, significant progress in human development has been achieved, but persistent challenges remain, requiring sustained efforts and a comprehensive societal approach.

1. **Malnutrition Challenge:**
    - Addressing malnutrition is crucial for achieving a **Kuposhan Mukt Bharat**. Efforts now extend beyond calorific sufficiency to include sanitation, clean water, basic healthcare, housing, and a life cycle approach to nutrition.
    - Initiatives like Mission Saksham Anganwadi and Poshan 2.0 focus on micronutrient sufficiency and health improvement. The POSHAN Abhiyaan employs technology-based monitoring and behavioral change strategies.
    - Data from the National Family Health Survey shows progress: stunting reduced from 38.4% to 35.5%, wasting reduced from 21% to 19.3%, and underweight prevalence reduced from 35.8% to 32.1% among children under five years.
2. **Learning Outcomes in Education:**
    - While universal access to elementary education has been achieved, the focus is now on improving learning outcomes.
    - The National Education Policy emphasizes learning quality, teacher training, community involvement, and pedagogical changes.
    - Efforts to mitigate the impact of Covid-19 on education, as seen in the National Achievement Survey 2021 results, are underway.

3.3.3 Employment situation in the past decade

Over the past decade, India has witnessed significant positive changes in its employment landscape, driven by economic reforms, technological advancements, and skill development initiatives.

1. **Decline in Unemployment Rate and Rise in LFPR:**
    - The unemployment rate decreased from 6% in 2017-18 to 3.2% in 2022-23, according to the Periodic Labour Force Surveys (PLFS) by the National Statistical Organisation, MoSPI.
    - The Labour Force Participation Rate (LFPR) rose from 49.8% in 2017-18 to 57.9% in 2022-23, driven by increased participation, especially among rural females.

		Rural		Urban		Rural + Urban	
		2017-18	2022-23	2017-18	2022-23	2017-18	2022-23
Male	LFPR	76.4	80.2	74.5	74.5	75.8	78.5
	WPR	72.0	78.0	69.3	71.0	71.2	76.0
	UR	5.7	2.7	6.9	4.7	6.1	3.3
Female	LFPR	24.6	41.5	20.4	25.4	23.3	37.0
	WPR	23.7	40.7	18.2	23.5	22.0	35.9
	UR	3.8	1.8	10.8	7.5	5.6	2.9
Person	LFPR	50.7	60.8	47.6	50.4	49.8	57.9
	WPR	48.1	59.4	43.9	47.7	46.8	56.0
	UR	5.3	2.4	7.7	5.4	6.0	3.2

Table .Annual Labour Market Indicators ((usual status, age 15 years and above)

2. **Organised Sector Job Market:**
    - Payroll data from the Employees' Provident Fund Organisation (EPFO) showed a significant increase in net payroll additions, rising from 61 lakh in 2018-19 to 139 lakh in 2022-23.
    - The Aatmanirbhar Bharat Rojgar Yojana (ABRY) facilitated rapid job market recovery from the pandemic.
3. **Gig Economy and Job Flexibility:**
    - The gig economy employed 77 lakh workers in FY21, contributing to job creation, particularly in tier-2 and tier-3 cities.
    - Part-time opportunities for students and temporary unemployment shock absorbers are prevalent, with workers often transitioning to better-paying roles after gaining platform experience.

In the last decade, India has made positive strides in jobs, focusing on formal work, skill building, and diverse industries. Despite progress, challenges like ensuring social security for workers persist. However, India's evolving job scene sets a strong foundation for continued economic growth and social well-being.

3.3.4. Rising Youth Employment

Over the years, youth employment has shown significant improvement alongside the growth of the youth population. According to the PLFS:

1. **National Trends:**

- Youth (age 15-29 years) unemployment rate decreased from 17.8% in 2017-18 to 10% in 2022-23.
- Youth LFPR expanded from 38.2% to 44.5% during the same period.
- The proportion of employed youth increased from 31% to 40.1% in six years, reflecting substantial progress for a populous country during a demographic transition.
- Former Chief Statistician TCA Anant highlighted that despite a higher unemployment rate (10% compared to 3.2% across all age groups), youth employment has seen significant growth, with an additional 35 million people finding work, exceeding the population growth of 17 million in that segment.

2. **State-Level Trends:**
   - States with larger youth populations, such as Uttar Pradesh, Bihar, and Madhya Pradesh, have witnessed significant declines in youth unemployment rates.
   - For example, Uttar Pradesh's youth unemployment rate dropped from 16.7% in 2017-18 to 7% in 2022-23, accompanied by a rise in youth LFPR from 33.7% to 41.4% during the same period.
   - States with a prominent youth bulge are leading the way in increasing youth employment opportunities.

3.3.5 Rising Female Labour Force Participation Rate

In the new millennium, India has witnessed a notable shift in its Female LFPR (FLFPR), accompanied by significant increases in female education enrollment. For instance:

1. **Educational Enrollment Trends:**
   - Female Gross Enrollment Ratio (GER) in senior secondary education more than doubled from 24.5% in 2004-05 to 58.2% in 2021-22.
   - Female GER in higher education quadrupled from 6.7% in FY2001 to 27.9% in FY21.
   - The rise in female education levels suggests future workforce participation improvements, aligning with Goldin's U-curve theory between FLFPR and education in the Indian context.
2. **Recent FLFPR Trends:**
   - FLFPR has been steadily rising, increasing from 23.3% in 2017-18 to **37%** in 2022-23.
   - Rural FLFPR has shown substantial growth, with a significant rise in self-employment and agriculture among working women.
3. **Factors Driving Rural Female Employment:**
   - Contributing factors include sustained growth in agriculture output and improved access to basic amenities.
   - PLFS data indicates a shift of females away from domestic duties, reflecting their increased participation in rural production.
4. **Structural Shifts in Rural Female Workforce:**
   - There's a rising proportion of skilled agriculture labor among rural females, indicating a shift towards market-oriented work and efficient labor utilization.
   - The feminization of agriculture reflects a necessary structural change, with women contributing significantly to rural family incomes.
5. **Overall Implications:**
   - The rise in youth and female employment is pivotal for leveraging India's demographic advantage.
   - The increasing FLFPR and its composition signify a positive shift in societal gender dynamics and economic participation.

These trends underscore the importance of continued efforts to enhance female education and workforce opportunities, ensuring inclusive and sustainable economic growth.

3.3.6 Skill Development and Entrepreneurship

Recognizing the critical role of a skilled workforce in an evolving global economy, the Indian government has proactively enhanced efforts to improve employability. Since the establishment of a Central Ministry in 2014, initiatives like the

1. **National Skill Development Mission** and the National Policy on Skill Development and Entrepreneurship have been launched.
2. **The National Educational Policy (NEP) 2020** emphasizes integrating vocational education with general education, enhancing the country's skill development landscape.
3. **Skill India Mission**, inaugurated in 2015, which has trained nearly 1.4 crore candidates under the **PM Kaushal Vikas Yojana**. The recent introduction of the **Skill India Digital platform** further facilitates skill acquisition across India.

The dividends of mass skilling are evident, with India's rise in WorldSkills Competitions rankings from 39th in 2011 to 11th in 2022. The employable percentage of final-year and pre-final-year students has also surged from 33.9% in 2014 to 51.3% in 2024, as per the India Skills Report 2023.

Looking ahead, there's vast potential to integrate skilling into the education curriculum, as outlined in the NEP. Upskilling the existing workforce, where 72.6% of workers aged 15-59 lack vocational/technical training, is crucial. With a significant portion of the youth having ten or more years of schooling, efforts to bridge the education-skill gap can significantly enhance employability.

3.4. India's External Sector: Safely Navigating Through Uncertainties

3.4.1. Merchandise trade depicted resilience.

India's exports have experienced significant growth, reaching record highs in recent years. Merchandise exports surged by over 50% and services exports by 120% over the past decade (FY13 to FY23). In FY23, merchandise exports hit an all-time high of USD 451.1 billion. However, growth moderated in FY23 due to geopolitical tensions, and further moderation occurred in FY24 due to weaker global demand.

1. **Trade Balance Improvement**: Despite global challenges and fluctuations in demand, India's merchandise trade balance showed notable improvement. The trade deficit narrowed from USD 189.2 billion in April-November 2022 to USD 166.4 billion in April-November 2023, largely due to a decline in imports.
2. **Export Composition**: While the composition of India's exports has remained relatively stable, there has been progressive diversification in the export basket. This diversification presents opportunities for enhancing the quality and complexity of exports, leveraging existing capabilities.
3. **Services Sector**: India's services sector, particularly software services, has played a significant role in the export landscape, consistently contributing nearly half of total services exports. Business services have also seen a rise in share, reflecting the country's transition to a knowledge-based economy.
4. **Global Capability Centers**: The increasing presence of Global Capability Centers in India underscores the country's attractiveness for business services and knowledge-based activities, further contributing to export growth.

5. **Policy Measures**: The government has implemented various policy measures to boost exports, including setting ambitious export targets, providing export credit insurance services, and encouraging banks to offer affordable credit to MSME exporters. These initiatives aim to enhance export competitiveness and facilitate market exploration and product diversification.

India aims to achieve USD 2 trillion in exports by 2030, emphasizing the importance of sustained efforts to promote export-oriented growth and strengthen the country's position in the global market. Continued policy support and trade facilitation measures will be crucial in realizing this goal.

3.4.2 Comfortable balance on current account

India's current account balance has remained comfortable, supported by the growth of service exports and remittances. The compound annual growth rate (CAGR) of service exports was 7.1% during FY12 to FY23

1. **Remittances**: Remittances, with a CAGR of 4.5% over FY12 to FY23 during the same period, have also played a crucial role in supporting India's current account balance. India remains the largest recipient of worker remittances globally, receiving USD 125 billion in 2023.
2. **Current Account Deficit Improvement**: The current account deficit (CAD) for the first half (H1) of FY24 decreased to USD 17.5 billion from USD 48.8 billion in the previous year's corresponding period, marking a substantial decline of 64.1%. This improvement is attributed to broad-based enhancements in both merchandise trade and invisibles.
3. **Structural Shift in Remittance Patterns**: Indian migrants' destinations have shifted gradually from low-skilled, informal employment to high-skilled jobs in countries like the United States, the United Kingdom, and East Asia. This structural shift has been facilitated by an improvement in migrants' qualifications.
4. **Remittance Levels**: In FY23, private transfer receipts, primarily comprising remittances by Indians, reached a record level of USD 112.5 billion, marking a growth of 26.2% compared to the previous year. During April-September 2023, private transfer receipts amounted to USD 55.2 billion, indicating a 4.1% increase compared to the corresponding period of the previous year.

Overall, the combination of robust growth in service exports and remittances has contributed to maintaining India's current account balance within a comfortable range, particularly since FY14.

3.4.3 Capital account

During the first half of FY24, India witnessed a substantial increase in foreign investment inflows, both direct and portfolio, leading to a positive balance on the capital account. This surge, amounting to 88.2% year-on-year, contributed to an accumulation of foreign exchange reserves by USD 27 billion since the end of FY23. The stability in the rupee-dollar exchange rate during FY24 further bolstered investor confidence.

1. **Foreign Portfolio Investors (FPIs)**: FPIs increased their exposure to Indian markets by USD 28.8 billion in H1 of FY24, contrasting with the outflow of USD 7.8 billion in H1 of FY23. A series of regulatory reforms and measures aimed at simplifying the FPI regulatory regime and facilitating investor onboarding have been implemented to attract foreign investment.
2. **Foreign Direct Investment (FDI)**: Despite subdued global trends, India remains an attractive destination for FDI due to its young workforce, large middle-class population, and

transparent investment policies. The country has seen a significant increase in FDI inflows, with a compound annual growth rate (CAGR) of 28.0% during FY13-FY23.

3. **External Debt Management**: India's external debt, amounting to USD 635.3 billion by the end of September 2023, has been prudently managed over time. The ratio of external debt to GDP declined to 18.6% at the end of September 2023 from 22.4% at the end of March 2013. The short-term debt constituted 20.1% of Total External Debt (TED) by end-September 2023, primarily in the form of short-term trade credits.
4. **Foreign Exchange Reserves**: India's foreign exchange reserves stood at USD 623.2 billion as of December 29, 2023, covering imports for more than ten months. The reserves provide a substantial buffer against external shocks and uncertainties, with the ratio of Foreign Exchange Reserves (FER) to external debt reaching 98.1% by end-September 2023.
5. **Net IIP to GDP Ratio**: The Net International Investment Position (NIIP) to GDP ratio reflects the net claims of non-residents in India relative to the country's GDP. A negative value indicates that non-residents hold more financial assets in India than Indians hold abroad. Over the past decade, this ratio has consistently decreased, from -18.2% of GDP at the end of March 2014 to -11.3% at the end of September 2023. A declining ratio suggests a more constructive utilization of financial liabilities in the creation of GDP, which can be interpreted as a positive sign for the country's creditworthiness.

Overall, India's prudent management of foreign investment, external debt, and foreign exchange reserves reflects the country's commitment to maintaining macroeconomic stability and fostering a conducive environment for investment and economic growth.

3.4.4. Way Forward for the External Sector

The global economy continues to face various challenges, including persistent issues such as sticky inflation, sluggish growth, and mounting fiscal pressures. Additionally, potential risks are anticipated to arise from ongoing geopolitical tensions and the recent surge in shipping costs, driven by rerouting to avoid security risks in international waters. These factors have the potential to trigger inflation, particularly in terms of energy costs.

Regarding India's economic outlook for FY24,
1. the first advanced estimates of national income indicate a moderation in the share of **exports** in GDP compared to the previous fiscal year. This decline is attributed to a slowdown in global demand, which has led to reduced demand for India's exports.
2. However, on the investment front, continuous reforms in the **Foreign Direct Investment (FDI) policy**, coupled with efforts to improve infrastructure and logistics, are expected to sustain the momentum of investment inflows in the coming months.
3.**Foreign Portfolio Investors (FPIs)** have turned net buyers in FY24, marking a reversal from the trend observed in the previous two financial years. This shift is driven by increasing confidence in the prospects for the Indian economy and markets, supported by stability in foreign exchange reserves and the external debt position relative to other countries, among other factors.
4. **Remittances**, which showed strong growth in 2023, are anticipated to continue this positive trend in 2024. Growth in remittances is expected to be up to 8%, with remittance levels projected to reach USD 135 billion in 2024.

Overall, while challenges persist in the global economy, India remains poised to navigate through these uncertainties with resilience and strategic economic measures.

3.5 Climate Action

3.5.1. India's Climate Action Towards Building Resilience

India's approach to addressing climate change is comprehensive and multifaceted, reflecting a commitment to sustainable development while acknowledging its responsibility in the global effort to mitigate climate change impacts.

1. **Nationally Determined Contributions (NDCs) Achievements:**
    - India's NDCs, announced in 2015, include ambitious targets to reduce emission intensity, increase non-fossil fuel-based energy capacity, and enhance carbon sinks through afforestation.
    - India aims to reduce the emission intensity of its GDP by 33 to 35 per cent by 2030 from the 2005 level.
    - India aims to achieve about 40 per cent cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030.
    - Aims to create an additional carbon sink of 2.5 to 3 billion tonnes of CO2eq through additional forest and tree cover by 2030.

2. **National Action Plan on Climate Change (NAPCC):** India's NAPCC comprises nine missions focused on various aspects of climate action, including renewable energy, sustainable agriculture, water conservation, and disaster management. The implementation of these missions has contributed to building resilience and adaptive capacity across different sectors.

3. **Renewable Energy and Energy Efficiency:**
    - Non-fossil fuel-installed electricity capacity reached 43.9 per cent in November 2023, up from 32.3 per cent in 2014 and 30.4 per cent in 2004.
    - India's installed solar energy capacity increased from 2.63 GW in March 2014 to 72.3 GW in November 2023.
4. **Energy Efficiency Programs:**
    - The Perform Achieve and Trade (PAT) scheme resulted in savings of about 24.3 million tonnes of Oil Equivalent by 2022, avoiding about 105.02 million tonnes of CO2 emissions.
    - The Energy Conservation Act was amended in 2022 to establish a domestic carbon market - the Carbon Credit Trading Scheme (CCTS).
5. **Transportation and Infrastructure:**
    - As of December 2023, there were a total of ten thousand EV charging stations in India.
    - The operational metro rail network in India expanded by more than 450 km since 2018-19, with over 900 km of metro rail network operational in the country in 2023.
6. **Hydrogen Mission:**
    - The National Green Hydrogen Mission aims to develop 5 million metric tonnes (MMT) of green hydrogen production capacity per annum by 2030.
    - The mission is expected to reduce a cumulative ₹ 1 lakh crore worth of fossil fuel imports by 2030 and CO2 emission reduction of nearly 50 MMT annually.
7. **Climate Resilience and Adaptation:**
    - The National Clean Air Programme (NCAP), Namami Gange Programme, and other initiatives contribute to building resilience and adaptive capacity in various sectors.
8. **Global Leadership and Collaboration:**
    - India leads initiatives like the International Solar Alliance, Coalition for Disaster Resilient Infrastructure, and co-leads the Leadership Group for Industry Transition (LeadIT) with Sweden.

India's climate actions reflect a balanced approach that integrates environmental sustainability with socio-economic development goals. By pursuing ambitious targets, fostering innovation, and engaging in global cooperation, India aims to emerge as a leader in climate action while advancing its national development agenda.

4. Outlook

Over the past decade, India has made remarkable economic progress, transitioning from being the 10th largest economy to the 5th largest in the world, with a GDP of USD 3.7 trillion (estimated for FY24). Despite facing challenges such as the pandemic and inheriting an economy with macro imbalances and a broken financial sector, India's economic resilience has been evident, thanks to several substantive and incremental reforms.

Looking ahead, India is poised to become the third-largest economy in the world within the next three years, with a targeted GDP of USD 5 trillion. The government has set an even higher goal of achieving 'developed country' status by 2047, which appears achievable with continued reforms and the full participation of state governments. Reforms need to encompass changes in governance at various levels, focusing on citizen-friendly and small business-friendly initiatives, along with improvements in health, education, land, and labor sectors.

India's economic growth has been driven by robust domestic demand, particularly private consumption and investment, which have benefited from reforms implemented over the last decade. Investments in physical and digital infrastructure, along with measures to boost manufacturing, have strengthened the supply side and stimulated economic activity. Real GDP growth for FY25 is expected to be around 7 percent, with potential for higher growth rates in the coming years.

Several factors contribute to the positive outlook for India's economy, including improvements in physical infrastructure, strengthened balance sheets through mechanisms like the Insolvency and Bankruptcy Code (IBC), advancements in digital infrastructure, enhanced human capital formation, and an increasingly favorable investment climate.

The implementation of the Goods and Services Tax (GST) has unified domestic markets, incentivizing production on a larger scale and reducing logistics costs. The expansion of the tax base will strengthen government finances, supporting growth-enhancing public expenditures. Additionally, the Reserve Bank of India's credibility in controlling inflation provides a stable interest rate environment conducive to long-term investment and spending decisions.

Despite sluggish global economic growth and trade, India's economy has demonstrated internal strengths, with a compounded annual growth rate of 7.4 percent between 2014 and 2019. The Indian economy is capable of sustained growth above 7 percent, supported by recent and future structural reforms. However, geopolitical conflicts pose elevated risks, underscoring the need for continued reforms in areas such as skilling, education, health, energy security, MSME compliance burden reduction, and gender balancing in the labor force.

With reasonable assumptions regarding inflation differentials and exchange rates, India could aspire to become a USD 7 trillion economy by 2030, a significant milestone toward achieving the aspirations of its people for a better quality of life and standard of living.