

IAS COMPASS OF ECONOMIC SURVEY 2023-24

UPSC CIVIL SERVICES
PRELIMS & MAINS EXAM



 **RAU'S IAS STUDY CIRCLE**
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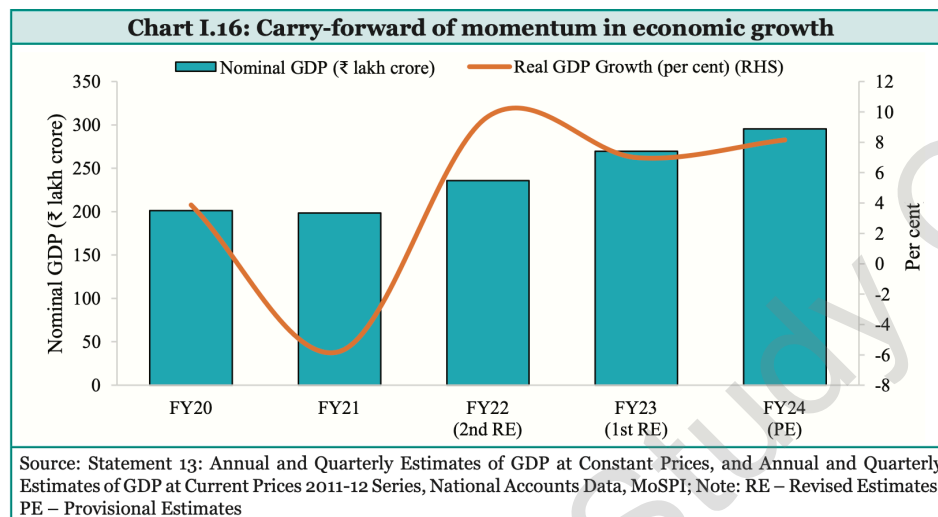
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1 CHAPTER STATE OF THE ECONOMY

1. INTRODUCTION

India's economy carried forward the momentum it built in FY23 into FY24. India's real GDP grew by 8.2 per cent in FY24, posting growth of over 7 per cent for a third consecutive year.



2. GLOBAL ECONOMIC RECOVERY

Chart I.3: All major economies have surpassed pre-pandemic GDP levels

	Year in which crossed pre pandemic GDP (constant prices, national currency)	Ratio of GDP (constant prices, national currency) in 2023 to corresponding level in 2019
Brazil	2021	107
China	2020	120
France	2022	102
Germany	2022	101
India	2021	120
Indonesia	2021	112
Italy	2022	103
Japan	2023	101
Mexico	2022	104
South Africa	2022	101
Thailand	2023	100
United Kingdom	2022	102
United States	2021	108

Source: World Economic Outlook Database, April 2024, IMF, National Accounts Statistics, Ministry of Statistics and Programme Implementation; Note: In IMF data, for India 2021 represents 2021-22 (FY22)

Steps taken by the govt for post-pandemic recovery:

- Public spending on infrastructure
- Digitalisation of service delivery
- Atmanirbhar Bharat Abhiyan

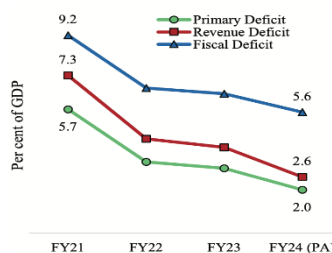
3. SECTORAL CONTRIBUTION: (PIE CHART)

The shares of the agriculture, industry and services sector in overall GVA at current prices were 17.7 per cent, 27.6 per cent and 54.7 per cent respectively in FY24.

IMPROVING PUBLIC FINANCES

The fiscal deficit of the Union Government has been brought down from 6.4 per cent of GDP in FY23 to 5.6 per cent of GDP in FY24.

Chart I.33: Steadily declining deficit ratios



Source: Budget At A Glance, Union Budget FY24 (Interim), Union Government Accounts at a Glance – O/o CGA

Major Reasons:

Revenue	Expenditure																																																
<ul style="list-style-type: none">Strong growth in direct and indirect taxesRecord level dividends from RBI	<ul style="list-style-type: none">compression in revenue expenditure as a per cent of GDPExpenditure on major subsidies declined by 22.1 per cent on a YoY basis. <p>(The prices of fertilisers had steeply increased in FY23 due to the Russia-Ukraine conflict, prompting a higher outlay for its subsidy. However, in FY24, the supply chains adapted, and as a result, the prices of fertilisers have broadly returned to pre-conflict levels. This facilitated a lower outlay on fertiliser subsidies.)</p>																																																
<div><p>Chart I.36: Increase in gross tax revenue to GDP ratio driven by strong direct tax growth</p><table><thead><tr><th>Year</th><th>Gross Tax Revenue (%)</th><th>Direct Taxes (%)</th><th>Indirect Taxes (%)</th></tr></thead><tbody><tr><td>FY20</td><td>10.0</td><td>5.2</td><td>4.7</td></tr><tr><td>FY21</td><td>10.2</td><td>4.8</td><td>5.4</td></tr><tr><td>FY22</td><td>11.5</td><td>6.0</td><td>5.5</td></tr><tr><td>FY23</td><td>11.3</td><td>6.2</td><td>5.1</td></tr><tr><td>FY24 (PA)</td><td>11.7</td><td>6.5</td><td>5.2</td></tr></tbody></table></div> <ul style="list-style-type: none">Broadly, 55 per cent of GTR accrued from direct taxes and the remaining 45 per cent from indirect taxes. (Diagram)	Year	Gross Tax Revenue (%)	Direct Taxes (%)	Indirect Taxes (%)	FY20	10.0	5.2	4.7	FY21	10.2	4.8	5.4	FY22	11.5	6.0	5.5	FY23	11.3	6.2	5.1	FY24 (PA)	11.7	6.5	5.2	<div><p>Chart I.39: Prudent management of expenditure</p><table><thead><tr><th>Category</th><th>FY20 (%)</th><th>FY21 (%)</th><th>FY22 (%)</th><th>FY23 (%)</th><th>FY24 (PA) (%)</th></tr></thead><tbody><tr><td>Revenue Expenditure</td><td>11.8</td><td>15.5</td><td>13.8</td><td>12.5</td><td>11.8</td></tr><tr><td>Major Subsidies</td><td>3.6</td><td>2.1</td><td>1.4</td><td>1.4</td><td>1.4</td></tr><tr><td>Capital Expenditure</td><td>2.1</td><td>2.1</td><td>2.1</td><td>3.2</td><td>3.2</td></tr></tbody></table></div>	Category	FY20 (%)	FY21 (%)	FY22 (%)	FY23 (%)	FY24 (PA) (%)	Revenue Expenditure	11.8	15.5	13.8	12.5	11.8	Major Subsidies	3.6	2.1	1.4	1.4	1.4	Capital Expenditure	2.1	2.1	2.1	3.2	3.2
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4. MODERATION IN INFLATION PRESSURE:

After averaging 6.7 per cent in FY23, retail inflation declined to 5.4 per cent in FY24.

Reasons:

Steps taken by the Govt.	Steps taken by the RBI
<p>The Union Government undertook prompt measures such as</p> <ul style="list-style-type: none"> open market sales, retailing in specified outlets, timely imports, 	<p>The RBI raised policy rates by a cumulative 250 bps between May 2022 and February 2023.</p>

- | | |
|--|--|
| <ul style="list-style-type: none">• reduced the prices of Liquefied Petroleum Gas (LPG) cylinders.• a cut in petrol and diesel prices | |
|--|--|

External Sector:

- CAD
- Forex reserves

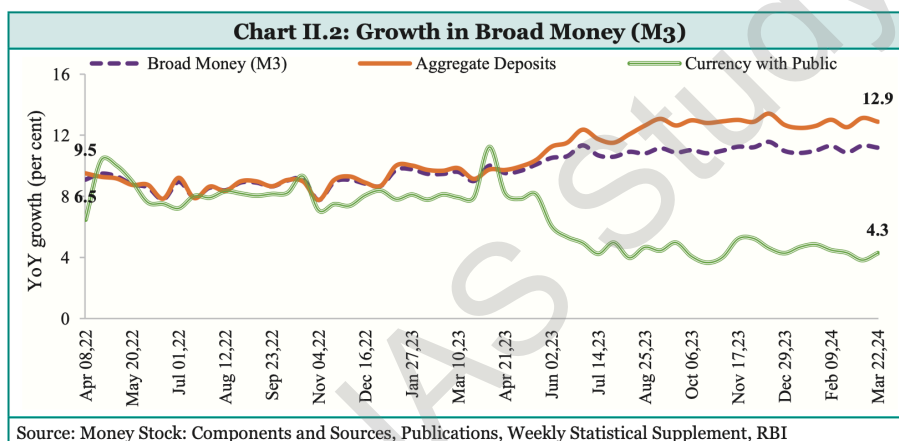
2 CHAPTER MONETARY MANAGEMENT AND FINANCIAL INTERMEDIATION

1. MONETARY DEVELOPMENTS

Growth of Broad Money(M3) increased though Reserve currency (M0) expansion moderated.

Reasons:

- Withdrawal of Rs 2000 notes.
- Imposition of ICRR.
- Bank credit to the commercial sector significantly contributed to the increase in M3, with a share of 67.1 per cent as of 22 March 2024, supplemented by net bank credit to the Government. (share of 29.4 per cent).



2. INCREMENTAL CASH RESERVE RATIO (ICRR)

WHAT IS CASH RESERVE RATIO (CRR)?

- Banks are mandated to maintain a certain proportion of their deposits and specific liabilities as liquid cash with the RBI, which is called as cash reserve ratio.
- This serves as a mechanism for the RBI to regulate liquidity in the economy and act as a buffer during periods of financial strain.
- Presently, banks are required to retain 4.5% of their Net Demand and Time Liabilities (NDTL) as CRR with the RBI.

WHAT IS INCREMENTAL CASH RESERVE RATIO (ICRR)?

- The RBI possesses the authority to impose an incremental CRR in addition to the CRR, particularly during periods of surplus liquidity in the system.

- Recently the RBI mandated all scheduled banks to uphold an additional cash reserve ratio equating to 10% of the surge in their net demand and time liabilities (NDTL) recorded between May 19, 2023, and July 28, 2023.
- This ICRR is imposed in addition to the existing CRR and RBI does not provide any interest over these ICRR balances.

WHY ICRR?

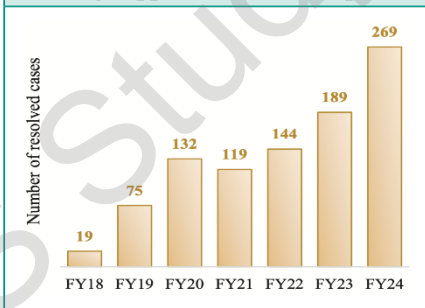
During this period, the RBI announced the discontinuation of Rs 2,000 notes, leading to substantial deposit inflows in banks. The RBI's intention behind imposing ICRR is to absorb some of this liquidity from the system.

3. FINANCIAL INTERMEDIATION

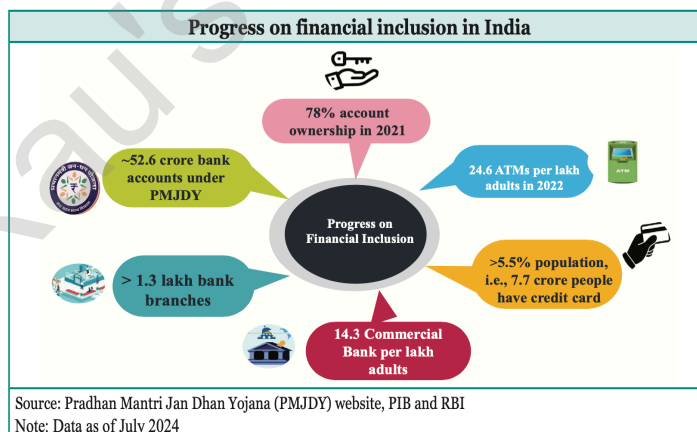
Improving health of the banking sector:

- Decreasing NPA size:** Indian banks' gross NPA ratio at multi-year low of 2.8%, net NPA down to 0.6% in FY24. This was possible due to the major measures taken by the govt over the period:
 - Establishment of NARCL to clear the bad assets of public sector banks.
 - Resolution of stressed through IBC mechanism.
- Increased PCR:** The provisioning coverage ratio has risen to an all-time high of 76.4 per cent from 41.7 per cent as on March 31, 2015, materially limiting the incremental impact on profitability from potential losses on NPAs.
- Write-offs:** Banks have resorted to write-offs to clean up balance sheets. Gross write-offs (excluding recovery at a later stage from such accounts) between fiscals 2015 and 2024 were over Rs 15 lakh crore.
- Capital infusion** by the government into public-sector banks and capital raised to 15.5%. (best in two decades.)

Chart II.10a: Number of resolved cases through approved resolution plans



Financial Inclusion: SDG-8



3 CHAPTER

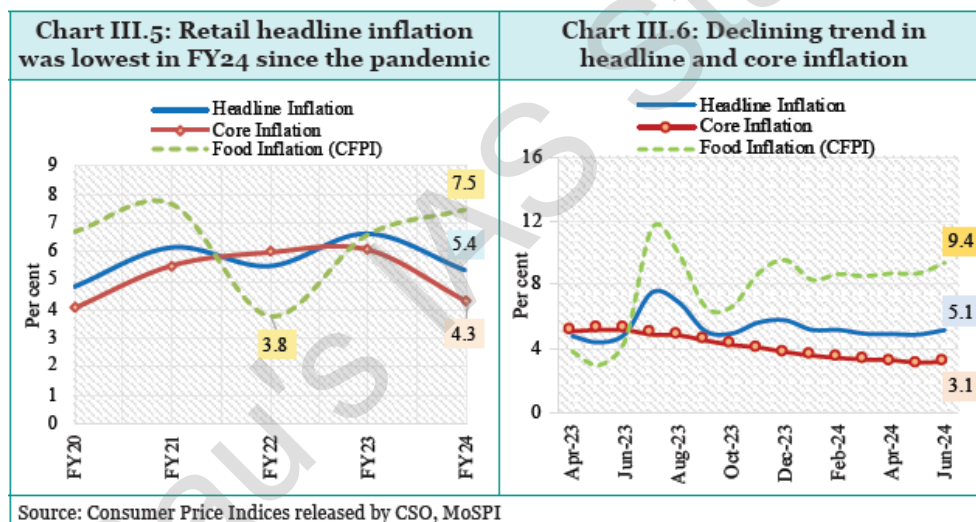
PRICES AND INFLATION: UNDER CONTROL

1. INTRODUCTION

- Low and stable inflation is key to sustaining economic growth. Governments and Central Banks face the challenge of keeping inflation at a moderate level while ensuring financial stability.
- Achieving this delicate balance requires **careful monitoring of economic indicators** and **taking appropriate and timely corrective actions**.

2. TRENDS OF INFLATION IN INDIA

- In FY23, **Consumer Price Index (CPI)** based retail inflation in India was **primarily influenced by higher food inflation**, while **core inflation remained moderate**.
- Externally, the Russia-Ukraine war led to price pressures, while domestically, excessive heat in the summer and uneven rainfall put pressure on food prices.
- With the commitment of the Reserve Bank of India (RBI) to the goal of price stability and policy actions by the Central Government, **India successfully managed to keep retail inflation at 5.4% in FY24**, the lowest level since the Covid-19 pandemic period.



- Thus, **moderation in inflation was largely the result of prudent administrative measures and monetary policies** implemented during the post-pandemic economic recovery phase. As per the recent data released by MoSPI, the retail inflation rate was 5.1% in June 2024.

3. FOOD INFLATION

- Food inflation has been a global phenomenon in the last two years. Food inflation based on the Consumer Food Price Index (CFPI) increased from 3.8% to 7.5% in FY24.
- **Reasons are:**
 - **Unfavourable Weather:** The production prospects of vegetables and pulses were particularly impacted by unfavourable weather conditions such as rainfall led to

delays in sowing during the sowing/harvest season, prolonged dry spells impacting production.

- **Trade-related measures taken by other countries:** Reduced the supply of essential food items in global markets.
- **Costly imports:** In India, the edible oil market heavily depends on imports, with more than 50% of the total edible oil requirement being imported⁸, making it sensitive to global prices.

4. GOVERNMENT INITIATIVES

- **Ensuring adequate supply of essential food items**
 - Open market sales
 - Retailing in specified outlets
 - Timely imports
 - **Export Restrictions:** In the case of sugar, the Government announced restrictions on export in June 2022 to ensure sufficient local supplies and thereby manage sugar inflation.
- **Food security for the poor:** Pradhan Mantri Garib Kalyan Anna Yojana, which provides free food grains to more than 81 crore beneficiaries, was extended for a period of five years starting from January 2024.
- **Increase Production:** Efforts are also made to balance imports with domestic production to mitigate the risks associated with global price volatility. In this context, the National Mission on Edible Oils - Oil Palm aims to increase domestic crude palm oil production to reduce the import burden.

5. WAY FORWARD

The RBI and the IMF have projected that India's consumer price inflation will progressively align towards the inflation target in FY26. On balance, the short-term inflation outlook for India is benign. However, from the angle of long-term price stability, the following options may be worth exploring.

- **Edible Oils:** The domestic consumption of edible oils has been increasing faster than production, leading to increased import dependence. To reverse this pattern and to stabilise domestic prices, it is important to make focused efforts to increase the production of major oilseeds such as sunflower and rapeseed & mustard, and explore the potential of non-conventional oils such as rice bran oil and corn oil. The possibility of **expanding the scope of the National Mission on Edible Oils beyond palm oil** to other major oilseeds is worth an examination.
- **Pulses:** India faces a persistent deficit in pulses and consequent price pressures. Production of pulses is concentrated in a few states and districts in the country, and is vulnerable to biotic and abiotic stresses. More efforts are needed to **expand the area under pulses**, particularly lentils, tur, and urad, in more districts and rice-fallow areas. It is also worth considering **promoting the summer cultivation of urad and moong in areas with assured irrigation facilities**.
- **Food Storage:** There have been many efforts by the Government to improve the storage and processing facilities for vegetables. In view of the continuing seasonal surges in the prices of vegetables like tomato and onion, it is important to assess the progress in **developing modern storage facilities conducive to such specific crops**, and evaluate the viability of such facilities whose services have highly seasonal demand.

- **Calibrated Policy Actions:** FY24 witnessed swift and effective administrative action by the Government to deal with price flare-ups in specific items. This was based on daily monitoring of prices at more than 500 centres. Prospectively, an important factor that can improve the swiftness and effectiveness of such action is complete clarity on prices and their indices. On this front, it may be important to fine-tune and expedite the ongoing action in the following areas:
 - **Monitoring:** The high-frequency price monitoring data for essential food items collected by different departments may be linked in such a way that the build-up of prices at each stage from the farm gate to the final consumer is quantifiable and monitorable.
 - **Construct Producer Price Index:** The ongoing efforts to construct the producer price index for goods and services may be expedited to have a greater grasp of episodes of cost-push inflation.
 - **Revising CPI:** Further, considering that the results of the household consumer expenditure survey, 2022-23 of MoSPI are available, it may be appropriate to expeditiously revise the consumer price index with fresh weights and item baskets.

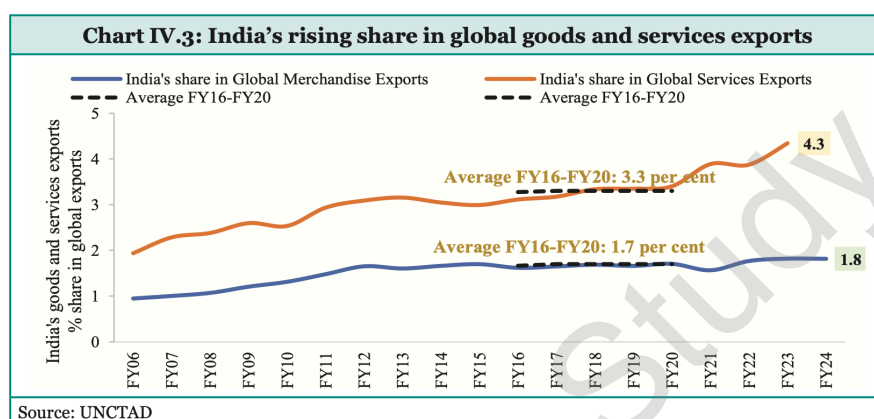
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CHAPTER EXTERNAL SECTOR

1. EXPORT PERFORMANCE

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

	2020	2021	2022
Export performance (in per cent)			
Share in World Merchandise Exports	1.6	1.8	1.8
Share in World Commercial Services Exports	4.1	4.0	4.4
Share in World Merchandise Plus Services Exports	2.1	2.2	2.4



- A series of measures undertaken by the Government have shown a remarkable increase in product-specific exports like Toys, Smart phones, Footwear and Defence equipment.

Table IV.2: Resilient performance of service trade (Values in USD billion)

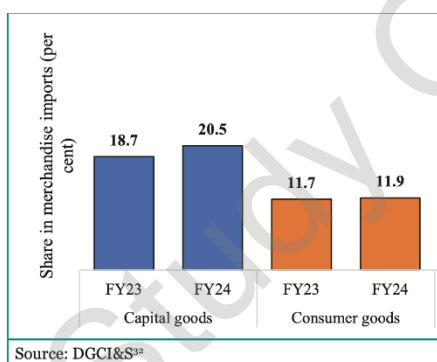
Sectors	FY24 Exports
Total services	341.1
Manufacturing services on physical inputs owned by others	1.4
Maintenance and repair services n.i.e.	0.2
Transport	29.2
Travel	33.7
Construction	4.6
Insurance and pension services	3.3
Financial services	8.1
Charges for the use of intellectual property n.i.e.	1.6

Telecommunications, computer, and information services	163.6
Other business services	88.6
Personal, cultural, and recreational services	4.4
Government goods and services n.i.e.	0.6
Others n.i.e.	1.8

2. IMPORT PERFORMANCE

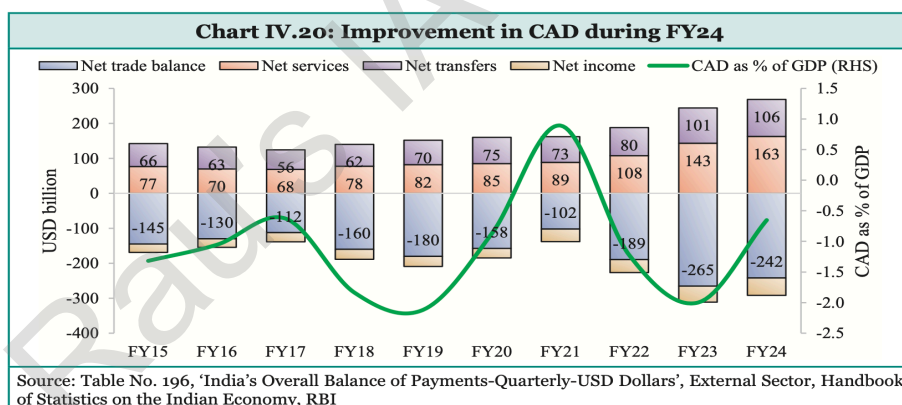
Import Performance (in per cent)			
Share in World Merchandise Imports	2.1	2.5	2.8
Share in World Commercial Services Imports	3.3	3.5	4.0
Share in World Merchandise Plus Services Imports	2.3	2.7	3.0

- Merchandise imports contracted by 5.7 per cent in FY24, from USD 716 billion in FY23 to USD 675.4 billion in FY24.
- Change in composition:** Imports of capital goods saw an increase, which is welcome as it indicates a heightened demand for machinery, equipment, and other durable goods used in production processes, suggesting potential investments in industrial infrastructure or technological upgrades.



Favourable Current Account balance:

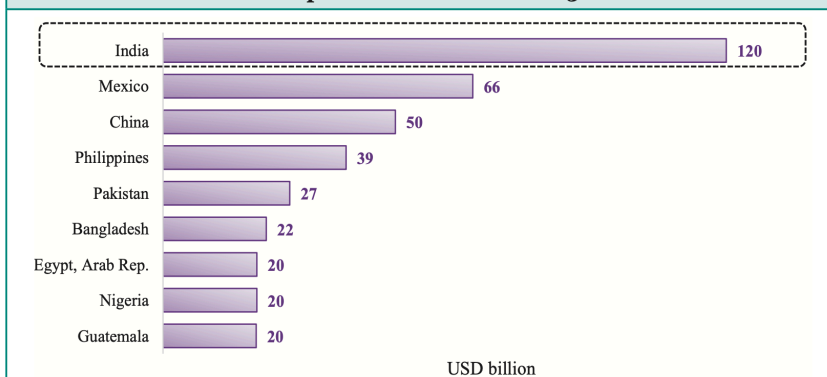
India's CAD narrowed to USD 23.2 billion (0.7 per cent of GDP) in FY24 from USD 67 billion (2 per cent of GDP) during the previous year.



This was possible due to:

- Narrowing trade deficit
- Increased Remittances due to (Increased Oil prices, Depreciation of rupee)

Chart IV.22: India emerged as the top remittance recipient in the World in 2023



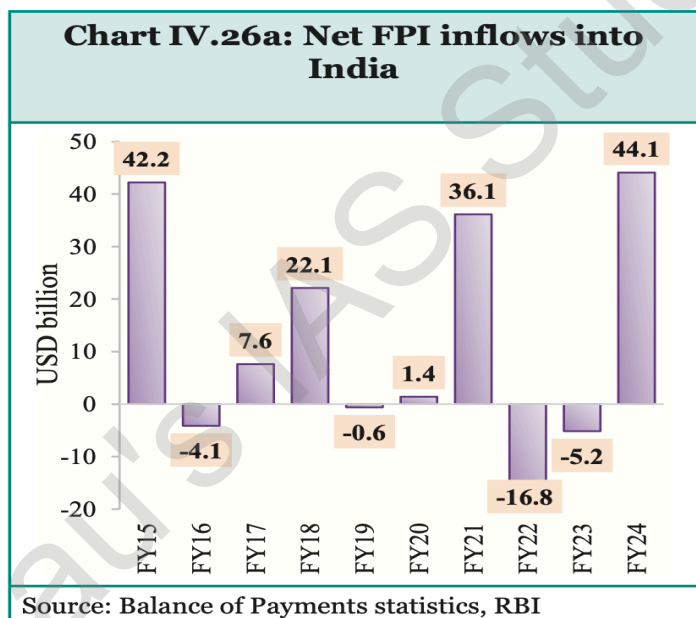
Source: World Bank

3. FOREIGN INVESTMENT

FOREIGN PORTFOLIO INVESTMENT

The net FPI flows saw a significant turnaround in FY24. Supported by optimism surrounding India's growth story, progressive policy reform, economic stability, fiscal prudence and attractive investment avenues, India witnessed robust FPI inflows in FY24. Net FPI inflows stood at USD 44.1 billion during FY24.

Chart IV.26a: Net FPI inflows into India

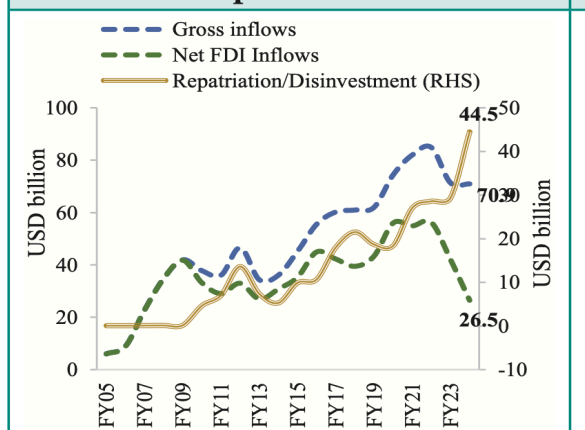


Source: Balance of Payments statistics, RBI

4. FOREIGN DIRECT INVESTMENT

Net FDI inflows to India declined from USD 42.0 billion during FY23 to USD 26.5 billion in FY24.

Chart IV.27a: Moderation in net FDI inflows in FY24 owing to a rise in repatriation



5. FOREX RESERVES

During FY24, India's FER increased by USD 68 billion, the highest increase among major foreign exchange reserves-holding countries. FER stood at USD 653.7 billion on 21 June 2024.

5 CHAPTER

CLIMATE CHANGE AND ENERGY TRANSITION: DEALING WITH TRADEOFFS

This chapter points out to an important issue **that the way in which the world is dealing with the climate change is a flawed** one because it continues to ignore the trade-offs because of which the countries are pushing back their own timelines. For e.g. United Kingdom postponed its decision to ban the sale of vehicles that run on petrol and diesel for five years from 2030 to 2035. Germany had to dilute its rules for banning boilers running on fossil fuels before they could be passed.

1. WHAT ARE THE TRADE-OFFS?

- Alternative energy sources require fiscal subsidies to be affordable. However, most governments worldwide are fiscally stretched.
- If countries go to tax the fossil fuels, it might loose on the revenues as industrialists will move out and investment might be down.
- Critical minerals are required for energy transitions, but it may create geopolitical instability.
- Nuclear energy is the cleanest and safest option. However, some nations are reluctant to consider it.
- Renewable energy is good but even this has the challenges. For e.g. just developing the forecasted wind and solar capacities would require ~10EJ of energy during 2024-30, which is equivalent to ~20% of our projected global energy demand growth over the same period (forecasts based on our Global Energy Outlook) and will emit ~1,450 mn tonnes of CO_{2e}.
- Then there is a issue of time. Nowhere in the world has energy transition of this scale happened within the short time envisaged.
- Development goals are been downgraded for e.g. developing nations are also being threatened with a carbon tax at the border.
- The impact of climate change will affect developing countries disproportionately because these countries are already vulnerable and less resilient and must prioritise their economic development needs

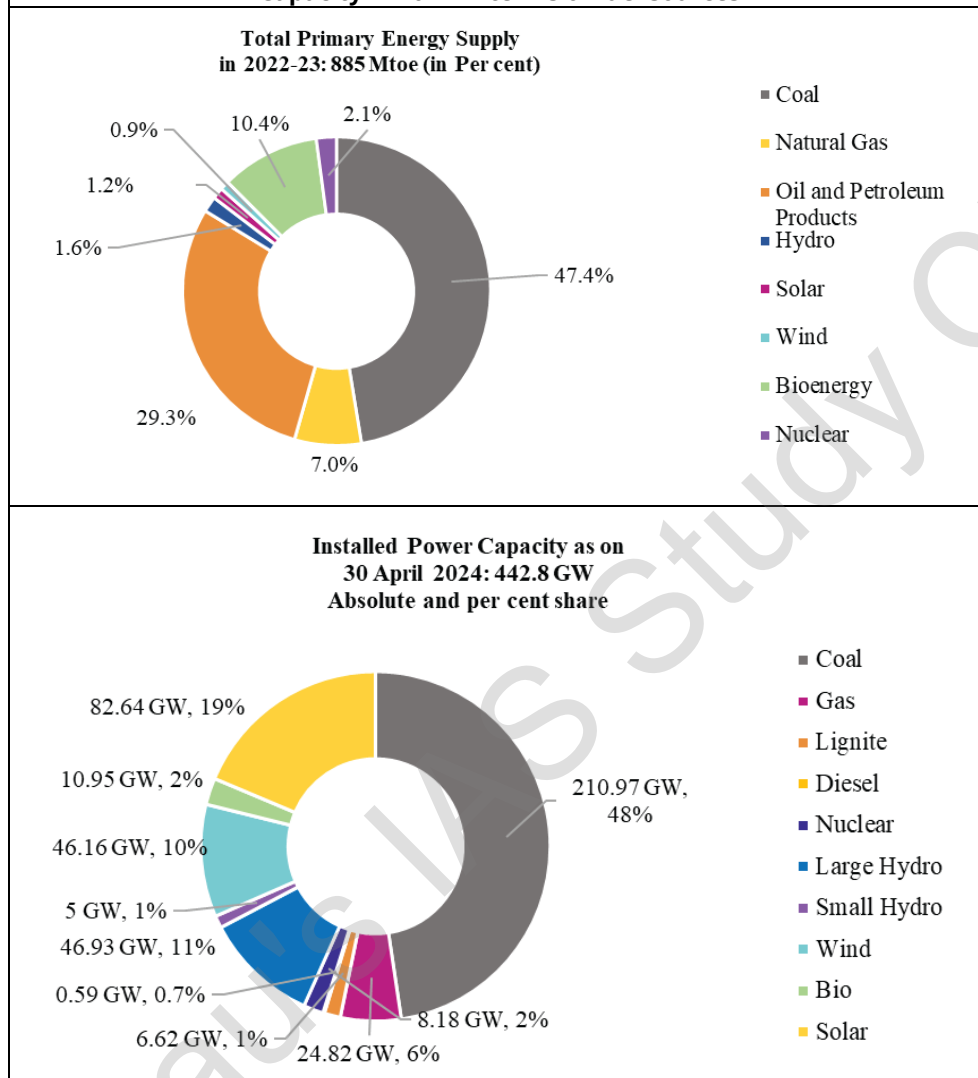
2. WHAT IS INDIA'S PRESENT ENERGY MIX?

- India's energy needs are expected to grow 2 to 2.5 times by 2047.
- India's primary energy mix in 2022-23 was fossil-fuel dominant, with almost 84 per cent met from coal, oil, and natural gas combined.
- However, the composition in the electricity sector has significantly changed, with the share of non-fossil power capacity being 45.4 per cent as of May 2024 from around 32 per cent in April 2014.

Steps taken in renewable:

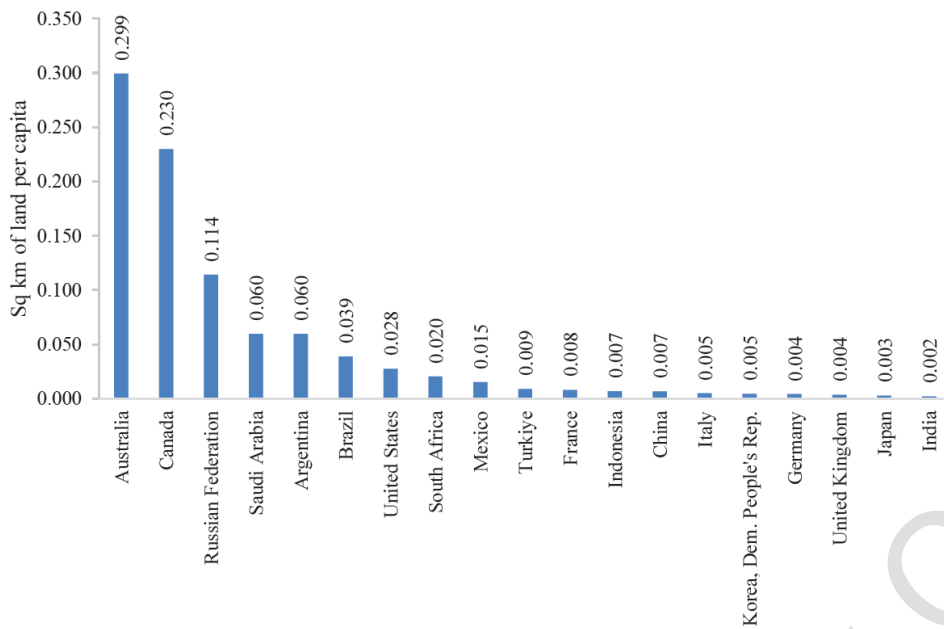
- PM-Surya Ghar Yojana is expected to add 30 GW of solar capacity
- Government has notified the national offshore wind energy policy and offshore wind energy lease rules, 2023.
- India's Green Hydrogen Mission targets five MMT of green hydrogen by 2030.

Chart VI.1: India's Primary Energy Supply Mix in 2022-23 and Installed Power Capacity in 2024 in terms of fuel sources



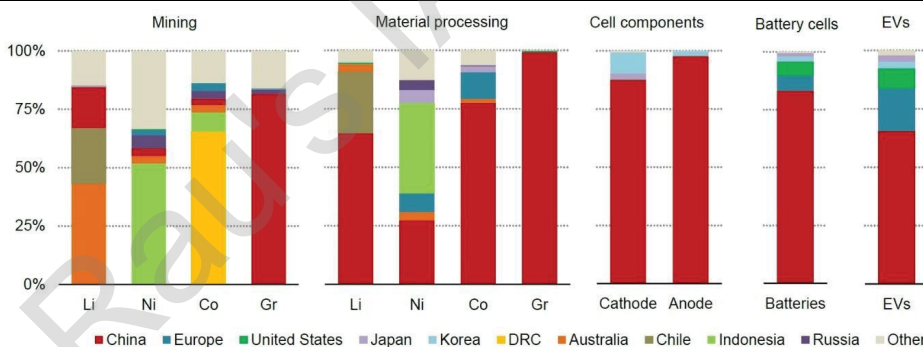
3. WHAT ARE THE CHALLENGES OF ENERGY TRANSITION?

- Renewable energy faces intermittency and discontinuous supply impacting grid stability.
- Energy demand is expected to increase substantially.
- Many technologies required for global Net Zero are currently commercially unavailable, such as hydrogen-fuelled steel/cement, steel and aluminium production with CCUS.
- Requirement of land and water given the fact that Land per capita in India is the lowest among the G20.

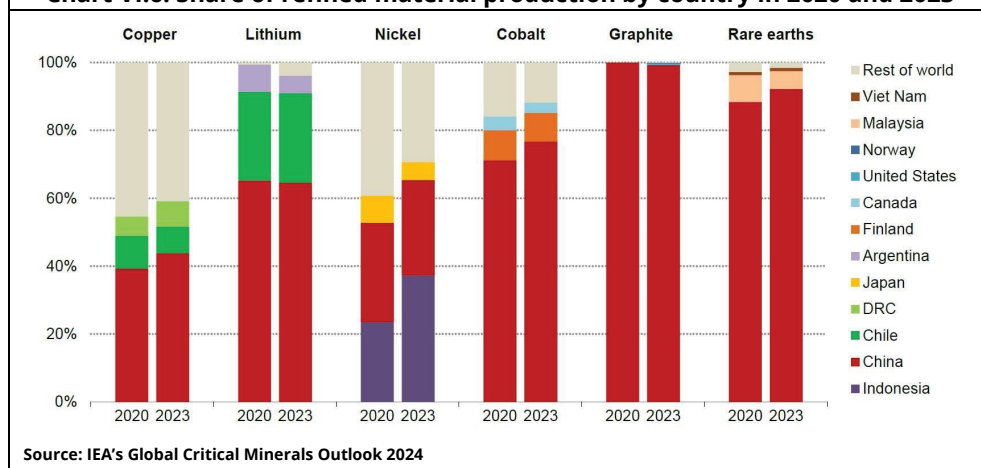
Chart VI.4: Land per capita in India is the lowest among the G20, 2021

- Gestation period is huge for innovations in offshore wind, geothermal, tidal energy, biofuels, compressed biogas, green hydrogen, energy storage, electrolyzers, and nuclear power.
- Renewable waste recycling is another challenge. Globally, solar photovoltaic (PV) waste is estimated to be as massive as 78 million tonnes⁵⁷ by 2050.
- Critical minerals are required for renewable energy

4. WHAT IS THE DISTRIBUTION OF CRITICAL MINERALS?

Chart VI.5: Geographical distribution of critical mineral global supply chains, 2023⁶³

Source: IEA's Global Critical Minerals Outlook 2024

Chart VI.6: Share of refined material production by country in 2020 and 2023

5. WHAT IS THE PRESENT STATUS OF INDIA'S CARBON MARKET?

- Carbon credit and trading scheme (CCTS) envisages a compliance mechanism whereby the registered entities notified under the mechanism, called obligated entities (OE), will be notified of GHG emission intensity targets for each annual year in the trajectory period (called the compliance year). On completion of the trajectory period, the targets shall be revised for subsequent periods. The obligated entities would be required to comply and furnish the compliance status with the targets set after the verification and trading process within nine months from the completion of the compliance cycle. The entity obligated to achieve greater than the target notified can get the Carbon Credit Certificates (CCC) issued by the difference between the actual and target. These CCCs can be sold in the carbon market or banked by the obligated entity on completion of the compliance year. The banked CCCs can be sold or used to achieve compliance in the following years. An obligated entity failing to meet the targets would be required to buy the CCCs in the Indian carbon market or use their banked CCCs for compliance.

FACTS FOR PRELIMS

Table VI.1: Institutional Architecture of Carbon Market in India

Function	Institution
Governance, oversight and functioning	National Steering Committee for the Indian carbon market
Policy & administrator	Bureau of Energy Efficiency
Implementor of targets	Obligated entity
Trading regulator	Central Electricity Regulatory Commission
Registry	Grid Controller of India Limited (GCIL)
Trading platform	Power exchange – IEX, PXIL, HPX

6. WHAT IS INDIA'S GREEN CREDIT PROGRAM?

- The GCP is an innovative market-based mechanism aimed at encouraging individuals, communities, private sector industries, and companies to engage in voluntary environmental positive actions through the issuance of green credits.

- In the initial phase, it focuses on voluntary tree plantation on degraded land, wasteland, watershed, etc., under the control and management of the Forest departments.

7. COP 28 AND GLOBAL STOCKTAKE

- Operationalisation of the Loss and Damage Fund.
- Under finance, the GST decision recalls that developed country Parties shall provide financial resources to assist developing country.
- The decision also recognises that adaptation finance must be significantly scaled up.

8. WHAT ARE INDIA'S INTERNATIONAL EFFORTS TO ADDRESS CLIMATE CHANGE ISSUES?

- **The International Solar Alliance (ISA)** was established by a joint initiative of India and France in 2015 to deploy solar energy solutions. It is a treaty-based inter-governmental organisation with 119 Member and Signatory countries. The organisation aims to unlock USD one trillion of investments in solar by 2030 by crowding in private sector investment through guarantees, building capacities and through measures to reduce the cost of technology adoption.
- **One World, One Sun, One Grid (OSOWOG)** is an ambitious project led by India and the UK to interconnect solar energy systems on a massive scale.
- The Coalition for Disaster Resilient Infrastructure (CDRI) was launched by India. It is a global partnership of National Governments, UN agencies and programmes, multilateral development banks and financing mechanisms, the private sector, and academic and knowledge institutions that aims to promote the resilience of new and existing infrastructure systems to climate and disaster risks in support of sustainable development.
- **The Infrastructure for Resilient Island States' (IRIS)**, led by India, is a flagship strategic initiative of CDRI and Small Island Developing States (SIDS).

6 CHAPTER

SOCIAL SECTOR: BENEFITS THAT EMPOWER

1. OVERVIEW

India is on a determined path to become a developed country by 2047, encapsulated in the **vision "ViksitBharat@2047"**.

The economic growth trajectory is strongly supported by social and institutional advancements, driven by transformative and effective implementation of government programs.

The government has focused on sectors such as health, education, sanitation, digital empowerment, and improving the quality of life in rural areas, ensuring substantial progress in each.

2. SOCIAL SECTOR EXPENDITURE

TRENDS IN SOCIAL SERVICES EXPENDITURE

- Government spending on social services, including education and health, has seen a consistent rise. **Between FY18 and FY24, nominal GDP** grew at a **compound annual growth rate (CAGR) of 9.5%**, while overall welfare expenditure grew at a CAGR of **12.8%**.
- **Education expenditure** grew at a **CAGR of 9.4%**, slightly below the rate of nominal GDP growth, and **health expenditure** grew at **15.8%**.

3. DOVETAILING GROWTH WITH EMPOWERING WELFARE

TRANSFORMATIONAL WELFARE INITIATIVES

- **Jal Jeevan Mission:** Provided the first tap water connection to Demchok village in Leh, located at 13,800 feet altitude, in July 2022.
- **PM Ujjwala Yojana:** Over 10.3 crore women received free gas connections, reducing the burden of traditional cooking methods.
- **Swachh Bharat Mission:** Built 11.7 crore toilets, significantly improving sanitation and hygiene.
- **PM-AWAS Yojana:** Constructed 3.47 crore pucca houses for the poor, enhancing living conditions.
- **Ayushman Bharat Scheme:** Facilitated 6.9 crore hospital admissions, providing financial protection for medical treatments.

STRENGTHS OF INDIA'S SOCIO-ECONOMIC ENVIRONMENT

1. **Rapid Economic Growth:** India's notable status as one of the **fastest-growing global economies** underpins its ability to enhance welfare systems and infrastructure.
2. **Advanced Digital Infrastructure:** The expansion of **digital public infrastructure (DPI)** supports vital sectors such as education, healthcare, and governance, facilitating streamlined processes and broad access.

OPPORTUNITIES PRESENTED BY INDIA'S DEMOGRAPHICS

1. **Youthful Population:** India has a **higher percentage of young people (18% aged 15-24 years)** compared to the global average, presenting a potential demographic dividend.
2. **Median Age Advantage:** With a **median age of 28.2 years**, the youthful demographic is poised to contribute significantly to the workforce, driving innovation and economic dynamism.

CHALLENGES CONFRONTING INDIA

1. **Education Quality:** There is a critical need for reforms to improve learning outcomes in schools to equip students with necessary academic and professional competencies.
2. **Nutritional Health:** Addressing malnutrition is urgent, especially to improve health outcomes among children and vulnerable populations.
3. **Inclusive Regional Development:** Enhancing the infrastructure and economic integration of rural areas remains a challenge, requiring targeted developmental policies.
4. **Addressing Disparities:** Efforts to reduce regional, caste, and gender disparities are essential for ensuring equitable growth and social harmony.
5. **Enhancing Governance:** Strengthening accountability and transparency across all government levels is vital for effective policy implementation and public trust.
6. **Resource Allocation:** Managing the challenges with limited fiscal resources demands pragmatic and effective welfare policies that optimize resource use without compromising on service delivery.

4. INDIA'S WELFARE STRATEGY FOR SUSTAINABLE DEVELOPMENT

- **Shift to Long-Term Welfare Initiatives:** India's welfare strategy is transitioning from short-term, reactive interventions to a long-term, sustainable approach. This shift focuses on building enduring social infrastructure that not only addresses immediate needs but also supports future generations, fostering a more inclusive growth trajectory.
- **Empowering Individuals and Communities:** The revamped approach emphasizes **empowering individuals by improving access to essential services, which enhances their ability to ascend the socio-economic ladder**. This empowerment leads to **greater autonomy and self-confidence**, fundamentally altering social dynamics and enabling historically marginalized groups to participate more fully in societal progress.
- **Reducing Welfare Dependency:** The strategy aims to move citizens from a **cycle of dependency** on temporary welfare to **active engagement in developmental activities**. This transition not only aids fiscal sustainability but also boosts personal dignity and self-esteem, aligning individual progress with national development goals.

5. KEY PILLARS OF INDIA'S REVISED WELFARE STRATEGY

- **Efficiency in Spending :** India's welfare strategy emphasizes enhancing the effectiveness of government spending to ensure **better outcomes in health, education, and child welfare, rather than simply increasing budgets**. This paradigm shift ensures that **every rupee spent achieves a higher impact**.

- **Technology Integration:** Technologies like the Direct Benefit Transfer (DBT) and the JAM trinity have improved **fiscal efficiency and reduced leakages, showcasing significant advancements in digital governance. over ₹38 lakh crore successfully transferred via DBT since 2013.**
- **Outcome-Focused Budgeting:** The government has implemented an **Outcome Budgeting approach, supported by NITI Aayog's Output-Outcome Monitoring Framework**, to ensure accountability and measure the success of programs.
- **Data-Driven Governance:** Utilization of **management information systems (MIS) and dashboards enhances transparency and enables real-time monitoring of welfare schemes.** This data-centric approach allows for better tracking of program effectiveness and quicker adjustments to strategy as needed.
- **Targeted Delivery Systems:** The government has implemented **targeted reforms to ensure that no individual is left behind. Programs like the Aspirational Districts Programme (ADP)** exemplify efforts to improve health, education, and infrastructure through a **strategy of convergence, collaboration, and competition among government levels and districts.**
- **Health and Sanitation Investments:** Programs like **Mission Indradhanush and Swachh Bharat Mission** highlight investments in health and sanitation that have led to improved public health outcomes.
- **Social Security Expansion:** Schemes such as the **Atal Pension Yojana and PM Suraksha Bima Yojana expand the social safety net** for unorganized sector workers, promoting financial stability.
- **Corporate Social Responsibility:** **Mandatory CSR contributions post-2014 have increased private sector involvement** in social welfare, leveraging corporate profits for sustainable development.

6. OVERVIEW OF PROGRESS AND OUTCOMES IN INDIA'S SOCIAL SECTOR

Multidimensional Poverty Reduction: Customized by NITI Aayog, it measures poverty beyond income, including factors like health, education, and living standards. This comprehensive approach helps identify the true scope of deprivation across the population.

SIGNIFICANT DECREASES IN MPI

- Between **2013-14 and 2022-23**, approximately **24.82 crore people escaped multidimensional poverty**, showcasing a significant downward trend from **29.17% to 11.28%**. The fastest declines were observed from **2015-16 to 2019-21**.

Chart VII.3: Decline in the deprivations across the multidimensionally poor population

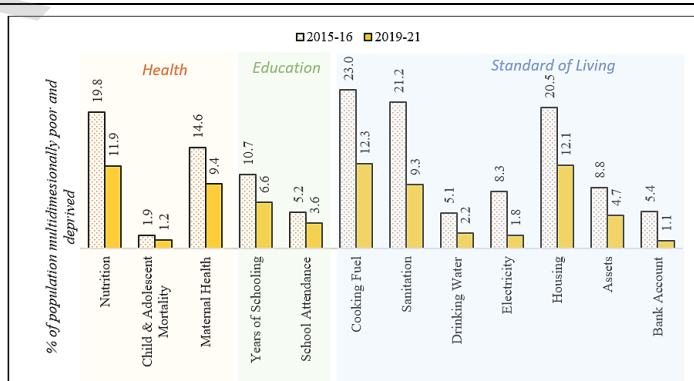
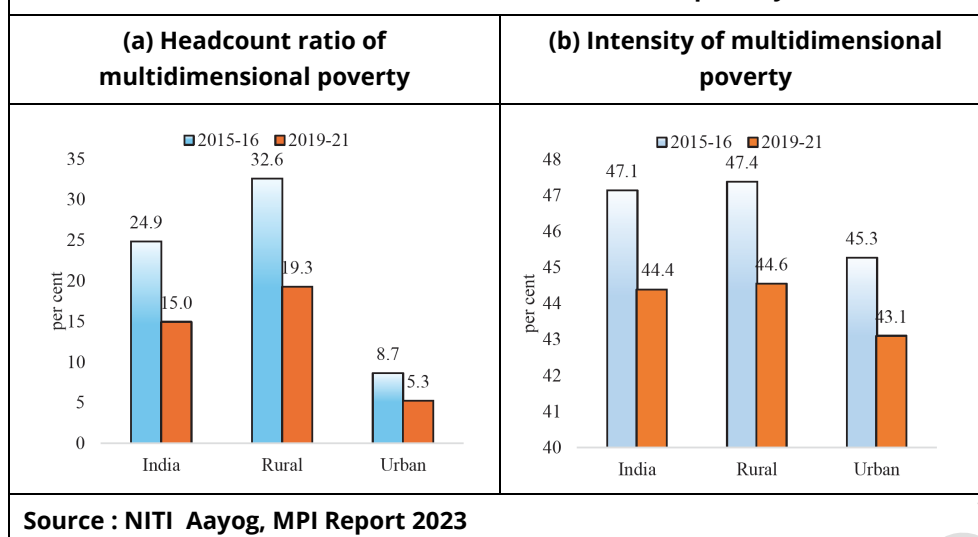


Chart VII.2: Decline in multidimensional poverty

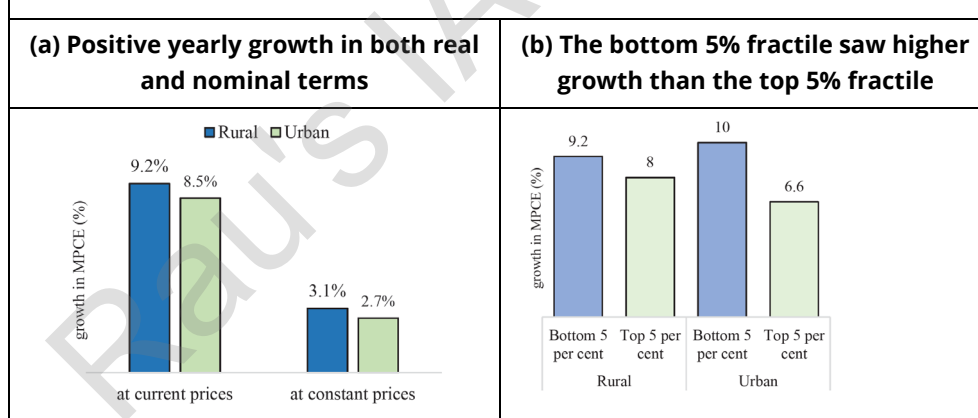


7. HOUSEHOLD CONSUMPTION EXPENDITURE INSIGHTS

Survey Results:

- The Household Consumption Expenditure Survey (HCES) 2022-23 highlights **reduced inequality and increased consumption**, reflecting successful social initiatives.
- Monthly per capita consumption expenditure (MPCE)** rose by 40% in rural areas and 33.5% in urban areas from 2011-12 to 2022-23.
- Inequality Reductions: The Gini coefficient**, a measure of inequality, declined significantly, **illustrating a narrowing gap between rural and urban consumption**. The consumption growth rate of the **poorest 5% outpaced that of the wealthiest 5%**, indicating decreased economic inequality.

Chart VII.4: CAGR in MPCE: 2011-12 to 2022-23



HEALTH

8. STRATEGIC OVERVIEW OF HEALTHCARE SYSTEM

The resilience of India's economy is closely tied to its healthcare system, vital for enhancing human capital and labor productivity.

Government Initiatives for Comprehensive Healthcare

Preventive and Promotive Healthcare: The Indian government is committed to integrating preventive and promotive health measures within all development policies. This approach ensures universal access to quality healthcare services, aiming to build a foundation for long-term public health stability.

Table VII.2: Key Healthcare Schemes

Programme/Purpose (year of launch)	Progress/Outcome
Ayushman Bharat Pradhan Mantri Jan Aarogya Yojana (AB-PMJAY) (2018) <i>Health insurance cover of ₹5 lakh/year for underprivileged families for secondary and tertiary hospitalisation</i>	<ul style="list-style-type: none"> 34.73 crore Ayushman Bharat cards generated 7.37 crore hospital admissions have been covered by the scheme. 49 per cent of beneficiaries are females (as of 8 July, 2024)¹⁸
PM Jan Aushadhi Kendras <i>Quality medicines at 50-90 per cent cheaper than market rates</i>	<ul style="list-style-type: none"> 10,000th Jan Aushadhi Kendra was inaugurated in AIIMS Deoghar. 1965 medicines & 293 surgical equipments available
AMRIT (Affordable Medicines and Reliable Implants for Treatment) <i>Subsidised medicines for critical illnesses</i>	<p>More than 300 Amrit pharmacies operating in different States/UTs</p>
Ayushman Bhav Campaign (Sep 2023) <i>To saturate selected healthcare services in every village/town and inform citizens about the Government's flagship schemes.</i>	<ul style="list-style-type: none"> 16.96 lakh wellness, yoga, and meditation sessions, 1.89 crore Tele consultations, free drugs availed by 11.64 crore people and free diagnostics services availed by 9.28 crore people ANC¹⁹ Checkup and Immunization availed by 82.10 lakh mothers and 90.15 lakh children Seven types of screening (TB, Hypertension, diabetes, Oral Cancer, Breast Cancer, Cervical Cancer and Cataract) are availed by 34.39 crore people. 2.0 crore patients consulted general OPD, while 90.69 lakh patients consulted specialist OPD, and 65,094 major surgeries and 1,96,156 minor surgeries were conducted. 13.48 crore ABHA accounts were created, 9.50 crore Ayushman cards were generated, and 1.20 lakh Ayushman Sabhas were organised. The cumulative footfall reached 20.66 crore in 25.25 lakh health melas (as of 31 March 2024)
Ayushman Bharat Digital Mission (ABDM) (2021) <i>to create a national digital health ecosystem across the country</i>	<ul style="list-style-type: none"> 64.86 crore Ayushman Bharat Health Accounts (ABHA) created 3.06 lakh Health Facility Registries 4.06 lakh Healthcare professionals 39.77 crore Health records linked with ABHA²⁰

Mental Health as a Priority: Acknowledging the profound impact of mental health on national development, the government has placed significant emphasis on mental wellness.

Statistical Insights:

- With the rising global prevalence of mental health issues, as reported by WHO, India has responded by enhancing its mental health infrastructure and policies. **As per WHO, in 2019-22, one in every eight people, or 970 million people globally, were living with a mental disorder, with anxiety and depression.**
- The **National Mental Health Survey (NMHS)** highlights that **10.6% of adults in India suffer from mental disorders, with a higher prevalence in urban metro areas compared to rural settings.**

9. NATIONAL AND STATE-LEVEL MENTAL HEALTH PROGRAMS

- **Policy Frameworks:** India implements several policies such as the **National Mental Health Policy (2014)**, **National Youth Policy (2014)**, and the **comprehensive National Education Policy (2020)** which emphasizes mental health across the educational spectrum.
- **State Initiatives:** Various state-level initiatives complement national efforts, providing targeted mental health services. **Examples include Meghalaya's State Mental Health Policy and Delhi's Happiness Curriculum**, which integrate mental health education and awareness from an early age.

Mental Health Issues through the lens of Economics

Impact on Productivity: Mental health issues are linked to **significant economic losses** due to decreased productivity, higher absenteeism, and increased healthcare costs. Investments in mental health care are shown to offer high returns, reducing long-term economic burdens on the healthcare system and enhancing workforce efficiency.

Impact of Public Healthcare on Health Statistics

The National Health Accounts (NHA) estimates for FY20 highlight an increased role of public healthcare:

- **Government Health Expenditure (GHE) as a Share of GDP:** There has been an upward trend in the share of GHE in the total GDP.
- **Government Health Expenditure (GHE) as a Share of Total Health Expenditure (THE):** The proportion of GHE in THE has risen.

Chart VII.5(b): Social Security Expenditure and Private Health Insurance Expenditure as per cent of Total Health Expenditure

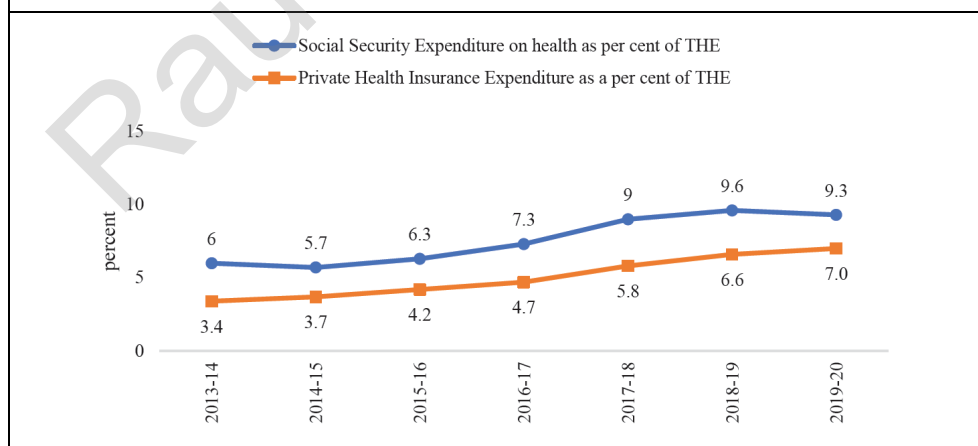
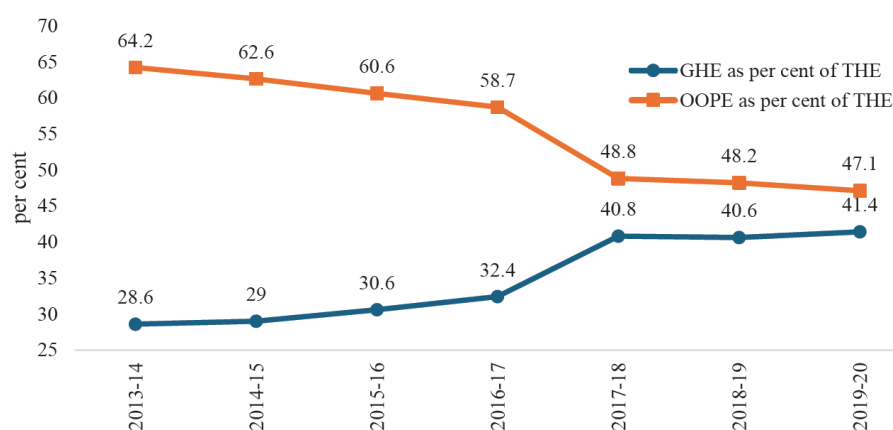


Chart VII.5(a): Government Health Expenditure and Out of Pocket Expenditure as per cent of Total Health Expenditure

10. FOCUS ON PRIMARY HEALTHCARE

Health expenditure has increasingly been directed towards primary healthcare:

- **Primary Healthcare Expenditure:** Increased from 51.3% of GHE in FY15 to 55.9% in FY20.
- **Primary and Secondary Care Expenditure:** Share in GHE rose from 73.2% in FY15 to 85.5% in FY20.
- **Private Health Expenditure on Primary and Secondary Care:** Declined from 83.0% to 73.7% during the same period due to increased utilization of government facilities for primary healthcare.

Social Security Expenditure on Health

Social security expenditure on health has seen significant growth:

- **Increase from FY15 to FY20:** Rose from 5.7% to 9.3%.
- **Decline in Out-of-Pocket Expenditure (OOPE):** Reduced as a percentage of THE between FY15 and FY20.

11. KEY HEALTH INDICATORS

Improvement in Health Outcomes

- **Infant Mortality Rate:** Decreased from 39 per 1000 live births in 2013 to 28 per 1000 live births in 2020.
- **Maternal Mortality Rate:** Reduced from 167 per lakh live births in 2014 to 97 per lakh live births in 2020.

Ayushman Bharat's Impact

Ayushman Bharat has lowered healthcare costs for families:

- **Cost of Treatment:** Without Ayushman Bharat, treatment costs would have been 1.5 to 2 times higher.
- **Savings:** The scheme has saved more than ₹1.25 lakh crore in OOPE for poor and deprived families as of 12 January 2024.
- **Protection from Market Vulnerabilities:** Ayushman Bharat shields the populace from economic shocks and supports the healthcare delivery system.

EDUCATION

12. EDUCATION

Quality Education is Goal 4 under the United Nations Sustainable Development Goals (SDGs). It aims to "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" by 2030. The **National Education Policy (NEP) 2020, launched to align with SDG4, is now in its fourth year of implementation.** It aims to prepare India's youth for the challenges and opportunities of the 21st century's knowledge-driven economy.

School Education: NEP 2020 aims to provide high-quality education to all learners aged 3-18 years, embedding Indian culture and establishing India as a global knowledge superpower.

KEY INITIATIVES

1. **Early Childhood Care and Education (ECCE):** NEP 2020 emphasizes ECCE, foundational literacy and numeracy, experiential learning, multilingual education, interdisciplinary approaches, and holistic assessment.
2. **Poshan Bhi Padhai Bhi (PBPB):**
 - Launched in May 2023, PBPB aims to create a universal, **high-quality preschool network at Anganwadi Centres.**
 - Features include at **least two hours of daily preschool instruction**, play-based learning, and support for children with disabilities.
3. **Government Schemes Driving NEP 2020:**
 - **Samagra Shiksha Abhiyan:** Integrated teacher training, district-level education and training, career counseling, and school preparation modules.
 - **Kasturba Gandhi Balika Vidyalyaya (KGBV):** Residential schools for girls from disadvantaged groups, with over 7 lakh girls enrolled.
 - **Inclusive Education for Children with Special Needs (CwSN):** Accessible education for 18.5 lakh children with special needs, with various support services and resources.
 - **PARAKH:** A national assessment center guiding school boards and conducting large-scale surveys.
 - **DIKSHA:** A national digital platform for school education, providing e-content in multiple languages.
 - **STARS:** Improving school education quality and governance in six states.
 - **PM-SHRI:** Setting up exemplar schools showcasing NEP implementation.
4. **Vidyanjali:** A school volunteer program encouraging community, private sector, and alumni participation to improve school infrastructure and education quality.

Progress in School Infrastructure: The infrastructure in government schools has **significantly improved**, with facilities like toilets, drinking water, handwashing stations, libraries, electricity, and internet access becoming more widespread.

- **Toilets:** 97% of schools have girls' toilets, and 95.6% have boys' toilets.
- **Hand Wash Facilities:** Available in 94.1% of schools.
- **Libraries:** Present in 88.3% of schools.
- **Electricity:** Available in 91.7% of schools.
- **Internet:** Access increased from 6.2% in 2012-13 to 49.7% in 2022-23.

13. VOCATIONAL EDUCATION

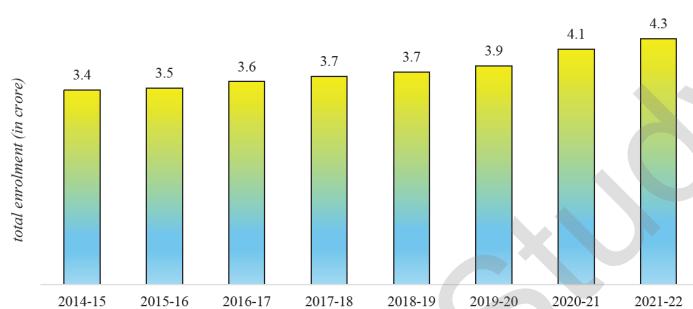
Vocational education under NEP 2020 **focuses on skills gap analysis and local job opportunities**, starting from foundational stages to secondary education. **The Samagra Shiksha Scheme** supports vocational education through grants for tools, equipment, and capacity building.

- **Schools Covered:** 29,342 schools have been covered under skill education from FY19 to FY24.
- **Job Roles:** 22 sectors with 88 job roles, including new additions under the Hub and Spoke model.

14. HIGHER EDUCATION

Enrolment Trends: The higher education sector has seen **increased enrolment, particularly among underprivileged sections and females**. Total enrolment reached nearly 4.33 crore in FY22, with significant growth in SC, ST, and OBC enrolment.

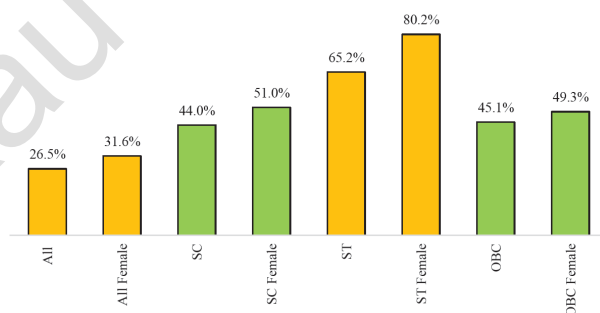
Chart VII.6: Total students' enrolments in higher education



Source: All India Survey on Higher Education (AISHE) report 2021-22, Ministry of Education

- **Female Enrolment:** Increased to 2.07 crore in FY22 from 1.57 crore in FY15.
- **SC Enrolment:** Grew from 46.1 lakh in FY15 to 66.2 lakh in FY22.
- **ST Enrolment:** Increased from 16.4 lakh in FY15 to 27.1 lakh in FY22.
- **OBC Enrolment:** Rose from 113 lakh in FY15 to 163 lakh in FY22.

Chart VII.7: Growth in enrolment in higher education institutions between 2014-15 and 2021-22 (per cent)



Source: AISHE 2021-22, Dept. of Higher Education, Ministry of Education

Digital Learning Initiatives: India's online learning platforms like **SWAYAM, SWAYAM PRABHA, and SWAYAM Plus** have become crucial in providing access to high-quality content. The **PM e-VIDYA** initiative consolidates various digital education efforts, offering diverse resources for competitive exam preparation.

- **SWAYAM:** Over 13,140 courses available with 4.3 crore enrolments.

- **SWAYAM PRABHA:** 48 DTH channels providing educational content, with significant reach.
- **SWAYAM Plus:** Collaboration with academia and industry to enhance employability, especially in Tier 2 and Tier 3 cities.
- **PM e-VIDYA:** Includes DIKSHA platform with over 3.5 lakh e-content and Sathee platform for competitive exam preparation.

15. WAY FORWARD

- **Mission-Mode Implementation:** Effective implementation of **educational programs is essential for improving quality, especially in primary education.** Collaboration across government levels is necessary for success.
- **Vocational Education Models:** NGO models like **Lend A Hand India (LAHI)** illustrate the potential of civil society's role in implementing vocational education.

The LAHI model includes civil society's collaboration with the Governments to introduce vocational education as a core curriculum component, establish labs, recruit and train vocational trainers, organise internships, and offer placement support.

- **Enhancing Public Spending:** Increasing **cost-effectiveness in education spending involves focusing on pedagogy and governance,** including supervisory roles, teacher performance recognition, and local volunteer engagement.

R & D

16. RESEARCH AND DEVELOPMENT (R&D)

R&D is vital for innovation and productivity. India has made significant progress in R&D, with an increase in patent grants and improved ranking in the Global Innovation Index.

- **Patent Grants:** Nearly 1 lakh patents granted in FY24, up from less than 25,000 in FY20.
- **Global Innovation Index:** India's rank improved from 81st in 2015 to 40th in 2023.
- **Ph.D. Enrolment:** Increased by 81.2% in FY22 compared to FY15.

17. CHALLENGES AND OPPORTUNITIES

- India's R&D investment as a percentage of GDP remains low compared to countries like China and the US.
- Strengthening the link between higher education, industry, and research is essential.
- Efforts to attract research personnel and streamline patent processes are underway.

National Research Foundation: The Anusandhan National Research Foundation aims to strengthen and promote India's R&D ecosystem, with a substantial budget allocation to support research and innovation.

WOMEN

18. SOCIAL AND ECONOMIC EMPOWERMENT OF WOMEN

- India is transitioning from women's development to women-led development with a vision of a new India where women are equal partners in growth and national progress.

19. WOMEN-LED DEVELOPMENT

- India's G20 Presidency in 2023 listed 'women-led development' as one of its six priorities.

Key Issues Affecting Women

- Lack of basic necessities: sanitation, piped water, menstrual hygiene.
- Safety and proper nutrition.
- Economic and political equality.
- A sense of individual identity.

Government Initiatives

• Gender Budget

- The gender budget increased from ₹97,134 crore in FY14 to ₹3.10 lakh crore in FY25, showing a 38.7% rise from FY24 and a 218.8% increase from FY14.
- The share of the gender budget in the total Union Budget reached 6.5% in FY25, the highest since the introduction of the Gender Budget Statement in FY06.

• Social Empowerment

Health and Education

- **Beti Bachao, Beti Padhao** has improved the sex ratio at birth (SRB) from 918 (2014-15) to 930 (2023-24, provisional).
- Maternal mortality rate declined from 130/lakh live births (2014-16) to 97/lakh (2018-20).
- Institutional delivery increased from 78.9% (2015-16) to 88.6% (2019-21).

Nutrition

- **Mission Saksham Anganwadi & Poshan 2.0:** Focuses on malnutrition in pregnant women, lactating mothers, children, and adolescent girls.
- **Poshan Tracker:** Used for real-time progress and identification of malnutrition.

Access to Basic Necessities

- **Swachh Bharat Mission:** Constructed toilets, improving safety and dignity.
- **Ujjwala Yojana:** Provided clean cooking gas connections.
- **Jal Jeevan Mission:** Provided tap drinking water connections.

Education and Skilling

- Gender parity achieved at all school levels.
- Female Gross Enrolment Ratio (GER) in higher education has surpassed male GER for five consecutive years.
- Under PMKVY, women's participation increased from 42.7% (FY16) to 52.3% (FY24).
- Under Jan Shikshan Sansthan (JSS), 82% of beneficiaries are women.

Women in STEM

- 42.7% of STEM graduates are women, but only 18.6% are in R&D.
- **WISE KIRAN** and **Vigyan Jyoti** programs aim to boost women's participation in STEM fields.

Breaking into Male Bastions

- Women are now participating in non-conventional sectors such as fighter pilots in the Indian Air Force, Commandos, and Central Police Forces.

• Political Empowerment

- **Nari Shakti Vandan Abhiniyam, 2023 (NSVA):** Enhances women's political participation.
- 46% of elected representatives in Panchayats are women, leading to greater investment in public goods like drinking water and public roads.

• Economic Empowerment

Rising Labour Force Participation

- Female Labour Force Participation Rate (LFPR) rose to 37% in 2022-23 from 23.3% in 2017-18.
- Rural India drives this trend, with three-fourths of women workers engaged in agriculture-related work.

Financial Inclusion

- PM Jan Dhan Yojana facilitated the opening of 52.3 crore bank accounts, with 55.6% of accountholders being women.
- Average deposits increased nearly four times from ₹1,065 (March 2015) to ₹4,398 (May 2024).

Rural Microfinance

- **Deendayal Antyodaya Yojana - NRLM:** Covers over 89 million women in 8.3 million SHGs.
- Empirically associated with women empowerment, self-esteem, personality development, and better access to Government schemes.

Entrepreneurship

- 68% of loans under PM Mudra Yojana and 77.7% under Stand-Up India were sanctioned to women entrepreneurs.
- More than 53% of PMGDISHA beneficiaries are women.

Equality of Asset Ownership

- Female ownership of land/assets remains low, with only 14% of landowners in nine sample states being women.
- Efforts like PM Awas Yojana require female ownership of houses, nudging social change towards gender equity.

Conclusion: To realize the full potential of women-led development, there must be substantive equality in asset ownership, economic empowerment, and participation in all sectors. These initiatives and policies aim to create a society where women are not only participants but also leaders in national development.

20. SUSTAINABLE DEVELOPMENT

With less than six years remaining to achieve the Sustainable Development Goals (SDGs), the Government of India has been proactive in embracing, adopting, and championing the SDGs to improve welfare and quality of life.

INDIA'S PROGRESS IN SDGs

Overall Performance

- According to NITI Aayog's SDG India Index, India's composite score has **steadily increased from 57 in 2018 to 71 in 2023-24**.
- The SDG India Index measures the performance across 16 quantifiable goals, providing a qualitative assessment for Goal 17.

Key Goals with Significant Progress

- **No Poverty (SDG 1):** Improved from a score of 54 in 2018 to 72 in 2023-24.

- **Good Health and Well-being (SDG 3):** Increased from 61 in 2018 to 77 in 2023-24.
- **Clean Water and Sanitation (SDG 6):** Achieved significant progress with a score of 96 in 2023-24.
- **Affordable and Clean Energy (SDG 7):** Improved from 69 in 2018 to 89 in 2023-24.
- **Industry, Innovation, and Infrastructure (SDG 9):** Increased from 44 in 2018 to 65 in 2023-24.
- **Sustainable Cities and Communities (SDG 11):** Improved from 54 in 2018 to 83 in 2023-24.

Chart VII.15: India's progress in SDGs



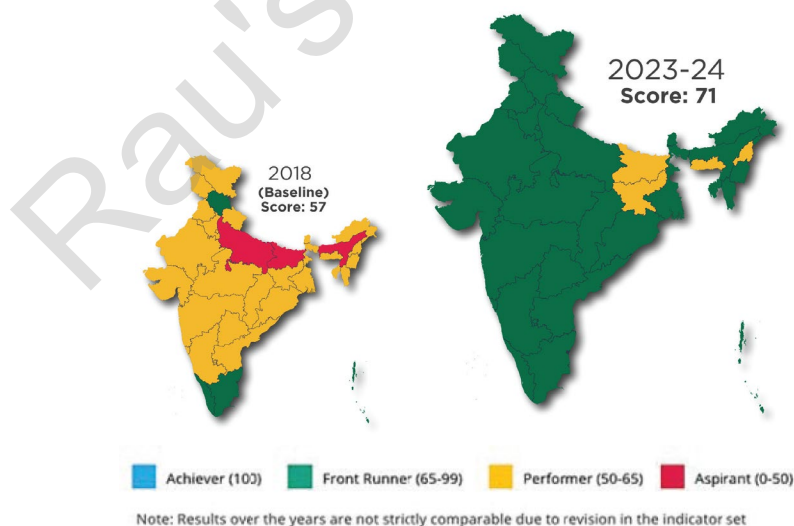
Source: NITI Aayog's SDG India Index 2023-24

PERFORMANCE OF STATES AND UTs

Positive Trends

- The SDG India Index 2023-24 shows a **positive trend in the performance of States and Union Territories (UTs)**.
- Scores for **States** range from **57 to 79**, while UTs score between **65 and 77**.
- **Notably, 32 States/UTs scored between 65 and 99, up from 22 in the 2020-21 edition.**

Chart VII.16: State/UT wise performance on SDG India Index



Source: NITI Aayog's SDG India Index 2023-24

FRONT RUNNER STATES

Ten new States and UTs have joined the Front Runner category:

- Arunachal Pradesh
- Assam
- Chhattisgarh
- Madhya Pradesh
- Manipur
- Odisha
- Rajasthan
- Uttar Pradesh
- West Bengal
- Dadra and Nagar Haveli and Daman and Diu

FASTEST MOVING STATES

Between 2018 and 2023-24, the fastest moving States include:

- Uttar Pradesh: Increased score by 25 points
- Jammu & Kashmir: Increased score by 21 points
- Uttarakhand: Increased score by 19 points
- Sikkim: Increased score by 18 points
- Haryana: Increased score by 17 points
- Assam, Tripura, and Punjab: Increased score by 16 points each
- Madhya Pradesh and Odisha: Increased score by 15 points each

Targeted Interventions

Several government initiatives have significantly impacted and led to **rapid improvements in SDG performance**:

- **Pradhan Mantri Awas Yojana (PMAY)**: Housing for all.
- **Ujjwala Yojana**: Provision of LPG connections to households.
- **Swachh Bharat Abhiyan**: Sanitation and hygiene improvement.
- **Jan Dhan Yojana**: Financial inclusion through bank accounts.
- **Ayushman Bharat-PMJAY and Ayushman Arogya Mandir**: Health coverage and wellness centers.
- **PM-Mudra Yojana**: Microfinance for small businesses.
- **Saubhagya**: Electrification of rural households.
- **Start-up India**: Promotion of entrepreneurship.

Conclusion: India's commitment to the SDGs is evident through its steady progress and targeted interventions. The improvement in scores across various goals and the positive trends in state performances highlight the nation's resilience and determination to achieve the 2030 Agenda.

21. WAY FORWARD

1) Education Sector

The education sector is undergoing a comprehensive transformation **driven by the National Education Policy (NEP) 2020**. Key focus areas include:

- **Foundational Literacy and Numeracy**: Ensuring every child achieves foundational literacy and numeracy by the third standard.

- **Addressing Learning Loss:** Urgent efforts are needed to improve learning outcomes and mitigate COVID-induced learning losses.
- **Digital Learning:** Leveraging digital platforms to enhance educational access and quality.

2) Healthcare Sector

Ayushman Bharat has been a significant milestone, contributing to saving lives and preventing indebtedness due to medical expenses. Future priorities include:

- **Mental Health and Well-being:** Addressing mental health challenges, destigmatizing mental health issues, and involving community participation.
- **Digitization of Healthcare:** Expanding digital healthcare initiatives to improve service delivery and access.

3) Women-Led Development

Women's social, economic, and political empowerment is crucial for inclusive development. Key areas of focus include:

- **Asset Ownership:** Increasing women's asset ownership to ensure fairness and economic benefits.
- **Policy and Social Change:** Encouraging constructive intermingling of policy initiatives and social change to enhance women's empowerment.

4) Rural Development

Improving the quality of life in rural areas is reinforced through various enabling programs. Key initiatives include:

- **Self-Help Groups (SHGs):** Enhancing the outreach and effectiveness of SHGs with professional assistance in marketing and management.
- **Skill Development and Enterprise:** Utilizing Rural Self Employment Training Institutes (RSETIs) as district hubs for skill development and enterprise promotion.

5) Governance and Implementation

Effective implementation is the cornerstone of any well-designed scheme. Ensuring governance and unity of purpose at all government levels is vital. Key strategies include:

- **Efficient Spending:** Maximizing the efficiency of translating spending into outcomes by unclogging ground-level channels.
- **Community Participation:** Engaging local communities in the implementation and monitoring of programs to ensure their success.

6) Human Development

Human development is both the means and the end of economic development. India's commitment to this cause is unwavering. Priorities include:

- **Holistic Development:** Focusing on comprehensive human development to drive economic progress.
- **Inclusive Growth:** Ensuring that all sections of society benefit from economic growth and development initiatives.

CONCLUSION

India has made significant strides in various sectors, and there is much to be proud of. However, there is also a lot to be impatient for, as the country continues to strive for inclusive and sustainable development. The focus remains on ensuring that every citizen can participate productively in the economy, leading to a better quality of life for all.

7

CHAPTER

EMPLOYMENT AND SKILL DEVELOPMENT: TOWARDS QUALITY

1. INTRODUCTION

Employment is a crucial link between economic growth and societal prosperity. The quality and quantity of employment determine how effectively economic output translates into an improved quality of life. For India, fostering suitable employment opportunities is essential to capitalize on its demographic dividend and reduce dependence on government aid for dignified survival and sustenance.

2. CURRENT EMPLOYMENT SCENARIO

IMPROVEMENT IN LABOUR MARKET INDICATORS

Over the past decade, India's employment landscape has significantly transformed, with **several positive trends** contributing to economic growth and social development.

- According to the **Periodic Labour Force Survey (PLFS) by the National Statistical Organisation (NSO)**, the annual unemployment rate for persons aged 15 years and above has been witnessing a **declining trend, falling to 3.2% in 2022-23**.
- The **labour force participation rate (LFPR) and worker-to-population ratio (WPR) have also seen improvements**.

EMPLOYMENT IN ORGANIZED MANUFACTURING SECTOR

The organized manufacturing sector has **shown resilience post-pandemic**. Employment in this sector has surpassed pre-pandemic levels, with a continuous rise in employment per factory and wage growth in rural areas.

- The **Annual Survey of Industries (ASI) results for 2021-22** showcased a recovery in employment, with **higher wage growth in rural areas during the last five years**. The top states for factory employment include Tamil Nadu, Gujarat, and Maharashtra. These states account for more than 40% of factory employment in India.

3. YOUTH AND FEMALE EMPLOYMENT

RISING YOUTH EMPLOYMENT

- **Youth unemployment has declined significantly**, with increased participation in the labour force.
 - According to **PLFS**, the **youth (age 15-29 years) unemployment rate has declined from 17.8% in 2017-18 to 10% in 2022-23**.

4. FEMALE LABOUR FORCE PARTICIPATION

- The female labour force participation rate (FLFPR) has been rising, **particularly in rural areas**, driven by factors such as high agricultural output and improved access to basic amenities like piped drinking water, clean cooking fuel, and sanitation.
- **Rural FLFPR witnessed a steep rise of 16.9 percentage points between 2017-18 and 2022-23. Urban FLFPR has also been growing steadily.**

5. GOVERNMENT INITIATIVES TO BOOST EMPLOYMENT

KEY SCHEMES AND PROGRAMS

1. **National Career Service (NCS) Portal:** Offers employment and career services, with over 4.1 crore jobseekers and 25.6 lakh employers registered by March 2024. The initiative includes 407 Model Career Centres and over 46,000 job fairs.
2. **e-Shram Portal:** A national database for unorganized workers, with more than 29 crore workers registered. The portal is integrated with the NCS portal to facilitate job searches.
3. **Aatmanirbhar Bharat Rojgar Yojana (ABRY):** Boosts employment with social security benefits, benefiting 60.5 lakh individuals across 1.5 lakh establishments by March 2024.
4. **Contributory Pension Schemes:** The Atal Pension Yojana (APY) has over 6.5 crore subscribers, and the Pradhan Mantri Shram Yogi Maan-Dhan (PM-SYM) scheme has enrolled more than 50 lakh workers.
5. **Insurance Programs:** Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) provide affordable life and disability cover.
6. **Labour Codes:** Simplify labour laws, promoting employment creation and labour welfare. The four Labour Codes – the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020 – aim to reduce the multiplicity of definitions and authorities, promote transparency, and use technology in enforcement.

6. THE EVOLVING LANDSCAPE OF JOBS

IMPACT OF TECHNOLOGICAL ADVANCEMENTS

- The fourth industrial revolution is reshaping the job market, with AI and other technologies driving significant changes. **AI is expected to boost productivity but may also disrupt employment in certain sectors.**
- The **demand for digital roles is rising**, particularly in AI, machine learning, and cybersecurity.
- According to the **World Economic Forum's (WEF) Future of Jobs report, 2023, 23% of jobs are expected to change globally in the next five years, with 69 million new jobs created and 83 million eliminated.**

7. GIG ECONOMY

- The gig economy is expanding, driven by tech-enabled platforms and the demand for flexible work arrangements.
- According to **NITI Aayog, in 2020-21, 77 lakh workers were engaged in the gig economy, constituting 2.6% of the non-agricultural workforce.**
- The gig workforce **is expected to grow to 2.35 crore by 2029-30, forming 6.7% of the non-agricultural workforce.**

8. CLIMATE CHANGE AND GREEN JOBS

- Climate change poses **both risks and opportunities for employment.**

- The transition to green energy and adoption of green technologies can create job opportunities in renewable energy sectors.
- By 2030, clean energy initiatives can potentially create about 3.4 million jobs in the wind and on-grid solar energy sectors.
- However, climate change also threatens job security and productivity, necessitating policy support for affected workers.

9. REQUIREMENTS FOR FUTURE JOB CREATION

1) To meet the demands of a growing workforce, India needs to generate an average of **78.5 lakh non-farm jobs annually until 2030.**

- **Current Workforce (2022-23):** Estimated using WPR (Usual Status, all ages) from PLFS and MoHFW population estimates.
- **Workforce Participation Rate (WPR):**
 - Men: Constant at 54.4% in 2023.
 - Women: Rising from 27.0% in 2023 to 40.0% in 2036 (increasing by 1 percentage point annually).
- **Agriculture Workforce Decline:** Share of agriculture in workforce declines from 45.8% in 2023 to 25% in 2047.
- **Job Creation Requirement:** To cater to the rising workforce, the Indian economy needs to generate an average of nearly 7.85 million jobs annually in the non-farm sector until 2030.

2) This requires structural transformation and a focus on sectors with high employment potential, such as **agro-processing and the care economy.**

Demand for Rural Jobs

- **MGNREGS Data:** Shows substantial demand for low-skill rural jobs, especially by women who constitute more than half of the workforce.
- **Productivity in Agriculture:** Increasing productivity in agriculture and related industries is crucial for job creation.
- **Crop Diversification:** Agro-processing can accelerate crop diversification in regions like Punjab and Haryana facing groundwater scarcity

Increasing Need for a Well-Developed Care Economy

- India's ageing population will significantly expand care needs by 2050. Investments in care services sector could generate 11 million jobs in India by 2030.
- Developing a care economy is crucial for increasing the Female Labor Force Participation Rate (FLFPR). Unpaid domestic work by women valued at 15-17% of GDP. So Freeing women's time for paid employment enhances economic growth.

3) **Developments and Progress in Skilling:** In order to reap the demographic advantage, it is necessary to equip our workforce with employable skills and knowledge that meet the requirements of the globalised labour market and Industry 4.0

- According to the **Periodic Labour Force Survey (PLFS) report 2022-23**, 4.4 per cent of the youth in the age cohort of 15-29 years have received formal vocational/technical training, while another 16.6 per cent received training through informal sources.

10. TO SUM UP

Positive Transformation in Employment

The employment situation in India has experienced significant positive changes over the last decade, marked by:

- **Formalisation:** Increased formal employment opportunities.
- **Skill Development:** Enhanced focus on developing employable skills.
- **Entrepreneurship:** Encouragement and support for entrepreneurial ventures.
- **Industry Diversification:** Broadening of industrial sectors.
- **Inclusive Growth:** Efforts to ensure that growth benefits all segments of society.

11. GOVERNMENT EFFORTS

The Government is striving to create a conducive environment for employment creation through:

- **Ease of Doing Business:** Simplifying regulations and reducing bureaucratic hurdles.
- **Lower Logistical Costs:** Improving infrastructure to reduce transportation and logistics expenses.
- **Meaningful Skill Development:** Aligning skill development programs with industry needs.
- **Easy Credit for Entrepreneurship:** Providing accessible financial support for startups and small businesses.

12. WAY FORWARD

1) Despite the progress, several long-standing challenges need to be addressed:

- **Formalising the Workforce:** Bringing more workers into the formal sector.
- **Job Creation in Non-Farm Sectors:** Creating jobs in sectors that can absorb workers shifting from agriculture.
- **Social Security Benefits:** Ensuring that regular wage/salaried employees receive social security benefits (currently, 53% are not eligible).

2) Role of State Governments: State governments can facilitate job creation by:

- **Easing Compliance Burden:** Simplifying compliance requirements for businesses.
- **Reforming Land Laws:** Reforming land laws to suit development priorities.

3) Agro-Processing Sector: The agro-processing sector presents a significant opportunity for:

- **Rural Employment:** Creating productive jobs for rural youth and women.
- **Scheme Convergence:** Leveraging synergies between various government schemes for maximum impact.

4) Impact of AI and Automation: India must navigate the rapidly changing employment landscape influenced by AI and automation:

- **Research and Investment:** Investing in research to harness AI for shared prosperity.
- **Care Work:** Developing affordable, reliable, and quality creche and elderly care infrastructure to increase female labor participation.

5) Private Sector Responsibility: The private sector plays a crucial role in job creation:

- **Balancing Capital and Labor:** Striking the right balance between deploying capital and labor.
- **Skilling Solutions:** Facilitating market-based solutions for skill development.

6) Economic Growth and Livelihoods: Economic growth should focus on generating livelihoods rather than just jobs:

- **Self-Employment and Entrepreneurship:** Encouraging self-employment and entrepreneurship.
- **Collaborative Efforts:** Governments at all levels and the private sector must work together to address the challenges posed by technological change, geopolitical shifts, and climate change.

India's employment scenario is evolving, influenced by technological advancements, demographic shifts, and climate change. Proactive measures by the government and private sector are essential to harness opportunities and mitigate challenges, ensuring inclusive and sustainable employment growth. The comprehensive data and trends from the Economic Survey 2024 highlight the progress and areas needing attention, providing a roadmap for policymakers to foster quality employment and skill development in India.

8 CHAPTER

AGRICULTURE AND FOOD MANAGEMENT: PLENTY OF UPSIDE LEFT IF WE GET IT RIGHT

1. INTRODUCTION

- The country is a major agriculture producer, being the second largest producer in rice, wheat, cotton, among other crops, and the largest producer of milk, pulses and spices.
- **Importance:** The Indian agriculture sector provides livelihood support to about 42.3% of the population and has a share of 18.2% in the country's GDP at current prices.
- **Reasons for Constant Growth:** The sector has been buoyant, which is evident from the fact that it has registered an average annual growth rate of 4.2% at constant prices over the last five years. Reasons:
 - Assured remunerative prices through MSP improving access to institutional credit
 - Enabling crop diversification
 - Promoting digitisation and mechanisation
 - Encouraging adoption of sustainable practices through organic and natural farming
 - Focusing on productivity enhancement.

2. CHALLENGES

- **Drop in Growth Rate:** As per provisional estimates for 2023-24, the growth rate of the agriculture sector stood at 1.4% which is below 4.7% in 2022-23, mainly because of a drop in the foodgrain production due to delayed and poor monsoons caused by El Nino.
- **Low Crop Yields:** The crop yields in the country are much lower than the other major producers. Reasons are:
 - Fragmented land holdings
 - Low farm investment
 - Lack of farm mechanisation
 - Insufficient access to quality inputs
 - Inadequate marketing infrastructure leading to post-harvest losses
 - Dependency on rains
 - Short growing seasons

3. GOVERNMENT INTERVENTIONS

Several interventions are being undertaken to improve productivity in agriculture in line with the recommendations of the Doubling Farmers Income Report (DFI) 2016:

- Identified **strategies to increase crop and livestock productivity, enhancing cropping intensity, diversify to high-value agriculture** and provide remunerative prices on farmers' produce.
- The decision in 2018-19 to fix MSP at 1.5 times the all-India weighted average cost of production was a step towards **providing assured remunerative prices to farmers.**

- **Income support** through Pradhan Mantri Kisan Samman Nidhi (PM-KISAN), which gives the farmer a direct financial benefit of ₹6000/- per year.
- Promotion of **greater efficiency in the use of inputs and sustainable production methods** through Per Drop More Crop (PDMC), a micro irrigation scheme and the actions under the National Mission on Sustainable Agriculture (NMSA), including the use of alternative and organic fertilisers are a few examples on other initiatives being undertaken to improve productivity and sustainability.
- In addition, **digital initiatives** such as the Digital Agriculture Mission and e-National Agriculture Market (e-NAM) have also been taken up to **facilitate the adoption of smart agriculture technologies**, with the latter **allowing better price discovery**.
- The roles, animal husbandry and fisheries play in improving farmers' income, especially when agriculture holdings are reduced, it is duly recognised.
 - The scheme such as the **Rashtriya Gokul Mission (RGM)**, **National Digital Livestock Mission (NDLM)**, and **National Programme for Dairy Development (NPDD)** include interventions to improve quality, enable access to the organised markets and the development of indigenous breeds.
 - The fisheries sector has been supported through programmes for improving productivity, access to institutional credit, and infrastructure development through the **Fisheries Infrastructure Development Fund (FIDF)** with a total fund size of ₹7.52 thousand crore.
 - Similarly, **Pradhan Mantri Matsya Sampada Yojana (PMMSY)** introduced in May 2020 aimed at strengthening fisheries infrastructure, enabling technology infusion and promoting optimal water management. These interventions in the fisheries sector have resulted in increasing fish production by an average annual growth of 7.4% in 2022-23 from 2020-2021.

4. WAY FORWARD

- **Moving to High-Value Agriculture:** Smallholder farmers' incomes cannot be increased by producing rice, wheat, or even millets, pulses and oilseeds. They need to move to high-value agriculture – fruits and vegetables, fisheries, poultry, dairy and buffalo meat.
- **Promoting crop diversification** towards oilseeds, pulses, and horticulture requires addressing critical issues such as investment in agri-infrastructure, credit accessibility and appropriate market institutions.
- **Improving Sustainability:** Efforts must be made to **encourage production patterns and practices in various geographies that are consistent with their agro-climatic characteristics** and natural resources can play a significant role in the realisation of sustainable agriculture practices that efficiently improve farm income and influence farmer behaviour.
- **Role of Private Sector:** Enhancing private sector investment in agriculture is vital for investment in technology, production methods and marketing infrastructure. A **greater focus on post-harvest infrastructure** and the **development of the food processing sector** can reduce wastage/loss and increase the length of storage, ensuring better prices for the farmers.
- **Better Price Discovery:** E-NAM, promoting FPOs, and allowing cooperatives to participate in agri-marketing can improve the market infrastructure and allow better price discovery.
- **Incentivise States:** It is also worth considering providing financial incentives for states to undertake necessary interventions to modernise agriculture marketing as recommended by the 15th Finance Commission.

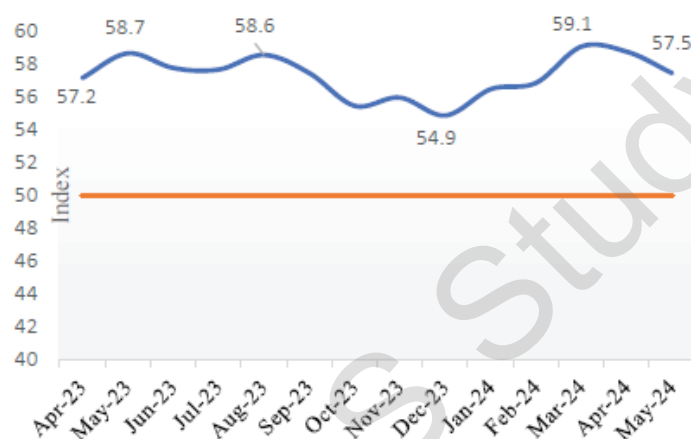
9 CHAPTER

INDUSTRY: SMALL AND MEDIUM MATTERS

1. INTRODUCTION

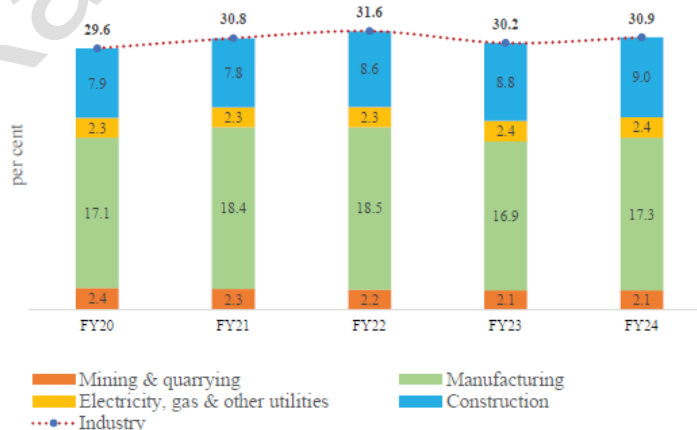
- Economic growth of 8.2% in FY24 was supported by an **industrial growth of 9.5%**.
- The HSBC India Purchasing Managers' Index (PMI) for manufacturing also **consistently remained well above the threshold value of 50** in all months of FY24, indicating sustained expansion and stability in India's manufacturing sector.

Chart X.3: India Manufacturing Purchasing Managers' Index



- Among the four sub-sectors of industry, **manufacturing and construction achieved close to double-digit growth**, while mining & quarrying and electricity & water supply also recorded strong positive growth in FY24. This reflects the broad-based acceleration of industrial output.

Chart X.1: Share of industry and its Components in total GVA (in constant prices)



2. IMPORTANCE

- The **share of manufacturing in total gross value added at current prices was 14.3%** in FY23.
- About 47.5% of the total value of output in the country is used as inputs in productive activities (inter-industry consumption).
- Manufacturing activities account for about 50% of the inter-industry consumption and, at the same time, **supply almost 50% of inputs used in all productive activities** (agriculture, industry and services).
- Manufacturing still has the **ability to generate low and semi-skilled jobs** and bring development closer to the people. India needs to prioritise the sector.

3. EVOLUTION OF INDUSTRIAL SECTOR

- **Restriction that existed earlier:**
 - India's industrialisation was held in check by the absence of physical infrastructure and logistics
 - Intrusive and cumbersome licensing requirements on capacity creation and expansion.
 - The manufacture of specific items was reserved for the small-scale sector.
- **Reforms Made:**
 - Physical infrastructure is being created at a rapid pace which has improved connectivity.
 - The Goods and Services Tax has created a single market for several commodities, enabling manufacturing at scale.
- However, **India faces stiff challenges in growing its manufacturing base.**
 - **MSMEs face challenges**, including
 - Issues with formalisation and inclusion
 - Limited access to finance, markets, technology, and digitalisation
 - Infrastructural bottlenecks
 - Skilling.
 - Public policy must do whatever it can to boost competitiveness. Action lies predominantly in deregulation. The private sector must think long-term and invest in quality through R&D spending.
 - These may not be sufficient, but they are necessary conditions for the growth of the sector.

4. EMERGING TRENDS IN INDIAN INDUSTRIAL LANDSCAPE

- **Realignment of Output Shares of Segments:** Over the last decade, there has been a significant realignment of output shares among industrial segments (chemicals, pharmaceuticals, transport equipment, steel and machinery and equipment) have gained in strength which are important industrial intermediates and consumer goods or cater to requirements of capital formation. On the other hand, sectors like textiles, food products, beverages and tobacco and petroleum products and leather lost their relative positions.
- **Varied Export-Import Balance:** The export-import balance of different industrial segments has vastly varied over the last few years. Consistently, major net exporters

include industries such as steel, pharmaceuticals, and automobiles. On the other hand, import dependency in key sectors like coal, capital goods and chemicals continue.

- **Demand for Capital Goods:** The medium-term outlook on the demand for capital goods and key construction inputs like steel and cement is likely to be positive, as there are clear signs that capital formation in the private sector is gathering momentum.
- **Global uncertainties** raise question marks on export demand and the domestic cost of production due to dependence on critical imported inputs like coal, petroleum, steel and machinery.

5. GOVERNMENT INITIATIVES

- Government has taken many recent initiatives to improve ease of doing business, reduce compliance burden and to alleviate logistic and infrastructural bottlenecks.
- **Production Linked Incentive (PLI) Schemes** for 14 key sectors were announced with an outlay of ₹1.97 Lakh Crore to enhance India's manufacturing capabilities and exports.
 - Over ₹1.28 Lakh Crore of investment was reported until May 2024, which has led to production/sales of ₹10.8 Lakh Crore and employment generation (direct & indirect) of over 8.5 Lakh.
 - Exports boosted by ₹4 Lakh Crore, with significant contributions from sectors such as large-scale electronics manufacturing, pharmaceuticals, food processing, and telecom & networking products.
 - Hence, the PLI schemes for key sectors have attracted significant investments, boosted production, sales and exports and generated jobs, particularly in the case of white goods.
- **For MSMEs**
 - The Government has implemented initiatives and platforms aimed at supporting formalisation, ease of registration and grievance redressal, like the **Samadhaan Portal**, **Sambandh Portal**, and **Champions Portal**, which aid in delayed payment issues, procurement monitoring, and speedy resolution of grievances
 - The **Udyam Registration portal**, launched in July 2020, has been instrumental in formalising MSMEs by providing a simple, online, and free registration process based on self-declaration. As of 05 July 2024, 4.69 Crore MSMEs are registered on the Udyam Registration portal, including Informal micro enterprises registered on the Udyam Assist Platform. Udyam registration helps MSMEs avail themselves of the benefits of the Ministry of MSME schemes.
 - The Union Budget 2023-24 allocated ₹9,000 Crore to the **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**, aiming to enable an additional ₹2 Lakh crore in credit with reduced costs. Significant growth was witnessed from FY20 to FY24 in the amount and number of guarantees for micro and small enterprises.

6. WHAT IS NEEDED? (WAY FORWARD)

- **Deregulation:** There is a need for reviewing, amending, relaxing and annulling regulations that are messy, stifling, counterproductive and raise the cost of operations for businesses without commensurate public benefits. The path to further industrialisation in India is paved with deregulation.
- **Incentivising R&D:** Commitment to R&D by the industry which is independent of any fiscal incentive will promote their global competitiveness and profitability.

- **Improving Skill Levels of the Workforce:** With active collaboration between industry and academia and emphasis on vocational education in curriculums, India can meet the skill shortage more effectively than hitherto.
- **For MSMEs:**
 - Ensuring support systems to develop MSME projects and their bankability and adequate financing arrangements for such projects.
 - Targeted facilitation and incentivisation of employment-intensive MSME segments.
 - Progressively easing the compliance requirements with a single-window mechanism for clearances, digitisation of processes and equipping MSMEs to handle these processes with ease.
 - Providing grassroots-level facilitation to ensure market access to MSME products.
- **Updating Statistics** will aid policymaking. This can be done through:
 - Updated index of industrial production, incorporating the vast changes that have occurred in India's manufacturing landscape. State level variants of such indices will help understanding the emerging geographical patterns.
 - Regular indicators of the dynamics of production and employment in MSMEs.
 - Information on industry-wise gross disbursement of bank credit (as opposed to the data on outstanding credit currently available), industry-wise monthly gross financial flows through domestic and external equity and debt routes as well as other financing sources.

10 CHAPTER

SERVICES: FUELLING GROWTH OPPORTUNITIES

1. INTRODUCTION

- India's services sector encompasses a wide array of economic activities, which can be **broadly classified into two categories**: contact-intensive and non-contact-intensive services.
 - Contact-intensive services** include trade, hospitality, transport, real estate, social, community and personal services.
 - Non-contact-intensive services** comprises financial, information technology, professional, communication, broadcasting, and storage services. The sector also incorporates public administration and defence services.
- The services sector witnessed a real growth rate of more than 6% in all the years in the last decade except in the pandemic-affected FY21. Globally, India's services exports constituted 4.4% of the world's commercial services exports in 2022.

Chart XI.1: Increasing trend of GVA in the services sector (in constant prices)



Importance:

- The services sector continues to be a significant contributor to India's growth, **accounting for about 55% of the total size of the economy in FY24.**
- Over the past three decades, **India's export of services has seen remarkable growth, surpassing that of merchandise goods exports** and constituting a significant portion of global exports. Post-pandemic, services exports have maintained a steady momentum and **accounted for 44% of India's total exports in FY24.**
- Most important developments in the last decade include the **establishment of Global Capability Centres (GCCs) in India**, and it has grown significantly, from over 1,000 centres in FY15 to over 2,740 units by FY23. These centres contribute to economic growth by providing high-quality employment. In FY23, the **total talent employed in Indian GCCs exceeded 16.6 lakh.**

2. OUTLOOK OF THE SECTOR

Several **demand** and **supply side factors** determine the performance of the services sector.

- The significant domestic demand for services such as education, healthcare, finance, tourism, hospitality, and entertainment is underpinned by a **large and young population**.
- **Rapid urbanisation** supports transportation, housing, sanitation, and utility services.
- The **expansion of e-commerce platforms** has generated heightened requirements for logistics, digital payments, and related services.
- **Information technology and business services** will likely retain their prominent international presence in the medium term.
- However, studies suggest that the application of **Artificial Intelligence (AI) is likely to restrain the growth opportunities for business services** progressively and, therefore, poses a challenge to long-term sustainability and job creation.
- Thus, **focusing on human capital** to take advantage of the agglomeration effects of large, well-functioning cities is critical for the growth of services, especially those with global market potential.

3. CHALLENGES

- **Skill Gap:** The rapid digitisation in the services sector necessitates a skilled workforce to keep pace with technological advancements. However, there is a gap in the availability of workers with relevant digital and high-tech skills.
- **Finances:** Accessing finance can pose difficulties, particularly for small and medium enterprises operating in the services sector.
- **Complex Regulatory Landscape** added to the cost of doing business and disincentives scaling up.
- **Data privacy and cybersecurity** have become critical concerns with the increasing digitisation of services.

4. GOVERNMENT INITIATIVES

- The Government has **played a crucial role in fostering** the growth and competitiveness of India's services sector by creating an **enabling environment, promoting investment, enhancing skills, and facilitating market access**.
- For instance, the **Digital India campaign** has fostered growth in digital services, export promotion schemes have encouraged services exports, infrastructure development has boosted logistics, tourism, and hospitality industry, and skill development initiatives have provided increased opportunities for the workforce.
- Furthermore, **targeted efforts** in healthcare and tourism **have enhanced accessibility and development**, ensuring a promising future for India's services sector.
- The Government has been **focusing on skill development initiatives** through programs like Skill India and the National Education Policy to equip the workforce with the necessary skills.
- In recognition of the importance of logistics and transport services for economic activity, several initiatives have been **undertaken to ease infrastructure bottlenecks, logistics costs, and regulatory compliances**.

- Several initiatives, such as **Mudra Yojana, Start-up India** and **Stand-up India**, have been implemented to **ease credit accessibility**.
- Initiatives like **GST simplification, Start-up India**, and sector specific policies such as the **Real Estate (Regulation and Development) Act** are **fostering a more conducive business environment**. Further enhancing the simplification of procedures through single-window systems, streamlining legal provisions, and digitising government processes at all administrative levels can significantly boost economic efficiency.
- The Government is spearheading **data protection laws and cybersecurity policies to safeguard consumer data and strengthen cybersecurity measures** in the services sector.

5. WAY FORWARD

- **Skill Development:** Upskilling in the technology sector via an ecosystem fostered by government initiatives in collaboration with industry can help India emerge as a high-value partner specialising in areas such as cybersecurity, enterprise management, financial risk management and insurance.
- **Improving Connectivity:** Leveraging India's extensive coastline and river network for enhanced services such as port operations and inland waterways promises significant potential to streamline transportation routes, reduce costs, and improve efficiency.
- **Augmenting Credit Flow:** Focusing on streamlining loan processes, expanding the outreach of credit guarantee schemes, adopting alternative credit appraisal methods, and innovating supply chain financing can further augment credit flow to the sector. Governments at appropriate levels may also set up agencies to assist in project documentation and to improve the bankability of projects.
- **Enhancing the simplification of procedures** through single-window systems, streamlining legal provisions, and digitising government processes at all administrative levels can significantly boost economic efficiency.
- **Technology Security:** To further embrace technology with confidence, ensuring the adoption of strong security measures, compliance with privacy regulations, and fostering innovation in security technologies are essential.

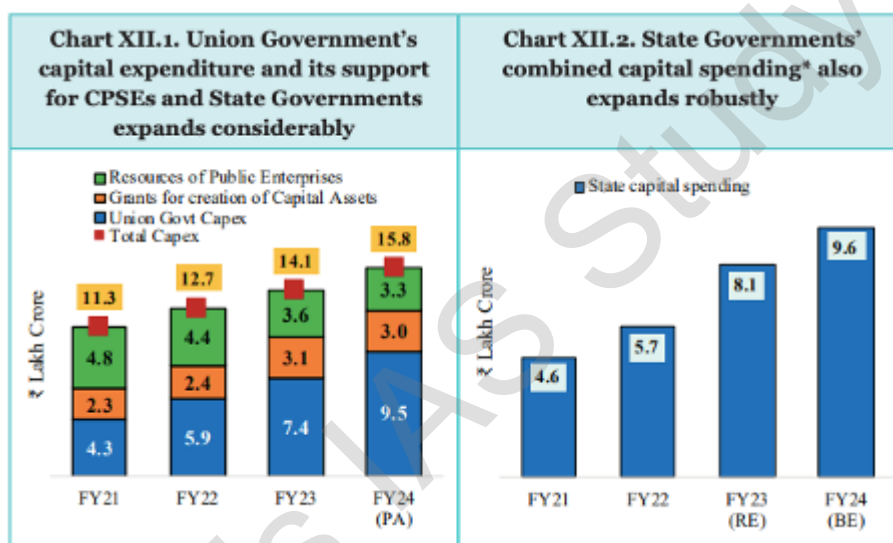
11 CHAPTER

INFRASTRUCTURE: LIFTING POTENTIAL GROWTH

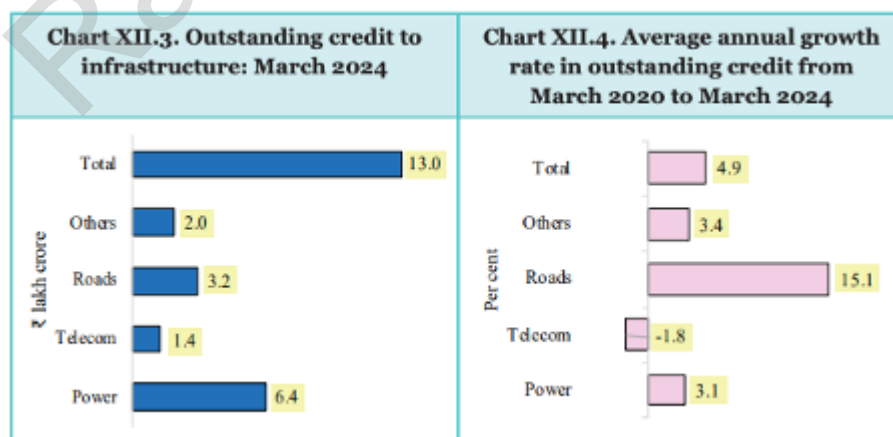
The Chapter shows that, with increased public investment over the last five years, India has witnessed significant expansion in physical and digital connectivity and social infrastructure including sanitation and water supply helping to improve quality of life of the people. At the same time, given the fiscal compulsions and consolidation plans of the Union and the State Governments, it is important that viable projects on the public-private participation mode emerge and get executed.

1. WHAT IS THE PRESENT STATUS OF INFRASTRUCTURE FINANCING IN INDIA?

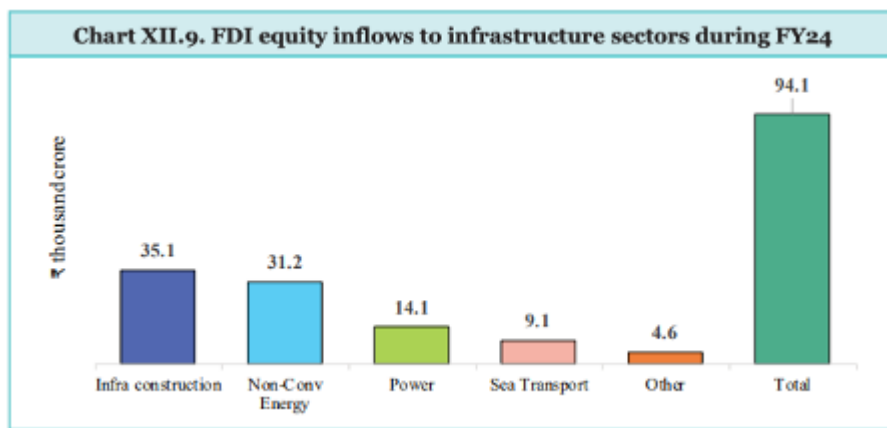
- Capital expenditure by the Union and State Governments still have the central role in funding of large-scale infrastructure projects.



- The support of the Union Government for capital expenditure of the State Governments and institutions increased by 31.6 per cent during FY21 and FY24.
- Net flow of bank credit between March 2020 and March 2024 was concentrated in only a few sectors roads, airports and power.



- FDI inflows also show the following trend



2. WHAT WERE THE MAJOR MECHANISMS ADOPTED FOR PPP PARTNERSHIP?

- Public Private Partnership Appraisal Committee (PPPAC) -> Apex body for appraisal of central sector PPP projects.
- Viability Gap Funding (VGF) -> Assistance to financially unviable but socially/economically desirable PPP projects.
- India Infrastructure Project Development Fund Scheme -> Financial support for project development of PPP Projects.
- Others -> state PPP units, PPP project appraisal, and project implementation mode selection have been made. Web-based toolkits, post-award contract management toolkit and contingent liability for project sponsoring authorities have been developed to help them in PPP structuring.

3. WHAT ARE THE DIFFERENT COMPONENTS OF INFRASTRUCTURE?

- Rail infrastructure - Amrit bharat station scheme, Dedicated freight corridors, Mumbai-Ahmedabad High Speed Rail (MAHSR) project, Gatishakti multimodal terminal
- Road infrastructure - parvatmala parijojna, toll digitization, industrial corridors, Pradhan mantri gram sadak yojna,
- Water infrastructure - Sagarmala national programme, PM Gatishakti national master plan, Major port authority act 2021, green port guidelines, sagar ankalan
- Civil aviation - Ude Desh ka Aam Nagrik (UDAN) Regional Connectivity Scheme (RCS).
- Power sector -> Samarth missions, OSOWOG, Ujala scheme, Street Lighting National Programme, PMKUSUM, PM surya ghar, green hydrogen mission etc
- Social and Economic infrastructure -> Sports, health, education, water & sanitation (Atal bhuja, PMKSY, DRIP, River interlinking, Global river city alliance)
- Strategic infrastructure - Space & defence (IN-Space, Prarambh mission, Rustom)
- Digital infrastructure -> significant uses of technology have been through PM GatiShakti, Bhuvan, BharatMaps, Single Window Systems, PARIVESH portal, National Data Analytics Platform, Unified Logistics Interface Platform, Pro-Active Governance and Timely Implementation (PRAGATI), India Investment Grid (IIG) and many similar dashboards and data stacks for almost all ministries.
- Telecom sector -> Bharatnet project for broadband connectivity

4. WHAT ARE THE PRESENT CHALLENGES AND OPPORTUNITIES IN INDIA'S INFRASTRUCTURE SECTOR?

- Delay in land acquisition, land records & land-related clearances.
- Skills for e.g. civil aviation sector, is a highly competitive segment, susceptible to external shocks such as oil prices, exchange rates, epidemics, wars, and equipment issues. Many aspects related to project development, feasibility assessment, financial return analysis and different stages of project management, in the case of infrastructure projects, involve specialised technical skills that need to be nurtured based on systematic need assessment
- Private participation is lacking because of Lumpy capital investment, long payback period, Delays in getting clearances, Lack of an independent regulator for infrastructural sectors, inadequate arrangements for dispute resolution and arbitration, leading to prolonged litigation.
- Climate and environmental sustainability and associated disasters.

5. PM GATISHAKTI NATIONAL MASTER PLAN (PMGS-NMP)

PMGS-NMP is a whole-of-government approach adopted to facilitate integrated planning of multimodal infrastructure through collaboration among the Ministries concerned.

Performance till now:

India's focus on improving logistics infrastructure has led to an improvement of six places from 44 in 2018 to 38 in 2023 out of 139 countries in the Logistics Performance Index of the World Bank.

- Integrated Digital Logistics Systems has been developed.
- Service Quality Standards on warehousing issued by the Bureau of Indian Standards and Warehouse Development and Regulatory Authority.
- Capacity Building on logistics and PMGS-NMP are being integrated with central and state training institutes.
- Facilitation of Development of Logistics Park: Guidelines for Multi-Modal Logistics Park are being reviewed.
- An annual "Logistics Ease Across Different States (LEADS)" survey is also deployed in all State and Union Territories.

12 CHAPTER

CLIMATE CHANGE AND INDIA: WHY WE MUST LOOK AT THE PROBLEM THROUGH OUR LENS

As the world's most populous country, currently globally the 5th largest economy, India is headed to become the 3rd largest by 2030. Naturally, this means that our energy needs are expected to grow - about 1.5 times faster than the global average in the next 30 years. Instead of appreciating the task at hand and the achievements already made by the country India is being called one of the largest polluters, and hectored to do more even as a significant portion of the world does less.

1. WHAT ARE THE RECENT INDIAN ACHIEVEMENTS AGAINST CLIMATE CHANGE?

- Successfully reduced the emission intensity vis-à-vis its GDP by 33% between 2005 and 2019, thus achieving the initial NDC target for 2030, 11 years ahead of scheduled time.
- Also achieved 40% of electric installed capacity through non-fossil fuel sources, nine years ahead of the target for 2030.

2. WHAT IS THE PRESENT GLOBAL APPROACH?

- WEO proposes following key pillars:
 - Tripling global Renewable Energy Capacity.
 - Doubling the rate of Energy Efficiency improvements.
 - Slashing methane emissions from fossil fuel operations by 75 per cent.
 - Innovative, large-scale financing mechanisms to triple clean energy investments in emerging and developing economies.
 - Measures to ensure an orderly decline in the use of fossil fuels, including an end to new approvals of unabated coal-fired power plants.

3. WHAT ARE THE FLAWS IN THE CURRENT APPROACH?

- Excessive focus on artificial means.
- Still scientists have not completely discovered the interconnected nature of climate change. (There is hardly any inequivalence foundationally between extracting earth for one resource over another. Solar panels may generate renewable energy, but solar batteries are formed of materials extracted from the earth's crust, particularly Lithium, Cobalt, Nickel, and some rare earth minerals)
- Lot of hidden costs are not taken into account - switching to EVs requires uprooting the existing network of petrol pumps and creating a new network of charging stations involving all of the above. Unfortunately, all of these "hidden costs" - both from a

monetary, and an environmental perspective are not accounted for in the lifecycle costs when advocating for the displacement of fossil fuels with renewable options.

- Need vs greed -> The current Climate Change strategy seems to say that given that our energy needs will continue to rise, we must try replacing conventional fuel with renewables and clean energy – thus making it a substitution issue rather than a global lifestyle issue. What this strategy doesn't do is attack the root of the problem – overconsumption, which is starker among developed countries. Moreover, do each of us really need multiple screens, even if they are charged by renewable energy sources.
- Global pursuit of energy-guzzling technologies -> developed world is in a mad 'Scramble for Africa' kind of rush to usher in the latest and the most expansive AI (Artificial Intelligence) ecosystem. The fact is that AI is an energy guzzler. Even as the data centres are ramping up energy demand, cloud storage facilities, crypto mining, and AI are all expected to increase this exponentially.
- Inadequate climate financing and lack of guilt. -> Research shows that developing countries require ~USD 6 trillion by 2030 to achieve just about half of their existing NDC targets. Against this, only USD 100 billion was pledged by developed countries till 2020, of which only USD 83.3 billion was provided

4. WHAT IS THE 'INDIAN WAY' – A SUSTAINABLE LIFESTYLE?

- MISSION LIFE – Lifestyle for environment -> Individual action is the core of Climate Responsibility.

