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ECONOMIC SURVEY

2020-21

VOLUME 2

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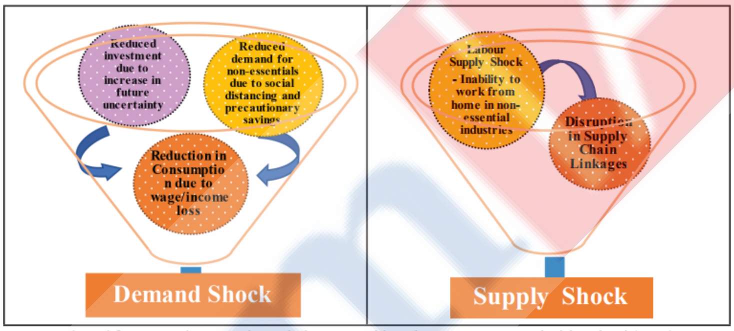
Chapter 1 - State of the Economy 2020-21: A Macro View

State of the Economy 2020-21	• The year 2020 was predominated by the COVID-19 pandemic, posing the most formidable economic challenge to India and to the world, since the Global Financial Crisis. • Global economic output is estimated to fall by 4.4 per cent in 2020, the sharpest contraction in a century • Around the globe, governments and central banks deployed a range of policy tools such as lowering key policy rates, quantitative easing measures, loan guarantees, and fiscal stimuli.
Policy Dilemmas Underlying Covid-19	• Policymakers around the world faced a dilemma of "lives versus livelihoods, i.e., flattening the disease curve would invariably entail steepening of the recession curve • Demand Side and Supply Side Shocks **Figure 11: Twin Economic Shocks by the Pandemic**  Source: Adapted from Estupinan, Xavier and Sharma, Mohit and Gupta, Sargam and Birla, Bharti (2020)
Disruption of global economy by the pandemic	• The pandemic raised unprecedented health challenges • Economic activity has been belaboured by reduced mobility, owing both to official restrictions and private decisions; uncertainty regarding the post-pandemic economic prospects and policies has impacted investment; disruptions in education have decelerated human capital accumulation; concerns about the viability of global value chains; and the adverse impact on international trade and tourism
V-Shaped recovery	• The economy witnessed a sharp contraction of 23.9 per cent in Q1: FY 2020-21 and 7.5 per cent in Q2: FY 2020-21 due to the stringent lockdown imposed during March-April, 2020 • Since then, several high frequency indicators have demonstrated a V-shaped recovery
Sectoral trends	• Agriculture o It is the only sector that has contributed positively to the overall Gross Value Added (GVA) in both Q1 and Q2 2020-21. o Critical steps such as PM-KISAN, adoption of cost plus 50 per cent formula for MSP, focus on irrigation via PM Krishi Sinchai Yojana, micro-irrigation scheme, promoting economies of scale through FPOs, and institutionalizing e-NAM (Electronic national agricultural market), and

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	promotion of agricultural mechanization through subsidies and custom hiring centres, have contributed to nourishing a vibrant agricultural sector • Industrial Production o A palpable V-shaped recovery in industrial production was observed over the year • Inflation, mainly driven by food prices, remained above 6 per cent for much of the year, given supply disruptions. The softening of CPI inflation recently reflects easing of supply side constraints that affected food inflation. • The weak demand led to a sharper contraction in imports than exports, with Forex reserves rising to cover 18 months of imports.
Policy Response to Covid-19	• Global o additional spending or forgone revenue, temporary tax cuts, cash and in-kind transfers, unemployment benefits, wage subsidies, and liquidity support, including loans, guarantees, and equity injections by the public sector o Monetary authorities across the world have eased monetary conditions • India's Strategic Multi-Pronged Policy Response o India adopted a graded four-pronged pre-emptive, and pro-active strategy consisting of ▪ containment measures, ▪ calibrated fiscal support focussed on essentials during lockdown and demand push during the unlock phase, ▪ financial measures ▪ structural reforms to combat COVID-19 • As part of India's four-pillar strategy, calibrated fiscal and monetary support was provided attuned to the evolving economic situation, cushioning the vulnerable in the lockdown and boosting consumption and investment while unlocking. Long-pending structural reforms in agriculture, mining, labour, etc. were concurrently undertaken for the economy to return to the potential growth path, keeping super-hysteresis at bay. The estimated real GDP growth for FY 2022 at 11 per cent is the highest since independence.

Chapter 2 - Fiscal Developments

INTRODUCTION

- The global economy experienced an unprecedented crisis in the year 2020. Amidst this phase of shock and uncertainty **massive fiscal measures, amounting to 12 percent of global GDP,** were taken globally to mitigate the adverse impact of the pandemic. Fiscal policy, in combination with monetary policy measures, emerged as an effective policy tool in times of crisis.
- At the domestic front, the year 2020-21 has been a challenging one on the fiscal front. The shortfall in revenue collection owing to the interruption in economic activity and the additional expenditure requirements to mitigate the fallout of the pandemic on vulnerable people, small businesses, and the economy in general, created immense pressure on the available limited fiscal resources.
- The fiscal policy response of the Government of India to the pandemic was distinct from other countries. Unlike many other countries that chose a **front-loaded grand stimulus package for revival of the economy, Government of India adopted a step-by-step approach.**

FISCAL SITUATION AND RESPONSE TO COVID-19 PANDEMIC

- **During the lockdown phase**, when uncertainty was high, the **government policy focused on ensuring that all essentials were taken care of,** which included direct benefit transfers to the vulnerable sections, emergency credit to the small businesses, and the world's largest food subsidy programme targeting 80.96 crore beneficiaries.
- **During the unlock phase**, when **uncertainty declined and the precautionary motive to save subsided,** on the one hand, and economic mobility increased, on the other hand, India ramped up its fiscal spending focusing on overall demand revival.
- With the easing of movement and health-related restrictions in the third quarter, the pace of government expenditure has picked up sharply. Second to pandemic relief, the Government has placed maximum priority on **productive domestic capital expenditure which has a high multiplier effect on the economy.**
- In order to cater to the increased demand for resources, the target **for gross market borrowings** of the Central Government for the financial year 2020-21 was revised from the Budget estimate of 7.8 lakh crore to 12 lakh crores.
- The data on Government accounts for April to November 2020, released by the Controller General of Accounts, show that the **fiscal deficit of the Central Government at end November 2020 stood at 135.1 per cent of the BE** compared to 114.8 per cent during the same period in 2019-20
- Adoption of **countercyclical expansionary fiscal policy in times of crisis is expected to boost the growth in GDP both directly**, and indirectly through multiplier effects on private consumption expenditure and private investment. Higher GDP growth would thereby facilitate buoyant revenue collection in the medium term, and thereby enable a sustainable fiscal path.

REFORMS IN TAX ADMINISTRATION

The Government has consistently adopted reform measures aimed at the long-term benefits of a more transparent, efficient and tax-payer friendly tax administration.

- A major step in this direction is the introduction of **'Honoring the Honest' platform** which was launched in August 2020 with an objective to impart greater efficiency, transparency and accountability, and to eliminate physical interface between taxpayers and tax officers. The key features of the platform are

- Usage of technology, data analytics and Artificial Intelligence and
- Recognizing taxpayers as partners in nation-building.

  The Platform stands **on 3 pillars of tax administration** reforms namely, **Faceless assessment, Faceless appeal, and Taxpayers' charter.**

- **Faceless Assessment Scheme 2020**

  The Faceless Assessment Scheme, 2019 (earlier called the e-assessment Scheme and renamed in August 2020) was based on the idea that **automated random allocation of cases across Income Tax teams** with dynamic jurisdiction and elimination of face-to-face contact between the income-tax authorities and the taxpayer can lead to an efficient, non-discretionary, unbiased single window system of assessment. In 2020, the scope of Faceless Assessment Scheme 2019 was broadened by bringing all the pending assessment cases across the country within the purview of the Scheme and declaring that any order passed outside the scheme shall be invalid.

- **Faceless Appeals Scheme 2020**

  Under Faceless Appeals Scheme, 2020, all Income Tax appeals will be finalised in a faceless manner under the faceless ecosystem with the exception of appeals relating to serious frauds, major tax evasion, sensitive & search matters, International tax and Black Money Act.

  The Scheme establishes a National Faceless Appeal Centre (NFApC) as the apex body for conduct of e-appeal proceedings in a centralized manner. Under the NFApC are Regional Faceless Appeal Centers (RFAC) to facilitate the e-appeal proceedings. The Appeal Units, headed by one or more Commissioner (Appeals) and are placed under the RFAC.

- **Taxpayers' Charter**

  The third pillar of Honoring the Honest platform is the introduction of taxpayers' charter. The taxpayer's charter for India comprises of commitments by the Income Tax Department and obligations of the taxpayers. It emphasizes the importance of fair, courteous and reasonable treatment to taxpayer

- **Further Measure required:**
  - **Need for an independent Ombudsman:** International experience suggests an ombudsman system is necessary for ensuring protection of taxpayer's rights. However, the institution, in India's past experience, was not effective and was abolished. A possible reason may have been inadequate independence from the tax department. Therefore, there is a need to reinvigorate the systems of grievance redressal in India. In such a case to **avoid the conflict of interest, ensure fair dealings and consequently build the trust between taxpayers and the concerned tax authority,** it is imperative that the redressal organisation has adequate teeth and is **independent of the tax department**. Such an institution would thereby make the **'Honoring the Honest' platform more successful** by ensuring accountability and trust in the tax administration system.

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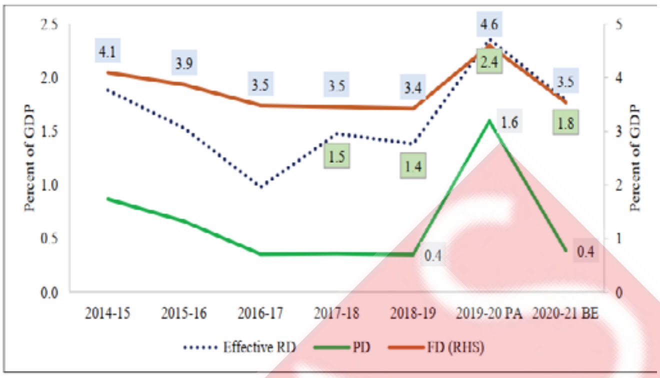
SOME IMPORTANT TRENDS

Trends in deficit: The Medium-Term Fiscal Policy (MTFP) Statement presented with Budget 2020-21 pegged the fiscal deficit target for FY 2020-21 at 3.5% of GDP, after providing adequate space for fiscal impact of the reforms adopted by the Government in FY 2019-20. The overall trend of various deficits over the past 5 years can be seen as:

Figure 9: Trends in Deficits

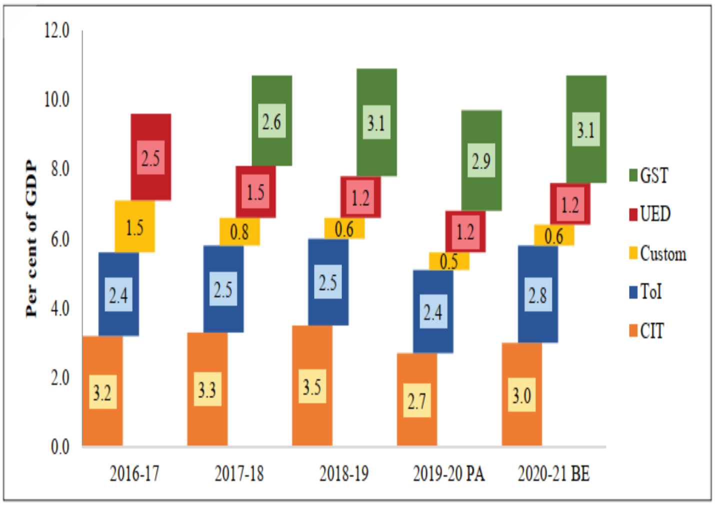


Source: Union Budget Documents & CGA
BE: Budget Estimate, PA: Provisional Actuals
FD: Fiscal Deficit; RD: Revenue Deficit; Primary Deficit

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 PA	2020-21 BE
	(in ₹ Lakh crore; Figures in parenthesis are as a per cent of GDP)						
Fiscal Deficit	5.11	5.33	5.36	5.91	6.49	9.36	7.96
	(4.1)	(3.9)	(3.5)	(3.5)	(3.4)	(4.6)	(3.5)
Revenue Deficit	3.66	3.43	3.16	4.44	4.54	6.68	6.09
	(2.9)	(2.5)	(2.1)	(2.6)	(2.4)	(3.3)	(2.7)
Primary Deficit	1.08	0.91	0.55	0.62	0.67	3.25	0.88
	(0.9)	(0.7)	(0.4)	(0.4)	(0.4)	(1.6)	(0.4)
Memo Item							
GDP at Market Price	124.68	137.72	153.62	170.95	189.71	203.40	224.89

Tax Revenues: The variation of various taxes as a percent of GDP over the years is depicted in the figure.

Figure 11: Taxes as a percent of GDP

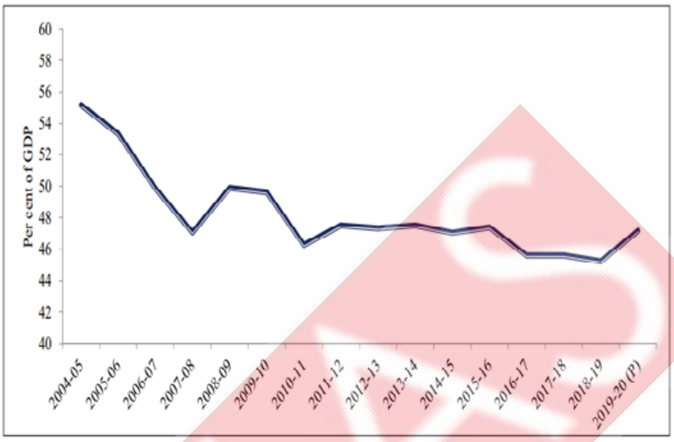


Source: Union Budget Documents & CGA
BE: Budget Estimate, PA: Provisional Actual, CIT: Corporation Tax, ToI: Taxes on Income other than Corporation Tax (includes STT), UED: Union Excise Duties, GST : Goods and Services Tax

Central government debt: Figure below shows that total liabilities of the Central Government, as a ratio of GDP, declined steadily immediately after the enactment of the FRBM Act, 2003, and has sustained at a level during the last decade.

- Central government debt is characterised by low currency and interest rate risks. This is owing to low share of external debt in the debt portfolio and almost entire external borrowings being from official sources.
- Further, most of the public debt has been contracted at fixed interest rate making India's debt stock virtually insulated from interest rate volatility. This lends certainty and stability to budget in terms of interest payments.

Figure 14: Trend in Centre's Debt-GDP ratio



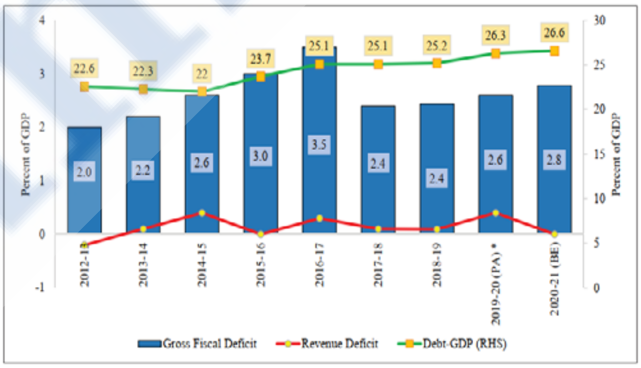
Source: Various issues of Status Paper on Government Debt; PA:Provisional

- The other salient feature is the gradual elongation of the maturity profile of the Central government's debt leading to reduced rollover risks. The proportion of dated securities maturing in less than five years has seen consistent decline in recent years.

State finances:

- The States had budgeted for a consolidated gross fiscal deficit of 2.8 per cent of GDP in 2020-21 BE.
- Figure depicts the trend of fiscal consolidation for the combined States in the last 3 years, with an average Gross Fiscal Deficit of 2.46 per cent of GDP. The Gross Fiscal Deficit for States is however expected to shoot up relative to the pegged Budget estimate during 2020-21.

Figure 16: Major deficit and debt indicators of States



Source: RBI State Finances: A Study of Budget; PA: Provisional Actuals ; BE: Budget Estimates
Note: States include 29 states and 2 Union Territories with legislatures.

STEPS TAKEN BY CENTRAL GOVERNMENT TO SUPPORT STATE GOVERNMENTS

The measures are as follows:

1. Enhanced limit of borrowing for FY2020-21 under Atma Nirbhar Bharat package

Under the Atma Nirbhar Bharat package, additional borrowing limit of up to 2 percent of Gross State Domestic Product (GSDP) was allowed to the States. Of the additional 2 per cent borrowing allowed to the States, the first instalment of 0.5 per cent borrowing was untied for all the states. The second part amounting to 1 per cent of GSDP was subject to implementation of following four specific State level reforms-

a) Implementation of One Nation One Ration Card System;
b) Ease of doing business reform;
c) Urban Local body/ utility reforms; and
d) Power Sector reforms

The final 0.5 per cent borrowing was conditional on undertaking at least 3 out of the above mentioned reforms.

2. Compensation to the States for loss in GST revenue

In order to compensate the states for the loss of GST revenue during FY 2020-21, Central Government had given the states an option to either borrow the shortfall arising out of GST implementation through issue of debt under a Special Window coordinated by the Ministry of Finance which was passed on to the States and UTs (Option 1), or raise the entire shortfall through the issue of market debt (Option 2).

3. Scheme for Special Assistance to States for Capital Expenditure

During the year 2020-21, considering the fiscal environment faced by the State Governments due to the shortfall in tax revenues arising from the COVID-19 pandemic, 'Scheme for Special Assistance to States for Capital Expenditure', has been approved wherein special assistance is being provided to the State Governments in the form of 50-year interest free loan up to an overall sum not exceeding ` 12,000 crore.

4. SDRF

The Central Government by way of a special one-time dispensation had decided to treat COVID-19 as a notified disaster for the purpose of providing assistance under SDRF. In 2020, the states' limit for spending the SDRF during FY 2020-21 was raised to 50%, in order to support them in containment measures of COVID-19 including measures for quarantine, sample collection and screening; and procurement of essential equipment/ labs for response to COVID-19.

CONCLUSION

In the wake of the global pandemic outbreak, the General Government (Centre plus States) is expected to register a fiscal slippage in FY 2020-21, on account of the shortfall in revenue and higher expenditure requirements. However, longer term sustainability depends crucially on reviving growth relative to the interest cost of Government debt.

Government may have to continue with an expansionary fiscal stance. The expenditure support along with the various key reforms introduced during the year are likely to impart the required momentum to medium-term growth. The calibrated approach adopted by India allows space for maintaining a fiscal impulse the coming year. The growth recovery would facilitate buoyant revenue collections in the medium term, and thereby enable a sustainable fiscal path.

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Chapter 3 - External Sector

INTRODUCTION

- COVID-19 pandemic has triggered the worst global recession in 2020 since the Great Depression; the adverse economic impact is, however, expected to be lesser than initially feared.
- The resulting economic crisis has led to a sharp decline in global trade, lower commodity prices and tighter external financing conditions with varying implications for current account balances and currencies of different countries.
- The changing nature of India's global trade manifested in terms of sliding exports of gems and jewellery, engineering goods, textile and allied products and improving exports of drugs and pharma, software and agriculture and allied products.

GLOBAL ECONOMIC ENVIRONMENT

- The spread of the pandemic led to associated suspension of economic activities, supply-chain disruptions, travel restrictions and volatility in international commodity prices. As a result, there was a wave of downward revisions to global output growth and trade volume.
- In sum, the global economy is still reeling under the impact of the unprecedented COVID-19 shock. Amidst this uncertain and shaky global economic environment, India's external sector has emerged as a key cushion for resilience. The comfortable external balance position of India has been supported by surplus current account balances over three consecutive quarters, resumption of portfolio capital inflows, robust FDI inflows and sustained build-up of foreign exchange reserves.

OTHER DEVELOPMENTS

- India's **forex reserves** at an all-time high of US$ 586.1 billion as on January 08, 2021, covering about 18 months worth of imports.
- India experiencing a **Current Account Surplus** along with robust capital inflows leading to a BoP surplus since Q4 of FY2019-20
- **Balance on the capital account** is buttressed by robust FDI and FPI inflows.
- India to end with an **Annual Current Account Surplus** after a period of 17 years
- **Total merchandise imports declined** by (-) 29.1% to US$ 258.3 billion during April-December, 2020 ; the pace of contraction eased in subsequent quarters, due to the accelerated positive growth in Gold and Silver imports and narrowing contraction in non-POL, non-Gold & non-Silver imports .Fertilizers, vegetable oil, drugs & pharmaceuticals and computer hardware & peripherals have contributed positively to the growth of non-POL, non-Gold & non-Silver imports
- Trade balance with China and the US improved as imports slowed
- **Net services receipts** amounting to US$ 41.7 billion remained stable in April-September 2020.
- Resilience of the services sector was primarily driven by software services, which accounted for 49% of total services exports
- **Net private transfer receipts,** mainly representing remittances by Indians employed overseas, totaling US$ 35.8 billion in H1: FY21 declined by 6.7% over the corresponding period of previous year.
- **Improvement in debt vulnerability indicators:** Ratio of forex reserves to total and short-term debt (original and residual) .Ratio of short-term debt (original maturity) to the total

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stock of external debt. Debt service ratio (principal repayment plus interest payment) increased to 9.7% as at end-September 2020, compared to 6.5% as at end-March 2020

- **Rupee appreciation/depreciation**: In terms of 6-currency nominal effective exchange rate (NEER) (trade-based weights), Rupee depreciated by 4.1% in December 2020 over March 2020; appreciated by 2.9% in terms of real effective exchange rate (REER) .In terms of 36-currency NEER (trade-based weights), Rupee depreciated by 2.9% in December 2020 over March 2020; appreciated by 2.2% in terms of REER.
- Initiatives undertaken to promote exports: **Production Linked Incentive** (PLI) Scheme. **Remission of Duties and Taxes on Exported Products** (RoDTEP). Improvement in logistics infrastructure and digital initiatives

Trade Related Logistics

- The COVID-19 pandemic has underscored the need for a resilient logistics sector that can respond to emergencies and supply chain disruptions. Despite the sector being plagued by some structural issues such as highly fragmented ownership; few large players; lack of consolidation in operations; sub-optimal modal share with freight movement highly skewed towards road sector; lack of an integrated approach by user sectors (multiple line ministries and agencies); absence of consistent policies and regulations; etc.,
- India has made remarkable progress in logistics sector. India's rank has improved significantly in trading across borders parameter of **'Ease of Doing Business'** index from 146 in 2018 to 68 in 2020. The **Logistics Performance Index** (LPI), released by the World Bank, assesses relative logistics efficiency of countries. On this index, India was ranked 44 out of 160 countries in 2018 vis-à-vis rank of 54 in 2014
- The **National Logistics Policy** is in an advanced stage of roll-out with a vision to develop a modern, efficient and resilient logistics services sector that builds on dynamic processes, technology and professional manpower to seamlessly integrate multiple modes of transportation and inventory management to provide more reliable, cost effective, greener, safer and equitable logistics solutions.

Some Infrastructure Initiatives which are at various stages of implementation are:

a. **Bharatmala Pariyojana** is a new umbrella program for the highways sector that envisages building more than 80,000 Km of roads, highways, greenfield expressways, bridges with an investment of around US$ 107 billion.

b. **Sagarmala** aims at Port Modernization & New Port Development, Port Connectivity Enhancement, Port-linked Industrialization, Coastal Community Development and giving impetus to Coastal Shipping. 508 projects have been identified and 111 waterways have been declared National waterways, for which the work is ongoing in phases.

c. **Multi-Modal Logistics Parks** shall act as hubs for freight movement enabling freight aggregation, distribution and multi-modal transportation. They would provide modern mechanized warehousing space and value-added services such as customs clearance with bonded storage yards, warehousing management services, etc.

d. **Dedicated Freight Corridors (DFCs)** aims at reduction in unit cost of transportation with higher speed of freight trains and better turnaround of wagons. Around 70 per cent of freight is expected to shift to DFC, freeing up capacity on Indian Railways.

e. **Trade Infrastructure for Export Scheme (TIES)** aims to assist creation of appropriate infrastructure for growth of exports from the States.

Some Digital/Technological Initiatives that are under development are:

a. **Logistics Planning and Performance Monitoring Tool** (LPPT) shall allow real-time monitoring of operational performance and asset utilization of various logistics infrastructure such as ports, airports, various corridors comprising national and state highways, Inland Container Depots (ICDs), etc.
b. **India Logistics Platform (iLOG)** - Several IT-based solutions have been deployed by government over the years such as Indian Customs EDI Gateway (ICEGATE) and Single Window Interface for Trade (SWIFT) developed for trade facilitation; Port Community System (PCS) for cargo handling at seaports; Freight Operations Information System (FOIS) by Indian Railways and VAHAN (National Vehicle Registration System) by Ministry of Road Transport and Highways.

India: Potential to be the pharmacy of the world

- Indian pharmaceutical industry **is third largest in the world**, in terms of volume, behind China and Italy and 14^{th} largest in terms of value. India almost doubled its share in world pharma exports in a span of ten years from 1.4 per cent in 2010 to 2.6 per cent in 2019. India was at 11^{th} position in terms of share in world pharma exports in 2019 with Germany, Switzerland and USA occupying the top three positions.
- India is the only country with largest number of US-FDA compliant pharma plants (more than 262 including APIs) outside of USA.
- COVID-19 has presented both an opportunity and a challenge for India to emerge as the 'pharmacy of the world'.
- The pandemic, however, exposed the excessive dependence of Indian pharmaceutical industry on China for sourcing **Active Pharmaceutical Ingredients (APIs) and Key Starting Materials (KSMs)**.
- A well-defined strategy for broad based development of the industry needs to include the following components: **(i) Broaden base in terms of** markets, as well as product categories, **(ii) Restructure the current regulatory mechanism, iii. Greater R&D Expenditure**.

INDIA'S ENGAGEMENT WITH WTO

- India is one of the founding members of WTO, which has played an important part in the effective formulation of major trade policies. Increasing protectionism, inadequate members in the Appellate Tribunal for dispute resolution, increasing number of Regional Trade Agreements (RTAs) and Free Trade Agreements (FTAs) etc. have resulted in member countries questioning the efficacy of WTO as an institution meant to ensure free trade and promote multilateralism.
- In the ongoing discussions on WTO reforms, India's proposal seeks to re-affirm the importance of development and promote inclusive growth. The broad elements of India's proposal include:
    - (i) Preserving the core values of the Multilateral Trading System;
    - **(ii)** Resolving the impasse in the Dispute Settlement System;
    - **(iii)** Safeguarding development concerns; and
    - **(iv)** Transparency and Notifications.
- During the WTO TRIPS Council meeting, held on 15-16 October, 2020, India and South Africa jointly proposed **"Waiver from Certain Provisions of the TRIPS Agreement for the Prevention, Containment and Treatment of COVID-19"** for a limited time period, with a view to ensure that the intellectual property rights do not become a barrier in the timely and

affordable access to medical products, including vaccines and therapeutics, and enable nations to deal effectively with the public health emergency arising out of COVID-19 pandemic.

- **'Appellate Body (AB) crisis'.** With fewer than three members to hear any appeal since 10th December, 2019, the AB is not able to function. In the wake of this crisis, around 23 WTO members have created a Multiparty Interim Arbitration (MPIA) mechanism that closely replicates the substantive and procedural aspects of appellate review under the AB. EU, China, Brazil, Australia, New Zealand are some of the key members of MPIA.
- Agreement on Agriculture (AoA): As per the **Buenos Aires Ministerial Decision** (MC11) of December, 2017, WTO Members agreed to continue to engage constructively to frame disciplines on fisheries subsidies by the next Ministerial Conference (MC-12) in 2020. The negotiations are ongoing and are being conducted in the form of monthly cluster meetings under Negotiating Group on Rules (NGR) in the WTO.

WAY FORWARD

- The COVID-19 pandemic impacted external sector differently for different countries. While countries witnessed contraction in exports and imports, AEs suffered larger contraction and EMDEs, less, especially the East-Asian economies.
- In India, calibrated easing of lockdown restrictions narrowed contraction in both exports and imports with imports posting faster recovery leading to progressive expansion of merchandise trade deficit over the quarters of the current year.
- Improving trends in India's merchandise trade have been supplemented by equity capital inflows, robust FDI inflows and sustained build-up of foreign exchange reserves. The comfortable foreign exchange reserves give the much-needed space for enhanced domestic investments.
- The disruption of global manufacturing value chains due to the COVID-19 pandemic presents a tremendous opportunity for India to become one of the key nodes in the chain.
- Various export initiatives, as documented above – including those aimed at promoting ease of exporting – have been undertaken by the government and RBI and implementation of these initiatives would pave the way for the sustainable export performance in India going forward.

Chapter 4 - Monetary Management and Financial Intermediation

Given the unprecedented shock of COVID-19 pandemic, monetary policy was significantly eased from March 2020 onwards. RBI undertook various conventional and unconventional measures like Open Market Operations, Long Term Repo Operations, Targeted Long Term Repo Operations etc. to manage liquidity situation in the economy.

The financial flows to the real economy however remained constrained on account of subdued credit growth by both banks and Non-Banking Financial Corporations. The higher reserve money growth did not fully translate into commensurate money supply growth due to the lower (adjusted) money multiplier reflecting large deposits by banks with RBI under reverse repo.

- Gross Non Performing Assets ratio of Scheduled Commercial Banks decreased from 8.21 per cent at the end of March 2020 to 7.49 per cent at the end of September 2020.
- Capital to risk-weighted asset ratio of Scheduled Commercial Banks increased from 14.7 per cent to 15.8 per cent between March 2020 and September 2020 with improvement in both Public and Private sector banks.
- Improvement in transmission of policy repo rates to deposit and lending rates, as reflected in the decline of 94 bps and 67 bps in Weighted Average Lending Rate on fresh rupee loans and outstanding rupee loans respectively from March 2020 to November 2020.
- The recovery rate for the Scheduled Commercial Banks through IBC (since its inception) has been over 45 per cent. However, the focus on resolution of stressed assets had to take a backseat during the year on account of the outbreak of the Covid-19 pandemic. Government had suspended the initiation of fresh insolvency proceedings.

Regulatory Measures in Banking Sector

Commercial Banks

1. Merger of PSBs: Consolidation among another 10 PSBs, with Punjab National Bank, Canara Bank, Union Bank of India and Indian Bank as anchor banks came into effect from April 1, 2020.
2. Restructuring of MSME loans: A one-time restructuring of loans to MSMEs that were in default but 'standard' as on January 1, 2019, was permitted.
3. Large exposure framework: A bank's exposure under the Large Exposure Framework to a group of connected counterparties was increased from 25 per cent to 30 per cent of the eligible capital base of the bank.
4. Export Credit: The maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks was increased from one year to 15 months for disbursements made up to July 31, 2020, in line with the relaxation granted in the period of realization and repatriation of the export proceeds to India.
5. Monetary policy transmission – external benchmarking of loans: RBI deregulated the interest rates on advances by SCBs (excluding RRBs). With a view to strengthen the transmission of monetary policy, the banks were mandated to link all new floating rate personal or retail loans and floating rate loans extended to MSMEs to external benchmarks such as repo rate, Treasury Bill Rate and any external benchmark published by Financial Benchmarks India Pvt Ltd (FBIL).

Co-operative Bank

1. Revision in the target for priority sector lending: To promote financial inclusion, the overall

priority sector lending target for Urban Co-operative Banks has been increased.

2. Inclusion of co-operative banks as eligible member lending institutions under interest subvention scheme for MSMEs - issuance of guidelines: All co-operative banks have been advised of their inclusion as Eligible Lending Institutions under the "Interest Subvention Scheme (ISS) for MSMSEs 2018" of the Government.
3. Reporting of large exposures to Central Repository of Information on Large Credits (CRILC): Urban Cooperative Banks (UCBs) with assets of `500 crore and above were brought under the CRILC reporting framework. Accordingly, UCBs shall report credit information, including classification of an account as Special Mention Account (SMA), on all borrowers having aggregate exposures of `5 crore and above with them to CRILC.
4. Limits on exposure to single and group borrowers and large exposures: The exposure norms for single borrower and a group of borrowers from 15 per cent and 40 per cent of UCB's capital funds, to 15 per cent and 25 per cent, respectively, of UCB's Tier-I capital.
5. Submission of returns under Section 31 (read with section 56) of the Banking Regulation Act, 1949 - Extension of time: In view of the difficulties faced by UCBs in submission of the returns due to the ongoing COVID-19 pandemic, the timeline for the furnishing of the returns for the financial year ended on March 31, 2020, was first extended by three months, i.e., till September 30, 2020 and then further to December 31, 2020.
6. Amendments to the Banking Regulation Act, 1949: Banking Regulation (Amendment) Act, 2020: The Banking Regulation Act has been amended by the Banking Regulation (Amendment) Act, 2020.

INVESTMENT BY FOREIGN PORTFOLIO INVESTORS

There were net inflows to the tune of ` 2.1 lakh crore on account of the foreign portfolio investors (FPIs) in the Indian capital market during 2020-21 (up to December), as compared to net inflows of ` 0.81 lakh crore during the same period in 2019-20. The total cumulative investment by FPIs (at the acquisition cost) increased by 5.4 per cent to US$ 273.6 billion as on December 31, 2020 from US$ 259.5 billion as on December 31, 2019.

INSURANCE SECTOR

Insurance penetration which was 2.71 per cent in 2001 has steadily increased to 3.76 per cent in 2019. In contrast, insurance penetration in Asia, i.e., Malaysia, Thailand and China was 4.72, 4.99 and 4.30 per cent respectively in 2019. As of 2019, the penetration for Life insurance in India is 2.82 per cent, the penetration for Non-Life insurance is much at 0.94 per cent.

Some important regulatory measures undertaken due to COVID-19 are as follows:

- KYC process has been simplified with the permission granted for 54 insurers to undertake Paperless KYC process through Aadhaar Authentication Services of UIDAI.
- Guidelines were issued on introduction of short-term health insurance policies providing coverage for COVID-19 disease which are valid upto March 31,2021.
- Guidelines were issued for Corona Rakshak policy which is a standard benefit-based policy and Corona Kavach Policy, a standard health policy which will be offered on indemnity basis and insurers had been asked to launch the product from July 10, 2020.

PENSION SECTOR

The overall contribution under NPS grew by more than 30 per cent.

In view of COVID-19, various regulatory measures were taken, including:

- Issuance of an advisory for extension of timelines for submission of various compliance by the Pension Funds and Custodian.
- Extension of time limit by one month (i.e. up to 30.06.2020) for submission of annual accounts and other annual MIS due to Covid-19 for all Pension Funds, Custodian, and NPS Trust.
- The partial withdrawal from NPS has been allowed for treatment of COVID-19.
- The online functionality on NPS on-boarding through Aadhaar-based offline paperless KYC verification.
- Online registration of APY subscribers through Bank's own web-portal, without using net-banking by their Savings Bank Customers.

CHAPTER SUMMARY

- Monetary policy remained accommodative in 2020.
- The repo rate has been cut by 115 bps since March 2020.
- Systemic liquidity in 2020-21 remained in surplus so far. RBI undertook various conventional and unconventional measures like OMOs, Long Term Repo Operations, Targeted Long Term Repo Operations etc. to manage liquidity situation in the economy.
- The transmission of high reserve money growth to money supply growth was only partial, showing impaired liquidity transmission as the banks put money back with RBI under reverse repo.
- Credit growth of banks slowed down to 6.7 per cent as on January 1, 2021. The credit off-take from banking sector witnessed a broad-based slowdown.
- Gross Non Performing Assets ratio of Scheduled Commercial Banks decreased from 8.21 per cent at the end of March 2020 to 7.49 per cent at the end of September 2020. However, this has to be seen in conjunction with the asset classification relief provided to borrowers on account of the pandemic.
- The monetary transmission of lower policy rates to deposit and lending rates improved in this year.
- Nifty 50 and S&P BSE Sensex reached record high closing of 14,644.7 and 49,792.12 on January 20, 2021 respectively.
- The recovery rate for the Scheduled Commercial Banks through IBC (since its inception) has been over 45 per cent.
- In view of COVID-19 pandemic, initiation of Corporate Insolvency Resolution Process (CIRP) was suspended for any default arising on or after March 25, 2020 for a period of 6 months. This was further extended twice for 3 months on September 24, 2020 and December 22, 2020. The suspension along with continued clearance of CIRPs allowed a small decline in accumulated cases.

Chapter 5 - Prices and Inflation

INTRODUCTION:

- Year 2020 was unprecedented with the global pandemic of COVID-19 induced social distancing disrupting economic activity globally. At the domestic level, two opposing forces were at play. On the one hand, there was a **dampening of demand owing to lower economic activity.** On the other hand, **supply chain disruptions have caused spikes in food inflation** that have continued to persist during the unlocking of the economy.
- At the global level, inflation remained benign on the back of subdued economic activity as a result of COVID-19 outbreak and sharp fall in international crude oil prices in advanced economies.
- In Emerging Markets and Developing Economies (EMDEs), there was slight fall in inflation on account of weaker economic activity, though there has been uptick in inflation in some economies ending at similar levels as in the previous year (IMF, 2020)

CURRENT TRENDS IN INFLATION

- **Headline inflation based on CPI-Combined (CPI-C)** increased to 6.6 per cent in 2020-21 (Apr-Dec) before easing to a 15-month low of 4.6 per cent in December 2020. Within various groups of CPI-C, the increase in inflation in the current year was mainly driven by rise in food inflation, which increased from 0.1 per cent in 2018-19 to 6.7 per cent in 2019-20 and further to 9.1 per cent in 2020-21 (Apr-Dec), owing to build up in vegetable prices.
- **CPI Core (non-food non-fuel) inflation** declined from 5.8 per cent in 2018-19 to 4.0 per cent in 2019-20 and averaged 5.4 per cent in 2020-21 (The rural-urban difference in CPI inflation, which was high in 2019, saw a decline in 2020.

INFLATION TREND: MOMENTUM AND BASE EFFECT

- **Inflation trends are usually interpreted using the twelve-month change in the index to eliminate the effect of seasonal fluctuations.** However, one challenge with using the YoY change in inflation is that it does not distinguish between recent price changes and price changes a year before.
- **CPI headline and CPI core inflation** from April 2020 to October 2020 was driven mostly by substantial increase in price momentum i.e., increase in recent price index was pushing up the inflation each month. In both cases, positive base effect helped moderate the inflation.
- A major jump is witnessed in April 2020, with inflation rate increasing from 5.8 per cent in March 2020 to 7.2 per cent in April 2020 and then declining to 6.3 per cent in May 2020.
- During 2019-20 (Apr-Dec) as well as 2020-21 (Apr-Dec), the major driver of CPI-C inflation was the food and beverages group, though its contribution has increased to 59.0 per cent in 2020-21 (Apr-Dec) compared to 53.7 per cent in 2019-20 (Apr-Dec).
- **Miscellaneous group** was the second largest contributor to inflation, contributing to 26.8 per cent of overall inflation
    - Among the sub-groups in miscellaneous group, transport and communication contributed the most followed by personal care and effects.
- Food inflation based on CFPI which remained negative from October 2018 to February 2019, showed a sharp increase since the second half of 2019, mainly due to surge in vegetable prices, before declining in the recent months. High food inflation since March, 2020 is indicative of supply chain bottlenecks owing to COVID-19 induced disruptions.
- Further, inflation in oils & fats and spices has shown a rising trend in the current year.

- **Imports can add to the availability** of any commodity and thus moderate prices in case of shortfalls in domestic supply. In the case of pulses, it is seen that import is highly negatively correlated with production.
- **CPI inflation in oils and fats** has been increasing since August 2019 and has reached 20 per cent in December 2020. While inflation in mustard oil, groundnut oil and refined oil (sunflower, soyabean etc.) is above 20 per cent, coconut oil is above 10 per cent in December 2020. India is the largest importer of edible oils.
  - Demand for edible oils is rising in India, while domestic production is almost stagnant, due to which dependence on imports has increased over the years.
- Escalation in wholesale prices was also witnessed after the **COVID-19 induced restrictions** possibly because of labour shortages on account of reverse migration, social distancing in factories, and other transaction costs in the production and distribution network.

INFLATION IN STATES

- **CPI-C inflation increased in most of the states** in the current year. However, regional variation persists. Inflation ranged between 3.2 per cent to 11 per cent across States/UTs in 2020-21 (Jun-Dec) compared to - 0.3 per cent to 7.6 per cent in the same period last year.
- In 17 States/UTs, overall inflation is below the all-India average in the current year with Delhi having the lowest inflation, followed by Dadra & Nagar Haveli.

Core inflation and headline infaltion: Which one relfected economic activity better IN 2020-21?

- For the period April 2020 to November 2020, CPI-C is weakly related to IIP growth while WPI inflation and CPI-C Core inflation are positively and strongly related to IIP growth.
- **Therefore, core CPI-C inflation and WPI Inflation, have been more in sync with the demand conditions in the economy**.
- A tight monetary policy may have a role in managing inflation in case of excess demand driving high inflation.
- However, the current scenario presents a different picture. The current spike in CPI inflation driven by spike in food prices is mainly a supply-side phenomenon. This can be easily assessed from the fact that arrivals in the market, for agricultural commodities like onion, tomato and potato that have witnessed spikes in recent times, have been much lower compared to the previous years

Cor inflation or Headline inflation: As a target for monetary policy

- **Core inflation** (inflation in the price index excluding food, fuel and other volatile components) has been viewed by many as the better measure of inflation for monetary policy purposes.
- However, in the case of developing economies there are two deviations from these assumptions: **1) inability of agents to smooth their lifetime consumption, and 2) other structural differences such as a high share of food in household consumption expenditure** contend that while under complete markets, the choice of targeting strict core inflation is the best policy, with incomplete markets, headline inflation targeting is welfare improving relative to core inflation targeting.

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INFLATION EXPECTATIONS

- The one year ahead inflation expectation for CPI-C inflation has risen during the current year. One year ahead inflation expectations for CPI-C inflation slightly rose from 4.0 per cent in February 2020 to 4.4 per cent in October 2020.
- Inflation expectations survey of households conducted by RBI also pointed to a slight rise in inflation expectations from 9.1 per cent in March 2020 to 9.7 per cent in November 2020, though it was lower compared to September 2020.

Global commodity prices

- The YoY growth in **global commodity prices, except prices of precious metals and fertilizers, saw a decline** from their levels in December 2019, between January and April 2020 owing to COVID-19 induced restrictions around the world and consequent fall in demand for these commodities after remaining subdued during 2019.
- The **largest impact of COVID-19 has been on energy prices driven by fall in crude oil prices**. Energy prices have seen some rebound since the pandemic owing to production cuts by OPEC+ countries (World Bank, 2020), though they continue to be below levels of the previous year. Agricultural prices remained more or less stable during the period of pandemic induced restrictions.

REGULATION OF DRUG PRICES

- National Pharmaceutical Pricing Authority (NPPA), which is an independent regulator for pricing of drugs and to ensure availability and accessibility of medicines at affordable prices, has played an active role in addressing the exigencies arising out of COVID-19 pandemic and undertook necessary measures to ensure continued availability of life saving essential medicines throughout the country.
- It invoked extraordinary powers in public interest to ensure that policy enhances access to life saving drugs like Heparin and Medical Oxygen.
- NPPA has revised upward the ceiling price of Heparin, a Scheduled Drug, included in the covid-19 Treatment Protocol for a period of six months to ensure its continued availability during the pandemic.
- NPPA also invoked extraordinary powers in public interest under Drug Price control Order, 2013 and National Disaster Management Act to cap the price of **Liquid Medical Oxygen (LMO) and the Oxygen Inhalation (Medicinal gas)** for six months.
- Timely intervention by NPPA eased the situation of **Medical Oxygen availability throughout the country, especially in distant and far-flung areas.**
- In order to ensure **availability of N95 mask** at affordable prices in the country, NPPA, directed Manufacturers/ Importers/Suppliers of N95 mask to maintain parity in prices for non-government procurements and to make available the same at reasonable prices.
- During the pandemic period, the government constituted an Inter-Ministerial Empowered Committee to make recommendation for the export of drugs/items requested by foreign governments especially drugs like **Hydroxychloroquine (HCQ) and Paracetamol.**

MEASURES TO CONTROL INFLATION

- The Government reviews the price situation regularly and has taken number of measures from time to time to stabilize prices of food items. In the wake of **rising prices of pulses, onion and potato,** the Government has taken several steps to improve the availability of these commodities and make them available to consumers at affordable prices. These include:

- **Banning the export of onion, Imposition of stock limit on onion**
- Easing of restrictions on imports, facilitating imports at integrated check-posts, issuance of licenses for imports and reduction in import duties.
- **Price Stabilization Fund (PSF) Scheme** is being efficiently implemented and has succeeded in achieving its objective of stabilizing prices of pulses and offered significant benefits to all stakeholders.

- Government has taken a decision that all Ministries/Department having schemes with nutrition component or providing food/ catering/hospitality services would utilize pulses from the central buffer. Pulses from the buffer are utilised for PDS distribution, in Mid-day Meal Scheme and in ICDS Scheme.
- **Creation of buffer stock of pulses h**as helped in moderating pulses prices. Lower prices of pulses lead to consumer savings. Built buffer also led to remunerative prices to farmers as procurement for buffer was undertaken at MSP or higher rates from them. States/UTs are also being encouraged to set up their own State level PSF.
- Government of India maintains buffer stocks of onion under PSF for making appropriate price stabilizing market interventions. Onion from buffer stock is released in a calibrated manner through retail intervention to retail agencies/State/UTs and open market sale during lean season/period to contain prices and availability.

Onion Prices spikes

- Over the years, it has been observed that in the period August-November prices of onion sky-rocket.

Why Price Spikes in August to November?

- **Rabi harvesting** takes place between March and May in most states and the crop is sold during June-July period, kharif harvesting takes place between October and November and the crop is available in the market till rabi harvest.
- The period between the two that is August to November is when we observe the prices of onion rise sharply.

Recent policy measures by government:

- Government has ensured that various pro-active measures are taken to curtail onion price rise.In 2020, stock limit on the onions was imposed under the **Essential Commodities (Amendment) Act 2020.**
- In order to moderate the price rise, the government took a pre-emptive step by announcing a ban on onion export so as to ensure availability to domestic consumers at reasonable rates, before the expected arrival of Kharif onion.
- Further, **Onions are also being disposed off through Open Market Sales.** The government has also facilitated the import by the private traders, it has also been decided that MMTC would import red onions to meet the demand supply gap.

Suggestions

- There should be a **transparent online platform** where all information relating to requirement details by states, procurement undertaken state wise and month wise, amount disbursed state wise, agency wise, month wise should be made available for better

planning and decision making.
- In Maharashtra, Gujarat, Haryana, Madhya Pradesh and Western Uttar Pradesh large scale storage of onions is taken in conventionally-designed structures.
- **Develop an eVIN like tracking system**: eVIN (electronic vaccine intelligence network) aims to strengthen the evidence base for improved policy-making in vaccine delivery, procurement and planning for new antigens in India. For onion supply we do not need such a complicated system but a simple tracking system based on the principles of eVIN might be adequate.

Conclusion
- During 2020-21, retail and wholesale inflation saw movements in the opposite directions.
- While headline CPI-C inflation saw an increase compared to the previous year, WPI inflation remained benign.
- Supply-side shocks especially owing to COVID-19 pandemic affected the retail inflation with food articles contributing to the overall rise in inflation. The easing of supply side restrictions, which saw inflation moderate in December 2020 are expected to continue this easing.
- Government interventions to augment the supply of commodities as well as to ensure the provision of essentials have likely softened the impact of the pandemic. Food inflation has already eased in December reducing overall inflationary pressures.
- Going forward, as food inflation eases further, overall inflation is expected to moderate further. On the other hand, improving demand conditions are likely to keep WPI inflation in the positive territory with improving pricing power for manufacturers.

Chapter 6 – Sustainable Development and Climate change

Sustainable development remains core to India's development strategy, despite several challenges emerging on account of the unprecedented crisis due to COVID-19 pandemic

The 2030 agenda for Sustainable Development encompasses a comprehensive developmental agenda integrating social, economic and environmental dimensions. Both the Union and state government have undertaken several initiatives to mainstream the 17 Sustainable Development Goals (SDGs) and 169 associated targets into the policies, schemes and programmes.

In its NDC, under UNFCCC, India has sought to reduce the emissions intensity of its GDP by 33 to 35 per cent below 2005 levels by the year 2030; achieve 40 per cent of cumulative electric power installed capacity from non-fossil fuel sources by 2030; and enhance forest and tree cover to create additional carbon sink equivalent to 2.5 to 3 billion tons of carbon dioxide by 2030.

Prominent Government initiatives on mitigation & adaptation actions and their progress

1) India's National Action Plan on Climate Change (NAPCC) was launched in 2008. It has through 8 National Missions focussed on advancing the country's climate change related objectives of adaptation, mitigation and preparedness on climate risks

Missions	***Major objective/Target***	***Progress***
National Solar Mission	Achieve 100 GW of solar power in seven years starting from 2014-15.	The cumulative capacity of 36.9 GW was commissioned till November 2020. Around 36 GW solar energy capacity is under installation An additional 19 GW capacity has been tendered.
National Mission for Enhanced Energy Efficiency (NMEEE)	To achieve growth with ecological sustainability. • Mandating reduction in energy consumption in large energy consuming industries, • Energy incentives, including reduced taxes on energy-efficient appliances.	The Perform Achieve and Trade (PAT) Scheme is one of the initiatives under the NMEEE • PAT Cycle I (2012-2015) has overachieved the target, saving around 31 million tonnes of CO2 (Mt CO2). • PAT Cycle II (2016-17 to 2018-19)- emission reduction of 61.34 MtCO2 was achieved.
National Mission for a Green India (GIM)	Improved ecosystem services by Increasing forest/tree cover by 5 m ha and improving quality of forest cover on another 5 m ha (a total of 10 m ha).	The various afforestation activities including tree plantation were taken up over 8.49 m ha area from 2015-16 to 2019-20 under the various schemes of the Central Government inclusive of 1.42 lakh ha under this mission, state plan schemes and also plantation taken up by the NGOs, civil societies and corporate houses as reported under the Twenty Point Program
National	Development of sustainable	The mission is being implemented

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Mission on Sustainable Habitat (NMSH)	habitat standards. • Promoting energy efficiency as a core component of urban planning by extending the existing Energy Conservation Building Code (ECBC). • Strengthening the enforcement of automotive fuel economy standards, • Using pricing measures to encourage the purchase of efficient vehicles and incentives for the use of public transportation	through three programmes: Atal Mission on Rejuvenation and Urban Transformation, Swachh Bharat Mission, and Smart Cities Mission.
National Water Mission (NWM)	Focuses on monitoring of ground water, aquifer mapping, capacity building, water quality monitoring and other baseline studies. • Promoting citizen and state action for water conservation, augmentation, and preservation. • Focusing attention on overexploited areas. • Promoting basin-level integrated water resources management	The National Institute of Hydrology is the nodal agency to get the State Specific Action Plan (SSAP) for the water sector
National Mission for Sustainable Agriculture	Enhancing food security by making agriculture more productive, sustainable, remunerative, and climate resilien	Farm machinery banks established to reduce crop residue burning. • Under Rainfed Area Development Programme, land is brought under Integrated Farming System • Promoted Organic Farming
National Mission for Sustaining Himalayan Ecosystems	To continuously assess the health status of the Himalayan Ecosystem. Enable policy bodies in their policy formulation functions. • Start of new centres relevant to climate change in the existing institutions in the Himalayan States. • Regional cooperation with neighbouring countries in	The centre of Glaciology was set up at Wadia Institute of Himalayan Geology. • A national network programme on Himalayan Cryosphere has been launched. • A mega programme named Human and Institutional Capacity Building (HICAB) programme for the Indian Himalayan Region was launched

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	Glaciology.	
National Mission on Strategic Knowledge for Climate Change (NMSKCC)	• Development of national capacity for modeling the regional impact of climate change on different ecological zones within the country.	12 Centres of Excellence and 10 State Climate Change Centres have been established • 8 Global Technology Watch Groups (GTWGs) in the areas of Renewable Energy Technology, Advance Coal Technology, Enhanced Energy Efficiency, Green Forest, Sustainable Habitat, Water, Sustainable Agriculture and Manufacturing have been set up.

2) **Climate Change Action Plan (CCAP),** a Central Sector Scheme, was formulated to build and support the scientific and analytical capacity for assessment of climate change in the country and to establish appropriate institutional framework and implement climate actions. Two important components are,
   a. the National Carbonaceous Aerosols Program (NCAP)
   b. the Long-Term Ecological Observatories (LTEO).
3) **National Adaptation Fund on Climate Change (NAFCC)** was established to support concrete adaptation activities which are not covered under on-going activities through the schemes of State/UT and National Government
4) The Government is implementing **Faster Adoption and Manufacturing of (Hybrid&) Electric Vehicle in India (FAME India) scheme** to encourage progressive induction of reliable, affordable and efficient electric and hybrid vehicles.

The country is on its track to successfully decoupling its economic growth from GHG emissions. As per the second BUR submitted in 2018, India's emission intensity of GDP reduced by 21 per cent in 2014 over the level of 2005.

Challenges:

1) Access to Finance:

The country is relying on domestic resources to implement adaptation and mitigation action on mission mode. The financing considerations will remain critical especially as the country steps up the targets substantially.

2) Negotiating in multilateral organizations:

There is need to discuss and arrive at a consensus on

a) transparency mechanism;

b) Article 6 (market and non-market mechanisms); c

c) Common time frames for nationally determined contributions; long-term climate finance etc.

d) On finance matters, it is essential to arrive at a consensus on the definition of climate finance and on a common accounting methodology for assessment and evaluation of climate finance.

Way Forward:

1) Finance:
   a. **National Voluntary Guidelines for Responsible Financing** are financial sector-specific guidelines that combine and adapt international and national best

practices. The guidelines are a voluntary instrument and raise the bar of conduct for financial institutions beyond compliance

b. the RBI included lending to social infrastructure and small renewable energy projects within the **priority sector targets**
c. The '**Voluntary Guidelines on Corporate Social Responsibility'** were issued in 2009 to mainstream the concept of business responsibility.
d. In 2017, to give push to green bonds issuances in India, SEBI issued guidelines on **green bonds** including their listing of green bonds on the Indian stock exchanges. The cumulative issuance of global green bonds crossed US$ 1 trillion mark in 2020.

2) **Climate Risk Insurance:**
It is an important tool for providing security against loss of livelihoods and of assets as a consequence of disasters. Thus, given the significant contribution of the agricultural sector in the Indian economy, coupled with looming "climatic aberrations," crop insurance becomes a necessity to mitigate the risks associated with a majority of the country's farmers.

India's initiative at international stage:

1) International Solar Alliance (ISA):
   a. It has recently launched two new initiatives,
      i. 'World Solar Bank' which would cater to the need for dedicated financing window for solar energy projects across the members of ISA. It is expected to provide low-cost financing at favourable terms for solar energy projects as well as engage in co-financing with other multilateral/bilateral development financial institutions.
      ii. The 'One Sun One World One Grid' initiative aims to create an interconnected green grid that will enable solar energy generation in regions with high potential and facilitate its evacuation to demand centers.
   b. ISA Secretariat has recently launched a '**Coalition for Sustainable Climate Action**' comprising of global public and private corporates. The partner organisations under the coalition would benefit from the network and the platform provided by ISA to leverage and demonstrate their expertise in promoting sustainable development globally
   c. ISA organized the First **World Solar Technology Summit** (WSTS) in September 2020 with an objective of showcasing to Member Countries the state of the art and next-generation solar technologies
2) Coalition for Disaster Resilient Infrastructure (CDRI) : The Coalition functions as an inclusive multi-stakeholder platform led and managed by national governments, where knowledge is generated and exchanged on different aspects of disaster resilience of infrastructure. The CDRI is co-chaired by India and the United Kingdom (UK).

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Chapter 7 – Agriculture and Food Management

Despite the difficulties created by COVID induced lockdowns adversely affected the performance of the non-agricultural sectors, the agriculture sector came up with a robust growth rate of 3.4 per cent at constant prices during 2020-21.

COVID induced lockdowns influenced the movement of farm inputs including farm machinery from one location to other. The national lockdown coincided with the commencement of the harvesting season for the Rabi crops. Against all adversities due to COVID-19, continuous supply of agriculture commodities, especially staples like rice, wheat, pulses and vegetables, has been maintained thereby enabling food security. In order to further strengthen and support the agricultural sector, several initiatives have been taken by the Government of India under the Atma Nirbhar Bharat Abhiyan

A) **` 1 lakh crores Agri Infrastructure Fund**
Financing will be provided for funding agriculture infrastructure projects at farm-gate & at aggregation points and for financially viable post-harvest management infrastructure.

B) **` 10,000 crores scheme for Formalisation of Micro Food Enterprises (MFE)**
Aiding 2 lakh MFEs who need technical upgradation to attain FSSAI food standards, build brands and support marketing.

C) **`20,000 crores for fisherman through Pradhan Mantri Matsya Sampada Yojana (PMMSY)**
It aims atintegrated,sustainable and inclusive development of marine and inland fisheries by developing infrastructure such as fishing harbours, cold chain, markets, etc

D) **National Animal Disease Control Programme**
It targets Foot and Mouth Disease (FMD) and Brucellosis by ensuring 100 per cent vaccination of cattle, buffalo, sheep, goat and pig population

E) **Animal Husbandry Infrastructure Development Fund - ` 15,000 crores**
It is to support private investment in dairy processing, enable value addition and improved cattle feed infrastructure.

F) **From 'TOP' to TOTAL, "Operation Greens" run by Ministry of Food Processing Industries (MOFPI) to be extended from tomatoes, onion and potatoes to ALL fruit and vegetables.**

G) **Reforms in Essential Commodities Act, Agriculture Marketing and Agriculture Produce Pricing and Quality Assurance**
These legislative reforms seek to remove agricultural commodities such as cereals, pulses, oilseeds etc. from the list of essential commodities and aim to reform agricultural marketing.

H) **PM Garib Kalyan Ann Yojana**
The scheme aimed at ensuring food and nutritional security to around 80 crores ration card holders who were affected due to the COVID-19 induced national lockdown.

I) **One Nation One Ration Card Scheme**
This scheme will enable migrant workers and their family members to access PDS benefits from any fair price shop in the country

Challenges:

Agricultural Credit:

The regional distribution of the agricultural credit has, however, been skewed in favour of the Southern Region. The share of north-eastern states has been very low. the share of southern

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region in agricultural credit was more than 40 per cent while it was less than 2 per cent for the north-eastern region (NER). This low coverage of the agricultural credit in NER is because the total cultivable area in North Eastern States is only about 2.74 per cent of the total GCA of the country. Moreover, community ownership of land is prevalent in most of the NE States. These two factors affected the intake of Kisan Credit Card (KCC) loans in NER as these loans are given against land documents.

International Trade in Agricultural Commodities:
The major export destinations were USA, Saudi Arabia, Iran, Nepal and Bangladesh. The top agriculture and related products exported from India were marine products, basmati rice, buffalo meat, spices, non-basmati rice, cotton raw, oil meals, sugar, castor oil and tea. While India occupies a leading position in global trade of aforementioned agri- products, its total agri-export basket accounts for a little over 2.5 per cent of world agri-trade.

Crop Insurance: PM Fasal Bima Yojana scheme extends coverage for the entire cropping cycle from pre-sowing to post-harvest including coverage for losses arising out of prevented sowing and mid-season adversities. Individual farm level losses arising out of localized calamities and post-harvest losses are also covered due to perils such as inundation, cloudburst and natural fire

PM-KISAN: The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) Scheme was launched in 2019 to provide income support to all landholder farmer families across the country with cultivable land, subject to certain exclusion

ALLIED SECTORS: ANIMAL HUSBANDRY, DAIRYING & FISHERIES:
India continues to be the largest producer of milk in the world. Several measures have been initiated by the Government to increase the productivity of livestock, which has resulted in increasing the milk production significantly.
India ranks 3rd in egg production in the world. India ranks 5th in meat production in the world.

Covid-19 lockdown caused a drop in the market demand due to closure of the outlets selling livestock products. With closure of sweet shops and tea stalls, a large number of private dairies were impacted and they stopped milk procurement from the farmers. This resulted in the farmers diverting their milk to the cooperatives. As a result, milk procurement in the cooperative sector increased because, as per their mandate, they could not reject milk supplied by the farmers.

Animal Husbandry Infrastructure Development Fund (AHIDF): The AHIDF will incentivize investments by individual entrepreneurs, private companies including MSME, farmers producers organizations (FPOs) and Section 8 companiesto establish (i) dairy processing and value addition infrastructure (ii) meat processing and value addition infrastructure, and (iii) animal feed plant.
India is the second largest fish producing country in the world. The centrally sponsored scheme – Blue Revolution (CSS-BR),
The Government of India in October 2018 approved the establishment of a dedicated Fisheries and Aquaculture Infrastructure Development Fund (FIDF)
National Animal Disease Control Programme (NADCP): It provides for control of Foot & Mouth Disease (FMD) and Brucellosis" for vaccinating all cattle, buffalo,sheep, goat and pig population against FMD and all bovine female calves of 4-8 months of age against brucellosis.

Fisheries:

The Government of India has taken several initiatives to harness the untapped potential of the fisheries sector,

The centrally sponsored scheme - **Blue Revolution (CSS-BR)** aimed for "Integrated, Responsible and Holistic Development and Management of the Fisheries Sector".

Pradhan Mantri Matsya Sampada Yojana (PMMSY) intends to increase aquaculture productivity, enhance domestic fish consumption and attract investments in fisheries sector from other sources. The scheme will result in improving export earnings and generate direct and indirect employment opportunities

AGRICULTURAL RESEARCH AND EDUCATION

Indian Council of Agricultural Research (ICAR), is a premier research organization for coordinating, guiding and managing agriculture research and education including in horticulture, fisheries and animal sciences in the entire country

New Initiatives in Food Processing Sector

1) Formalization of Micro Food Processing Enterprises
2) MoFPI is implementing a central sector scheme "Operation Greens – A scheme for integrated development of Tomato, Onion and Potato (TOP) value chain" to provide support to farmers when prices of agri produce is low
3) Pradhan Mantri Kisan SAMPADA Yojana (PMKSY): Under the umbrella scheme Pradhan Mantri Kisan SAMPADA Yojana, the Ministry is implementing various component schemes which, inter-alia, includes (i) Mega Food Parks, (ii) Integrated Cold Chain and Value Addition Infrastructure, (iii) Infrastructure for Agro-processing Clusters, (iv) Creation of Backward and Forward Linkages (v) Creation/ Expansion of Food Processing & Preservation Capacities, and (vi) Operation Greens.

Food Security

To address the issue of anaemia and micro-nutrient deficiency and to promote nutrition security in the country, a centrally sponsored pilot scheme on "Fortification of Rice & its Distribution under Public Distribution System

One nation one Ration Card

The Department of Food & Public Distribution in collaboration with all States/UTs is implementing a central sector scheme namely "Integrated Management of Public Distribution System (IM-PDS)" the validity of which is extended up to 31.03.2022. The main objective of the scheme is to introduce nation-wide portability of ration card under National Food Security Act (NFSA) through 'One Nation One Ration Card' System. This system will enable the ration card holders to lift their entitled foodgrains from any fair price shop (FPS) of their choice anywhere in the country by using their same/existing ration card.

Agricultural Reform:

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

It seeks to create an ecosystem where the farmers and traders enjoy the freedom of choice relating to sale and purchase of farmers' produce. The reform grants freedom to farmers and buyers to transact in agricultural commodities even outside notified APMC mandis ensuring competitive alternative trading channels to promote efficient, transparent and barrier-free interstate and intra-state trade.

The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020

It seeks to provide for a national framework on contract farming that protects and empowers farmers in their engagement with agri-business firms, processors, wholesalers, exporters or large retailers for farm services and sale of future farming produce at a mutually agreed remunerative price in a fair and transparent manner.

The Essential Commodities (Amendment) Act, 2020

It seeks to remove commodities like cereals, pulses, oilseeds, edible oils, onion and potatoes from the list of essential commodities. The reform ends the era of frequent imposition of stock-holding limits except under extraordinary circumstances.

Chapter 8 - Industry and Infrastructure

INTRODUCTION

- The once in century pandemic affected the industrial sector drastically. The various subcomponents of Index of Industrial Production (IIP) and eight-core index have experienced a V-shaped recovery after revival steps like stimulus package under the Atmanirbhar Bharat package.
- The rebuilding of the Indian economy is hinged on various reform measures aimed at addressing concerns of businesses and support to livelihoods. India implemented policies aimed at reducing transaction costs, supporting Micro Small and Medium Enterprises (MSMEs), enhancing competition, fostering employment creation, and securing sustenance through the Atmanirbhar Bharat Abhiyan.
- A strong industrial sector is a sine qua non for an Atmanirbhar Bharat.

Atmanirbhar Bharat Abhiyan
1. Relief and credit support to MSMEs to fight against COVID-19- 2. Packages for Power Sector-- ` 90,000 crores liquidity injection for DISCOM 3. Real Estate: The extension of registration and completion date of real estate projects under Real Estate (Regulation and Development) Act (RERA). 4. Public Sector Enterprise Policy for a New, Self-reliant India

Trends in the industrial sector

Index of Eight-Core Industries and Index of Industrial Production (IIP):

- The eight-core industries that support infrastructures such as coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity have a total weight of nearly 40 percent in the IIP.
- The eight-core index recorded its all-time low growth of (-) 37.9 due to covid-19 led nation-wide lockdown.
- To provide another perspective on the revival of growth, the IIP was further analyzed by the weight of items that have recorded growth.

Gross Capital Formation in the Industrial Sector

- The rate of growth of Gross Capital Formation (GCF) in the industry registered a sharp rise from 1.2 percent in FY18 to 17.5 percent in FY19, showing a substantive improvement in GCF in the sector.
- However, the share of GCF of the industrial sector had declined from 38.2 per cent in FY12 to 30.2 percent of GDP in FY18 before an uptick (31.9 percent) was recorded in FY19.

Credit to the Industrial Sector

- Gross bank credit to the industrial sector, on a YoY basis, recorded (-) 1.7 growth in October-2020 as compared to 3.4 percent growth in October-2019.
- Some of the industries recorded a nominal credit growth including the construction sectors.
- The laggards in the group are 'All Engineering', 'Cement & Cement Products', and 'Basic Metal & Metal Products which recorded a YoY negative growth in October-2020.

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Performance of Central Public Sector Enterprises (CPSEs)

- CPSEs are operating in 4 sectors –Agriculture, Mining & Exploration, Manufacturing, and Services.
- The public sector enterprise policy enunciated by the Government in November 2020, spells a complete change in paradigm as compared to its policy of import substitution and self-sufficiency which became the basis of the Mahalanobis Plan in 1956.
- Under the aegis of the Atmanirbhar Bharat Mission, the government has proposed to rationalise the participation of the CPSEs in commercial activities.

Ease of Doing Business

- As per the Doing Business Report (DBR), 2020, the rank of India in the Ease of Doing Business (EoDB) Index for 2019 has moved upwards to the 63rd position amongst 190 countries from a rank of 77 in 2018.
- As per the DBR 2020 report:

  High performed components of EoDB were 'getting electricity', 'trading across borders, and others.

  Low performer components were 'enforcing contracts', 'registering property', 'revoking insolvency', and 'pay taxes'.

Start-up ecosystem in India

- To facilitate the growth of startups, Government of India had announced the "Startup India, Stand-up India" initiative
- The action plan is based on three pillars
  - i. **Simplification and Handholding,**
  - ii. **Funding Support and Incentives,**
  - iii. **Industry-Academia Partnership and Incubation.**
- Government of India has recognized a total of 41061 startups and 4,70,000 jobs have been reported by more than 39,000 startups.
- The Government has taken following initiatives to promote the startups:
  1. **Startups Intellectual Property Protection (SIPP) scheme** enable filing process of patent or trademark application transparently.
  2. **The Fund of Funds for Startups (FFS)** with a total corpus of Rs. 10,000 crores were established with contribution spread over the 14th and 15th Finance Commission cycle based on the progress of implementation.
  3. **Startup Yatra**: An initiative that includes traveling to Tier 2 and Tier 3 cities of India to search for entrepreneurial talent by conducting day-long boot camps.

Foreign Direct Investment (FDI)

- FDI is an important source to boost the economy for driving the investment in the enhancement of productivity, skills, and technology development in the country.
- During FY20, total FDI equity inflows were US$49.98 billion as compared to US$44.37 billion during FY19.
- The bulk of FDI equity flow is in the non-manufacturing sector leading to a reduction in the share of manufacturing in the FDI flows.

SECTOR WISE ISSUES AND INITIATIVES

Steel:

- Steel is one of the critical inputs to industries, urban development and infrastructure development.
- India is the second-largest producer of crude steel only after China. India is also the second largest consumer of steel.
- **Government initiative under** Atmanirbhar Abhiyan
  1. 'Specialty Steel' incorporating under the Production Linked Incentive (PLI) scheme
  2. parity price under the Duty Draw Back scheme of DGFT
  3. preference to domestically produced iron and steel in government procurement
- The NSP-17 aims at achieving a crude steel capacity of 300 million tonnes (MT) and a finished steel capacity of 230 MT with a per capita consumption of 158 kg by 2030-31

Coal:

- It accounts for 55 percent of the country's energy needs.
- Government Initiative to balance between energy demand and the environment:
  1. **Development of clean coal through creating carbon sinks.**
  2. **Two Coal Bed Methane (CBM) Projects** with considerable potential for carbon footprint reduction are in the pipeline.
  3. Several amendments were brought into like Coal Mines (Special Provisions) Act, 2015, Mineral Laws (Amendment) Act, 2020.

Micro, Small & Medium Enterprises (MSME)

- With more than 6 crores MSMEs, the sector has been the backbone of the economy. It employs more than 11 crore people, contributes 30 percent of GDP, and contributes half of the country's exports helping in building a stronger and self-reliant India.
- **Government Initiative**
  1. Revision of the investment criteria in the MSME definition
  2. Champions Portal
  3. Udyam registration portal

Textile and Apparels

- 2 percent of GDP and employment of 10.5 crore people. The sector is the second-largest employment generator in the country, next only to agriculture.
- India is the sixth-largest exporter of textile and apparel products after China, Germany, Bangladesh, Vietnam, and Italy.

Govt. initiatives

- Amended Technology Up-gradation Fund Scheme.
- Scheme for Integrated textiles park for infrastructure.
- Samarth: focuses on capacity building in the textile sector.

Infrastructure

- National Infrastructure Pipeline (NIP) for the FY 2020-2025 to facilitated world class infrastructure projects to be implemented.

- Public Private Partnership Appraisal Committee (PPPAC) responsible for the appraisal of PPP projects in the Central sector.
- Infrastructure Viability Gap Funding revamped scheme till 2024-25.

Road sector

- The share of the transport sector in the GVA for FY19 was about 4.6 percent of which the share of road transport contributed roughly 67 percent.

Civil Aviation

- India's domestic traffic has more than doubled from around 61 million in FY14 to around 137 million in FY20, a growth of over 14 percent per annum.
- From the third largest domestic aviation market, it is expected to become the third largest overall (including domestic and international traffic) by the year FY25.

Port and Shipping

- In India, around 95 percent (68 percent) of total volume (value) of international trade is transported by sea.
- Sagarmala Programme: to promote port-led development in the country and reduce logistics costs for trade.

Railways

- Indian Railways (IR) with over 67,580 route km, is the third-largest network in the world under a single management.
- The Government of India has allowed the private players to operate in the Railways sector through the PPP mode under the "New India New Railway" initiative.
- Kisan Rail to provide better market opportunity by transporting perishables and Agri-product.
- The Ministry of Railways has developed a National Rail Plan (NRP). It aims at developing adequate rail infrastructure by 2030 to cater to the projected traffic requirements up to 2050.

Telecom Sector

- The telecom sector plays an important role in implementation of JAM-trinity (Jan dhan Aadhar Mobile) based social sector schemes and other pro-development initiative of the Government of India.
- The overall tele density in India stands at 86.6 percent at the end of November-2020, whereas tele density in rural and urban areas is 59.1 percent and 139.0 percent, respectively.
- BharatNet for achieving the goal of Digital India programme.

Petroleum and Natural Gas

- India is the third-largest energy consumer in the world after USA and China.

Power

- The total installed capacity has increased from 3,56,100 MW in March-2019 to 3,70,106 MW in March 2020.
- The capacity addition in the power sector was mainly driven by the Government in the year FY20

- 100 percent village electrification under Deen Dayal Upadhyaya Gram Joyti Yojana
- Universal household electrification under 'Pradhan Mantri Sahaj Bijli Har Ghar Yojana' (Saubhaagya)

Mining Sector

- It accounts for about 2.1 percent of the overall GVA during FY20.

Housing and Urban Infrastructure

- The Government of India has been implementing the Deendayal Antyodaya Yojana - National Urban Livelihoods Mission in all the statutory towns to address the social & occupational vulnerabilities of the urban poor.
- PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi) was launched as part of the Atmanirbhar Bharat Abhiyan for providing micro-credit facility to the street vendors to restart their businesses post COVID-19 lockdowns.
- Pradhan Mantri Awas Yojan-Urban (PMAY-U) has been rapidly moving towards achieving the vision for providing a pucca house to every household by 2022.
- Light House Projects (LHPs): To provide impetus to innovative technology for housing construction, Prime Minister laid foundation stones of Light House Projects (LHPs) on 1st January 2021.

Way forward

- The COVID-19 led economic crisis adversely affected the global and domestic economy.
- The crisis management strategy had to encompass all the stakeholders, especially the weaker and the vulnerable sections
- The year after the crisis (FY22) will require sustained and calibrated measures to facilitate the process of economic recovery and to enable the economy to get back to its long-term growth trajectory. The revival of the industrial and infrastructure sector will be key to overall economic growth and macroeconomic stability.

Chapter 9 - Services

INTRODUCTION

- The COVID-19 pandemic, the subsequent lockdown, and social distancing measures have had a significant impact on the contact-intensive services sector.
- During the first half of the financial year 2020-21, the services sector contracted by almost 16 percent.
- The services sector's significance in the Indian economy has been steady, with the sector now accounting for over 54 percent of the economy and almost four-fifths of total FDI inflows.

SERVICES SECTOR PERFORMANCE IN INDIA: AN OVERVIEW

Impact of COVID-19 on Services Sector:

- Services Purchasing Managers' Index (PMI), which was at an 85-month high of 57.5 in February 2020, fell to its lowest level of 5.4 in April 2020. As mobility restrictions were lifted and business resumed, Services PMI recovered sharply to 54.1 in October 2020.
- 'Trade, hotels, transport, communication & broadcasting services', 'Financial, real estate & professional services', and 'Public administration, defense & other services' are estimated to contract by 21.41 percent, 3.68 percent, and 0.82 percent, respectively.

Service sector share at the State and UT level

- The services sector accounts for more than 50 percent of the Gross State Value Added (GSVA) in 15 out of the 33 states.
- Chandigarh and Delhi stand out with a particularly high share of services in GSVA of over 85 percent while Sikkim's share remains the lowest at 27.02 percent.

FDI Inflows into Services Sector

- As per World Investment Report 2020 by United Nations Conference on Trade and Development (UNCTAD), India has improved its position from 12th in 2018 to 9th position in 2019.
- The Jump in FDI equity is driven by inflows into the 'Computer Software & Hardware' sub-sector.

Trade-in Services Sector

- World Trade Organization (WTO) projects the global merchandise trade volume growth to fall by 9.2 percent in 2020, the IMF expects the volume of global trade in goods and services to contract by 10.4 percent in 2020.
- WTO services trade activity index indicated a decline in global trade in commercial services of 4.3 percent in the first three months of 2020, reflecting partly the adverse effect from the spread of COVID-19.
- It remained among the top ten trading countries in commercial services in 2019 accounting for 3.5 percent of world services export.

MAJOR SERVICES: SUB-SECTOR WISE PERFORMANCE AND RECENT POLICIES

Tourism:

- As per the World Tourism Barometer of the United Nations' World Tourism Organization international arrivals fell by 72 percent globally over the first ten months of 2020 due to the pandemic.
- "Foreign tourists from the top 10 countries visiting India are from Bangladesh, USA, UK, Australia, Canada, China, Malaysia, Sri Lanka, Germany, and Russia. (67 percent)
- Tourism contributed 5 percent share to India's total GDP in 2018-19. It also supports almost 13 percent of total employment in India.

Information Technology-Business process management (IT-BPM) Services

- Over the last decade, the industry grew by 102 percent reaching US$ 190.5 billion in revenues in 2019-20. It also added 1.8 million employees, up 70 percent over the last 10 years.
- USA remained the biggest recipient of exports, followed by the UK.
- Over the last decade, the industry grew by 102 percent reaching US$ 190.5 billion in revenues in 2019-20. It also added 1.8 million employees, up 70 percent over the last 10 years.

Reforms

- Relaxation of Other Service Provider Terms & Conditions guidelines tremendously reduce the compliance burden of the BPO industry and enable it to 'Work from Home' (WFH).
- Consumer Protection Act, 2019, empowering consumers and protect their rights through its various notified rules and provisions such as Consumer Protection Councils.

Ports, Shipping and Waterways Services

- Ports handle around 90 percent of export-import cargo by volume and 70 percent by value in India.
- To harness the coastline, 14,500 km of potentially navigable waterways, and strategic location on key international maritime trade routes, the Government has embarked on the ambitious Sagarmala Programme to promote port-led development in the country.
- This includes reducing the cost of transporting domestic cargo; lowering the logistical cost of bulk commodities by locating future industrial capacities near the coast; improving export competitiveness by developing port proximate discrete manufacturing clusters, etc.

Space sector

- India spent about US$ 1.8 billion on space programmes in 2019-20. However, the country still lags behind the major players in the space sector, such as the USA, which spent about 10 times more than India in the space sector in 2019-20, and China, which spent about 6 times more.
- India has launched around 5-7 satellites per year in recent years. On the other hand, the USA, Russia, and China dominate the satellite launching services with 19, 25, and 34 satellites respectively in 2019.
- New Space India Limited (NSIL), a Central Public Sector Enterprise under the Department of Space, has been mandated to transfer the technologies emanating out of the Indian space programme and enable the Indian industry to scale up its high-technology manufacturing base.

- The government of India has also established Indian National Space Promotion and Authorization Centre (IN-SPACe) for promoting industries and attracting investment in the space sector.
- The global space economy in 2019 was pegged at US$ 366 billion, growing by about 1.7 percent over 2018. It also estimates that the Indian space economy is valued at US$ 7 billion, which is around 2 percent of the global space economy.
- The Indian Space ecosystem is undergoing several policy reforms to engage private players and attract innovation and investment.

Chapter 10 - Social Infrastructure, Employment and Human Development

Trends in Social Sector Expenditure	• Public spending on social sector was increased in 2020-21 to mitigate the hardships caused by the pandemic and the loss to livelihood due to the lockdown. • The expenditure on social services (education, health and other social sectors) by Centre and States combined as a proportion of GDP increased from 6.2 to 8.8 per cent during the period 2014-15 to 2020-21 (BE)

Quality Education for All	• As per U-DISE 2018-19, the physical infrastructure of more than 9.72 lakh government elementary schools has improved significantly.
	• Government efforts to provide quality education in schools and education
	  o **National Education Policy 2020**
	  o **Samagra Shiksha** – an overarching programme for the school education sector extending from pre-school to class 12. Under the Samagra Shiksha scheme, a National Mission to improve learning outcomes at the elementary level through an Integrated Teacher Training Programme called **NISHTHA** (National Initiative for School Heads' and Teachers' Holistic Advancement) was contextualized and made 100 per cent online according to the needs of teaching and learning during the COVID-19 pandemic
	  o **Holistic approach to education**: Treat school education holistically as a continuum from Pre-school to Class 12 with inclusion of support for senior secondary levels and pre-school levels for the first time.
	  o Focus of two T's – Teachers and technology
	  o **DIKSHA platform**
	  o Improve the Quality of Infrastructure in Government Schools at all levels
	  o Upgradation of **Kasturba Gandhi BalikaVidyalayas (KGBVs)** from Class 6-8 to Class 6-12
	  o Vocational education for Class 9-12 as integrated with the curriculum and to be made more practical and industry oriented.

Impact of COVID-19 pandemic on School Education	• Access to data network, electronic devices such as computer, laptop, smart phone etc. gained importance due to distance learning and remote working during the pandemic. • Initiatives for school going students during COVID-19 pandemic o **PM eVIDYA:** It is a comprehensive initiative to unify all efforts related to digital/online/on-air education to enable multi-mode and equitable access to education for

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<table>
<tr><td></td><td>students and teachers. The four PM e-Vidya components of school education are:
One nation, one digital education infrastructure
One class, one TV channels through Swayam Prabha TV Channels
Extensive use of Radio, Community radio and Podcasts
Providing learning content for the differently-abled
o Swayam MOOCs for open schools and pre-service education
o National Repository of Open Educational Resources (NROER): NROER is an open storehouse of e-content
o PRAGYATA guidelines on digital education was developed
o MANODARPAN: It is an initiative for psychosocial support.</td></tr>
<tr><td>Skill Development</td><td>There is an improvement in the proportion of skilled people over the annual cycle of Periodic Labour Force Survey (PLFS) across rural, urban and gender classification
Policy Reforms under Skill Development Initiatives
Operationalizing Unified Skill Regulator
Pradhan Mantri Kaushal Vikas Yojana 3.0 (PMKVY 3.0)
grading of ITIs has been undertaken to improve their quality and transparency
Integration of Vocational and Formal education both at school and higher education</td></tr>
<tr><td>Status of Employment</td><td>The size of labour force in 2018-19 was estimated at about 51.8 crore persons: about 48.8 crore employed and 3.0 crore unemployed
The size of the labour force increased by about 0.85 crore between 2017-18 and 2018-19.
Number of unemployed persons declined by about 0.79 crore between 2017-18 and 2018-19, largely in the category of females, and in rural sector
The females labour force participation rate increased from 17.5 per cent in 2017-18 to 18.6 per cent in 2018-19
Unemployment rates at all India level, for all ages, as per usual status, declined marginally to 5.8 per cent in 2018-19 from 6.1 per cent in 2017-18</td></tr>
<tr><td>Labour Reforms</td><td>Nearly 29 Central Labour laws are being amalgamated, rationalized and simplified into four labour codes viz.:
the Code on Wages, 2019,
the Industrial Relations Code, 2020,
the Occupational Safety, Health and Working Conditions Code, 2020
the Code on Social Security, 2020</td></tr>
</table>

Changing Nature of Work: Gig and Platform Workers	• The nature of work has been changing with the change in technology, evolution of new economic activities, innovation in organization structures and evolving business models • India has emerged as one of the largest country for flexi-staffing in the world. • The gig economy has become popular amongst the workers in India. The benefit of the gig economy is that it allows flexibility in employer-employee relationship to both service seeker and service provider • Gig workers have been brought under the ambit of the newly introduced Code on Social Security 2020 by defining them exclusively in the category of unorganized worker for providing social security benefits
Programmes and schemes to improve employment opportunities	• Aatmanirbhar Bharat Rojgar Yojana (ABRY) • Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) • Shramik Special Trains
Gender dimension of employment	• LFPR of females in the productive age (15-59 years) was 26.5 per cent in 2018-19, as compared to 80.3 per cent for males (rural+urban) • Time spent by a female on unpaid domestic services and unpaid caregiving services to household members is prominent and higher than male counterparts (Time Use Survey 2019). • This explains the reason for the relatively low level of female LFPR in India. There is a need to promote non-discriminatory practices at the workplace like pay and career progression, improve work incentives, including other medical and social security benefits for female workers
Health	• India has made significant progress in improving its health outcomes over the last two decades by eliminating Polio, Guinea worm disease, Yaws and maternal & neonatal Tetanus. • Health Indicators (2018) o Total Fertility Rate (TFR) – 2.2 o Maternal Mortality Ratio (MMR) was 113 per 1,00,000 live births o Under Five Mortality Rate (U5MR) was 36 per 1000 live births o Public health measures were taken in pre-emptive, pro-active and graded manner based on the evolving scenario o COVID-19 Emergency Response and Health Systems Preparedness Package' of Rs.15000 crore was announced and implemented
Phase-I of National Family Health Survey-5 (NFHS-5)	• NFHS-5 (Phase-I), results show improvement in immunization coverage for children, institutional birth, infant mortality rate and under-five mortality rate in most of the selected States.

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Water and Sanitation	• **Swachh Bharat Mission-Grameen (SBM-G)** – More than 10 crore toilets have been built since 2014 • **Jal Jeevan Mission (JJM)** - Goal of JJM is to enable every rural household get assured supply of potable piped water at a service level of 55 litres per capita per day (lpcd) regularly on long-term basis by ensuring functionality of the tap water connections
Rural Development	• **Deen Dayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM)** - to alleviate rural poverty through building sustainable community institutions of the poor. • **Pradhan Mantri Gram Sadak Yojana (PMGSY)** - to provide single allweather road connectivity to all eligible unconnected habitations of the designated population size (500+ in plain areas, 250+ in North-Eastern and Himalayan States) in rural areas of country • Garib Kalyan Rojgar Abhiyan (GKRA)