

A Glimpse into the Indian Economy

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INDIAN ECONOMICS

Here are some key updates based on the latest data as of 2024:

Economic Growth

- **GDP Growth Rate:** The Indian economy grew by **6.1%** in the fiscal year **2022-23** and is projected to grow by **6.3%** in **2023- 24**.
- **Sector Contributions:** The services sector continues to dominate, contributing around 55% to India's GDP, followed by industry (**30%**) and agriculture (**15%**).



Agriculture Sector

- **Growth:** The agriculture sector grew by **4%** in **2022-23**, supported by good monsoon and government initiatives.
- **Production:** Food grain production reached a record 325 million tons in **2022-23**.
- **Challenges:** The sector still faces issues like low productivity, small landholdings, and dependency on monsoon.



Industry Sector

- **Industrial Production:** The Index of Industrial Production (IIP) grew by **5.8%** in **2022-23**, showing a recovery in manufacturing activities.
- **Core Industries:** Eight core industries grew by **6.3%** in **2022-23**, with significant contributions from coal, steel, and electricity.



Services Sector

- **Growth:** The services sector grew by 7.5% in 2022-23, driven by IT, financial services, and healthcare.
- **Challenges:** The sector faces challenges from global economic uncertainties and domestic policy changes.



Foreign trade

- **Exports and Imports:** India's exports grew by 14% to \$450 billion in 2022-23, while imports grew by 12% to \$700 billion.
- **Trade Deficit:** The trade deficit widened to \$250 billion in 2022-23.
- **FDI:** India received a record \$85 billion in FDI in 2022-23, with significant investments in the technology and manufacturing sectors.



Fiscal Situation

- **Fiscal Deficit:** The fiscal deficit for 2022-23 was 6.4% of GDP, with a target of reducing it to 5.9% in 2023-24.
- **Public Debt:** The total public debt stood at 60% of GDP in 2022-23, with efforts to bring it down to 55% by 2025.



Inflation

- **CPI Inflation:** Consumer Price Index (CPI) inflation averaged 5.8% in 2022-23, driven by food and energy prices.
- **WPI Inflation:** Wholesale Price Index (WPI) inflation moderated to 4.3% in 2022-23.



Employment

- **Unemployment Rate:** The unemployment rate was 6.8% in 2022-23, with efforts to create more jobs through various government schemes.



Key Government Initiatives

- **Atma Narhar Bharat:** Continued focus on self-reliance with incentives for domestic manufacturing and production.
- **PLI Scheme:** Production Linked Incentive (PLI) scheme expanded to more sectors to boost domestic manufacturing.
- **Digital India:** Enhanced focus on digital infrastructure and services to support economic growth.



Social Infrastructure

- **Health and Education:** Increased budget allocation for health and education sectors to improve human capital.
- **Urban Development:** Continued efforts under Smart Cities Mission and AMRUT to improve urban infrastructure.



Economic Growth in India: Pattern and Structure

Year Duration	Growth Rate
1951- 1975	3.5%
1975-1990	5.5%
1990-2005	6.5
2005-2012	7

Economic Growth measures the change in GDP over a period of time. It shows how fast an economy is growing.

India's economic growth rate has increased over the years from 3.5% in 1951-1975 to 7% in 2005-2012.

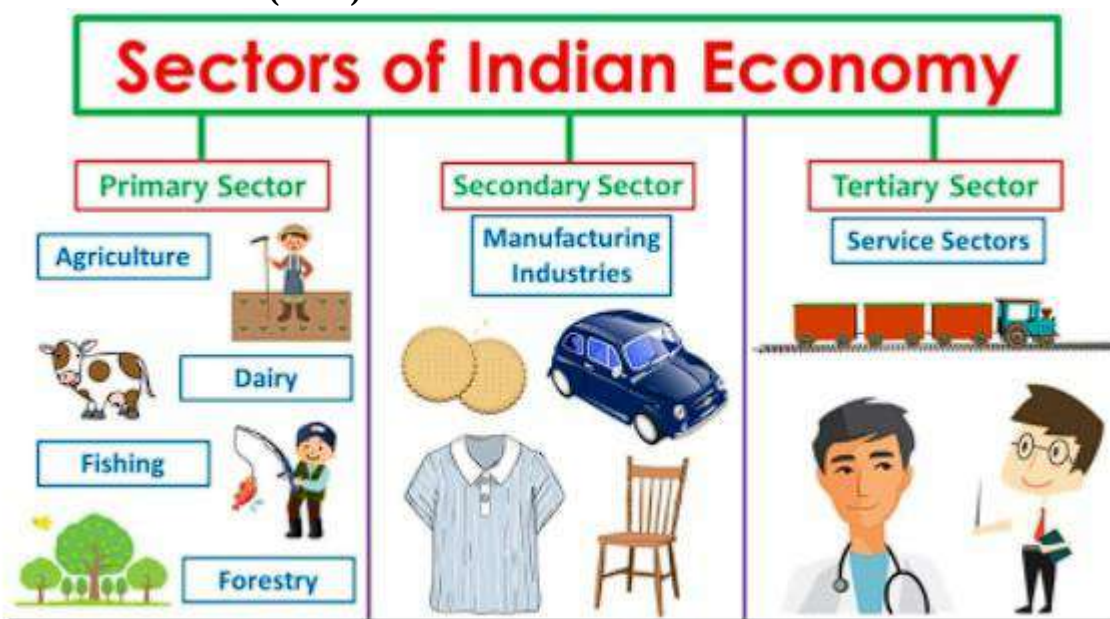
Growth Rate of India

- The latest growth rate of the Indian economy for the fiscal year 2023-2024 is 8.2%. This growth rate makes India one of the **fastest-growing major economies globally**. The economy saw strong performance across various sectors, despite global economic challenges.

- In addition, the **Reserve Bank of India (RBI)** has projected a growth rate of approximately **7%** for the fiscal year **2024-2025**. This indicates a continued robust economic performance, driven by **private consumption, investment, and government policies aimed at enhancing infrastructure and the business environment**
- As India has developed, the **share of the primary sector (agriculture)** in the economy and **workforce has decreased** while the **shares of secondary (industry) and tertiary (services) sectors have increased**.



As of the fiscal year **2022-2023**, the share of the primary, secondary, and tertiary sectors in India's **Gross Value Added (GVA)** is as follows:



- **Primary Sector:** Comprising agriculture, forestry, fishing, and mining, the primary sector's share in GVA was approximately 16.4% in 2022 -2023.
- **Secondary Sector:** Including manufacturing, construction, electricity, gas, water supply, and other utility services, the secondary sector's share in GVA was around 28.1% in 2022 - 2023.
- **Tertiary Sector:** Encompassing services such as trade, repair, hotels, restaurants, transport, storage, communication, broadcasting, financial services, real estate, and other professional services, the tertiary sector's share in GVA was about 55.5% in 2022 - 2023.



These percentages indicate the distribution of economic activities across different sectors, highlighting the dominant role of the services sector in India's economy.

- **India emerged as the world's fastest growing major economy in 2021-22 and is expected to be one of the top 3 economic powers in the next 10-15 years.**
- **Strong growth in the first quarter of 2022-23 helped India overcome the UK to become the 5th largest economy.**
- **Pent up demand, government spending on infrastructure and revival of the agriculture sector are expected to support India's economic growth in the medium term.**



Agriculture: Pattern & Structure of Growth, Major Challenges, Policy Responses

Agriculture sector's Growth and Pattern: Gross Value Added (GVA) in Agriculture

- Agriculture sector achieved a growth of 3.9% in 2021-22 due to good monsoon and various government initiatives under Atma Nirbhar Bharat Abhiyan and PM Swamitva Yojana.



- The share of agriculture in total GVA has remained around 18% but improved to 20.2% in 2020-21 and 18.8% in 2021-22. As of the fiscal year 2022-2023, the agricultural sector's share in India's Gross Value Added (GVA) was approximately 16.4%.

- **This percentage reflects the contribution of agriculture, forestry, and fishing** to the overall economic output of the country. The agricultural sector remains a significant part of the Indian economy, providing livelihoods for **a large portion of the population**, despite the growing contributions of the industrial and services sectors.



- **Food grain production reached a record 308.65 million tons in 2020-21, 11.15 million tons higher than 2019-20.** Production of rice, wheat and coarse cereals increased at CAGRs of 2.7%, 2.9% and 4.8% from 2015-16 to 2020-21.



- **The latest data for food grain production in India shows** a record high in the agricultural year 2022-23. The total food grain production is estimated at 329.69 million tonnes, which is significantly higher than the 308.65 million tonnes recorded in 2020-21. This increase is attributed to higher production of rice, wheat, and coarse cereals.

Specifically:

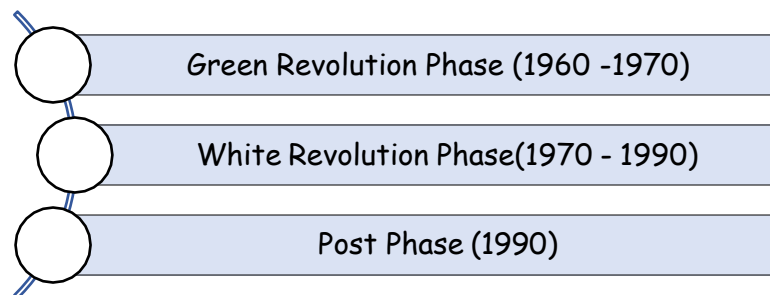
- **Rice** production reached 135.75 million tonnes, up from 135.57 million tonnes in 2020-21.
- **Wheat** production was recorded at 112.02 million tonnes, compared to 110.55 million tonnes in 2020-21.
- **Coarse cereals** production was at 57.32 million tonnes.



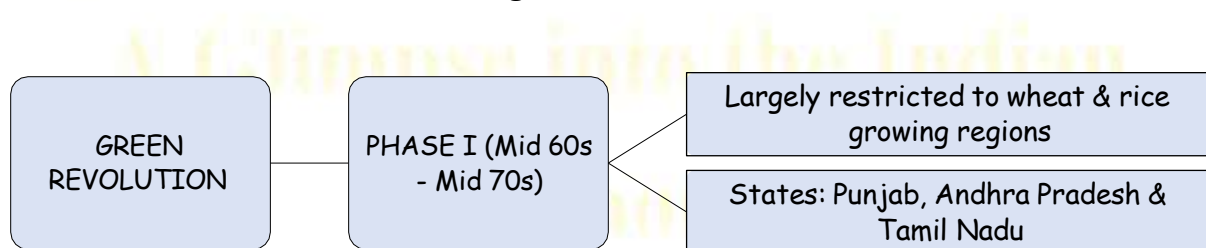
These figures indicate a continuous growth in India's food grain production, reflecting the ongoing efforts of farmers, agricultural scientists, and government initiatives.

Pattern of Agriculture sector in India

India's agriculture sector transformation has gone through 3 phases - Green Revolution phase from 1960s to 1970s, White Revolution phase from 1970s to 1990s and post 1990 phase.



Phase 1: Transformation of Indian Agriculture



- Green Revolution starting in **1967-68** led by MS Swaminathan increased food grain production by nearly 25%, making India self-sufficient.
- **Green Revolution saw a substantial hike in crop productivity**, reduced time lag between sowing and harvesting, and **enabled double cropping throughuse of chemical fertilizers**.
- However, the benefits of Green Revolution were unevenly distributed, favouring rich farmers and not benefiting small and marginal farmers much due to unaffordability of inputs.



Phase 2 of Transformation (1970-1990)

- **White Revolution** led to enormous growth in milk production making India the largest producer.



Phase 3 of Transformation: Post 1990

- **Since 1990s**, India emerged as largest exporter of rice. Agriculture exports increased from \$3.5 billion to \$ 37.1 billion from 1990-91 to 2011-12.
- Post 1990 saw higher per capita income growth and emergence of external demand for Indian agriculture.

- Despite growth, Indian agriculture faces challenges like - falling investment, low productivity, disguised unemployment, dependence on rainfall, subsistence farming, lack of modern inputs, small landholdings and primitive technology.



Policy Response

The main goal is to double farmers' income by 2022-23 to promote farmers' welfare and reduce agrarian distress.

India implemented several key policies in 2023-24 to revive and enhance the agricultural sector. These initiatives aimed to boost productivity, ensure sustainability, and improve the livelihoods of farmers. Here are some of the significant measures:



- **PM-Kisan Samman Nidhi (PM-KISAN):**

The PM-KISAN scheme continued to provide financial assistance to farmers, offering direct income support of ₹6,000 per year to small and marginal farmers, paid in three equal instalments. This helps farmers to meet their agricultural needs and expenses.



- **Pradhan Mantri Fasal Bima Yojana (PMFBY):**

The government focused on improving the coverage and implementation of the crop insurance scheme, PMFBY. This scheme aims to provide financial support to farmers in case of crop loss or damage due to natural calamities, pests, and diseases.



- **Promotion Digital Agriculture:**

Initiatives were taken to promote digital agriculture by encouraging the use of technology and data in farming. This includes the adoption of precision farming techniques, use of drones for monitoring and spraying, and development of mobile apps for providing real-time information to farmers.



- **Boosting Organic and Natural Farming:**

The government promoted organic and natural farming practices through various schemes. This includes the Paramparagat Krishi Vikas Yojana (PKVY) and the National Project on Organic Farming (NPOF), which aim to encourage the use of organic inputs and sustainable farming methods.



Infrastructure Development: Significant investments were made in improving agricultural infrastructure through the Agriculture Infrastructure Fund (AIF). This includes building warehouses, cold storage facilities, and other post-harvest management infrastructure to reduce post-harvest losses and improve market access for farmers.	
Water Management and Irrigation: Programs like the Pradhan Mantri Krishi Sinchai Yojana (PMKSY) were reinforced to enhance water use efficiency and expand the area under irrigation. The focus was on micro-irrigation systems such as drip and sprinkler irrigation to optimize water use.	
Support for Farmer Producer Organizations (FPOs): The government continued to support the formation and strengthening of Farmer Producer Organizations (FPOs). This helps farmers to aggregate their produce, improve bargaining power, and access better markets and technology	
Credit and Financial Inclusion: Efforts were made to enhance credit flow to the agricultural sector through schemes like the Kisan Credit Card (KCC) and increased allocation to the Rural Infrastructure Development Fund (RIDF). These measures aim to ensure that farmers have timely access to affordable credit.	

These policies reflect a comprehensive approach by the Indian government to address various challenges faced by the agricultural sector, promote sustainable practices, and improve the economic well-being of farmers.

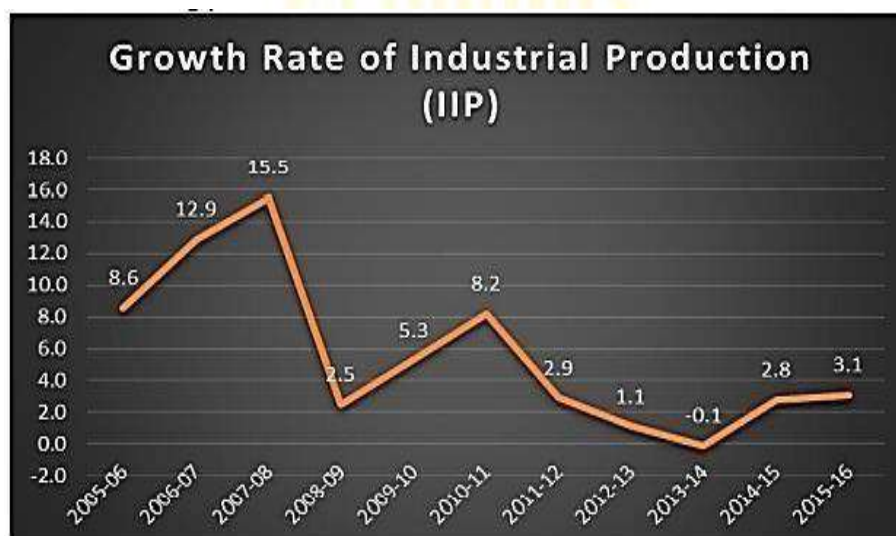
Industry: Pattern & Structure of Growth, Major Challenges, Policy Responses

India's Index of Industrial Production (IIP) grew by 17.4% between April 2021 and November 2021, showing growth in the manufacturing sector.

Growth in Gross Value Added in Industry										
Sectors	Year									
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
						3 rd RE	2 nd RE	1 st RE	PE	1 st AE
Mining & quarrying	0.6	0.2	9.7	10.1	9.8	-5.6	0.3	-2.5	-8.5	14.3
Manufacturing	5.5	5.0	7.9	13.1	7.9	7.5	5.3	-2.4	-7.2	12.5
Electricity, gas, water supply & other utility services	2.7	4.2	7.2	4.7	10.0	10.6	8.0	2.1	1.9	8.5
Construction	0.3	2.7	4.3	3.6	5.9	5.2	6.3	1.0	-8.6	10.7
Industry	3.3	3.8	7.0	9.6	7.7	5.9	5.3	-1.2	-7.0	11.8

Source: Survey calculations based on MoSPI data.

Eight Core Industries



Eight core industries including coal, crude oil, fertilizers and electricity have recovered and surpassed pre-lockdown levels.

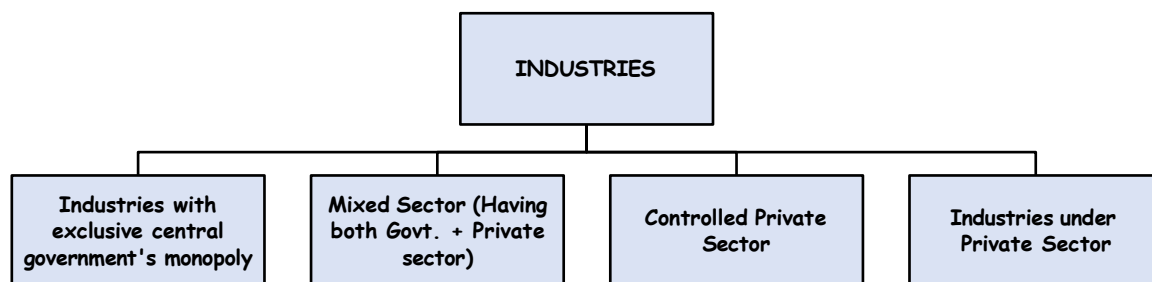
As of the latest data for April 2024, India's Index of Industrial Production (IIP) has shown a growth rate of 5.0% compared to the same period in the previous year. The IIP growth rate for March 2024 was 4.9%, down from 5.7% in February 2024.

Breaking down the sectors for April 2024:

- **Mining:** Increased by 6.7%
- **Manufacturing:** Grew by 3.9%
- **Electricity:** Rose by 10.2%

The cumulative growth rate for the fiscal year ending March 2024 stood at 5.8%, reflecting consistent industrial activity across sectors

Major Challenges



The major challenges facing Indian industry are:

- Inefficient infrastructure and lack of skilled manpower.
- MSME sector faces issues of limited credit availability and higher credit costs.
- Reliance on imports for many industrial goods.
- Improper location of some industrial units based on political motives.
- Losses in public sector industries due to red tape and strained labour relations.

Public sector enterprises incur losses every year, requiring government expenditure to cover wages and obligations.

• Policy Reforms Industrial Policy Resolution, 1948 The Industrial Policy Resolution of 1948 introduced the mixed economy status to India. It aimed to protect small and cottage industries and provide fair wages and social security to workers.	
• Industrial Policy Resolution, 1956 The Industrial Policy Resolution of 1956 was based on the Mahala Nobis model and focused on developing heavy industries. It classified industries into three categories based on government control.	
• Industrial Policy Statement, 1973 The Industrial Policy Statement of 1973 identified 6 core infrastructure industries and promoted public-private partnerships. It allowed limited foreign investment.	 Public + Private Partnership
• Industrial Policy Statement, 1977 The 1977 policy focused on small scale and village industries. It defined tiny units and gave priority to power generation.	

- **Industrial Policy Statement, 1980**

The 1980 policy aimed for **balanced growth, simplification of expansion procedures, and improving public sector performance.**

- **New Economic Policy, 1991**

The New Economic Policy of 1991 liberalized the economy through the "LPG model" -

Liberalization, Privatization and Globalization. Industrial sector reforms included abolishing most industrial licensing, contracting the public sector, de-reserving production areas, allowing market allocation of resources, expanding production capacity, and liberalizing imports.



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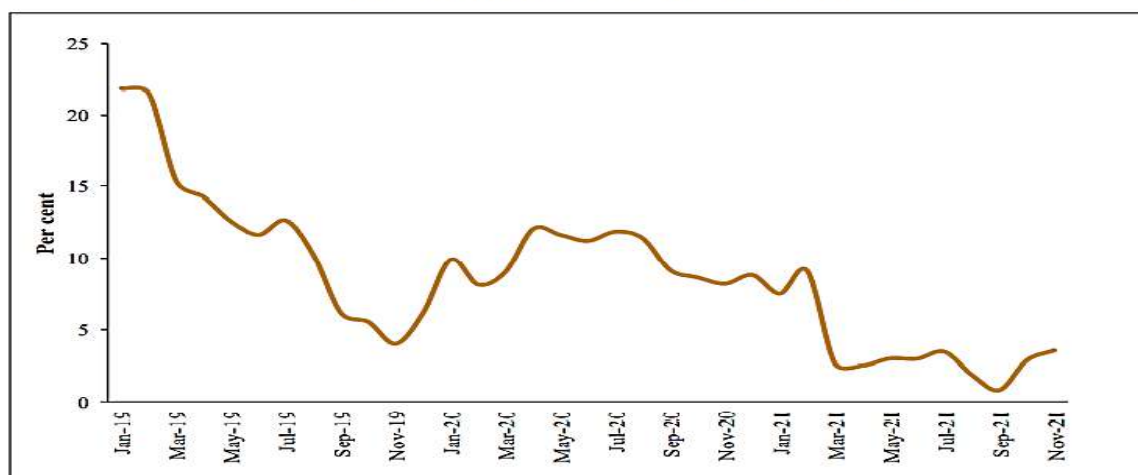
Services Sector: Pattern & Structure of Growth, Major Challenges, Policy Responses

Services sector contributes over 50% to India's GDP. However, the COVID-19 pandemic severely impacted the sector, especially contact-based services like tourism, retail, and hospitality.

Gross Value Added in Services sub-sectors Relative To Pre-Pandemic Levels (Q3 2019-20 GVA= 100)						
Sector	2020-21 Q1	2020-21 Q2	2020-21 Q3	2020-21 Q4	2021-22 Q1	2021-22 Q2
Trade, hotels, transport, communication & services related to broadcasting	52	81	92	108	70	87
Financial, real estate & professional services	123	126	107	107	127	136
Public administration, defence & other services	78	88	98	103	83	104
Total Services	84	99	99	106	94	109
Total GVA	78	92	101	106	92	100

Source: Ministry of Statistics and Programme Implementation.

Growth in Bank Credit to Services Sector



Source: RBI.

Pattern and Structure of Service Sector

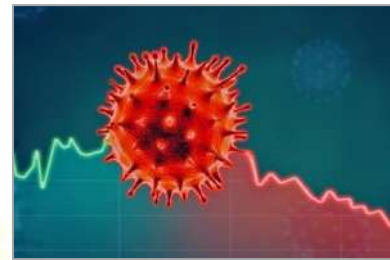


- **The PMI Services Index and freight and passenger traffic** indicators show a pickup in economic momentum in the services sector.
- **Freight traffic by railways, airports and seaports** fell sharply during the initial lockdown but has been recovering since August 2020.
- **Bank credit growth to the services sector** moderated in 2019 but picked up in 2020 before slowing again in 2021-22, especially for tourism, retail and transport sectors.

Challenges

India attracts significant foreign investment in the services sector but faces challenges like:

- The pandemic's impact
- Impact of demonetization
- Unemployment issues
- Lack of inclusive growth policies and multiple governing bodies
- Market access barriers and restrictions for foreign service suppliers



The latest data on the service sector of the Indian economy reveals that it continues to be the dominant sector, contributing significantly to India's GDP and employment. The service sector accounted for approximately 55% of India's Gross Value Added (GVA) at current prices in FY24, with a growth rate of 9.1% in 2022-

23. It also generated a substantial number of new jobs, particularly in IT, banking, and finance.



India's services sector includes a wide range of activities such as **trade, hospitality, transportation, communication, finance, real estate, and professional services**. The sector has also seen significant foreign investment, receiving US\$ 109 billion in FDI between **April 2000 and March 2024**. In **December 2023**, service exports grew by **1.3%** to **US\$ 31.6 billion**, driven by software, business, and travel services

Government Initiatives

- **Government initiatives like Make in India** with tax incentives for the services sector aim to boost service exports.
- **The government has established 157 new medical colleges** and 1,50,000 Ayushman health centres to improve access to healthcare.
- **India aims to set standards for global data governance** to benefit its services sector.
- **Real estate initiatives like Pradhan Mantri Awas Yojana and Smart Cities Mission** aim to boost the real estate sector.
- **India is collaborating with countries like the UK and Australia** to discuss opportunities in the services sector through trade agreements.



- **In 2023-24, the Indian government has introduced** several initiatives to revive and support the service sector, which is crucial for the country's economic growth and employment generation. Some of the key initiatives include:

- **Digital India and Technology Parks:** Continued efforts under the Digital India campaign and the development of technology parks aim to boost the IT and services sector by improving digital infrastructure and fostering innovation.



- **PLI Scheme for Service Sector:**

The government is considering a Production Linked Incentive (**PLI**) scheme tailored for the service sector, similar to the one implemented for manufacturing, to encourage investment and enhance exports.



- **Focus on Healthcare and Tourism:** Specific policies are being developed to support the healthcare and tourism sectors, which have significant potential for growth and employment. This includes promoting medical tourism and improving healthcare infrastructure.
- **E-commerce and Retail:** Initiatives to support the growth of e-commerce and retail sectors, driven by increasing consumer spending and digital transformation, are being emphasized. This includes facilitating ease of doing business and providing a conducive regulatory environment.
- **Financial Support for Start-ups and SMEs:** Enhanced access to affordable finance and support for start-ups and small and medium-sized enterprises (SMEs) in the service sector is a priority. This involves streamlining credit facilities and providing incentives for innovation and expansion.



These measures are part of a broader strategy to ensure the robust growth of the service sector, which contributes significantly to India's GDP and employment. The government's proactive approach aims to harness the sector's potential for higher economic prosperity and global competitiveness.

Rural Development

- Rural development faces challenges like limited **rural credit, agricultural marketing issues and the need for more employment outside farming.**
- **Initiatives like animal husbandry, fisheries, horticulture and cottage industries** aim to generate more non-farm employment.
- **Organic farming and sustainable development** are promoted to boost rural incomes.



Government Initiatives

Government schemes like Deendayal Upadhyaya **Gram Jyoti Yojana**, the National Rural Livelihood Mission and Pradhan Mantri Gram Sadak Yojana aim to improve rural infrastructure, skills and connectivity.



Urban Development – Issues, Challenges and Policy Responses

- India's population is expected to increase significantly from 2011 to 2030, with urban growth contributing to over 73% of the rise.
- Urbanization will be central to India's strategy of achieving faster and inclusive growth as it stimulates economic efficiencies and provides more livelihood opportunities.



Challenges to Urban Development

Major challenges to urban development in India include: city-level issues like pollution and flooding, classification issues between urban and rural areas, unplanned development of towns and cities, lack of capacity of urban local bodies, and urban transport issues.

Policy Responses

- Key policy responses include: Smart Cities program to enable local development using technology, **AMRUT Mission to provide basic infrastructure and improve quality of life**, **Swachh Bharat Mission to ensure sanitation and waste management**, and **HRIDAY scheme to preserve and revitalize heritage cities**.
- **The Swachh Bharat Mission** focuses on elimination of open defecation, conversion of insanitary toilets, scientific waste management, behavioural change promotion, and capacity building of urban local bodies.



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Foreign Trade: Structure and Direction, BOP, Flow of Foreign Capital, Trade Policies

India's foreign trade has seen fluctuations since independence, with periods of trade deficits and surpluses at different times.

Phase 1: On the eve of Independence (1948-51)

- Post-independence in India (1948-51), imports surpassed exports due to post-war pent-up demand, restrictions, raw material shortages from partition, and increased demand for capital goods for development projects.

Phase 2: Devaluation of 1966 and period up to 1973-74

- **In the 1960s**, India devalued its currency by 36.5% due to an adverse balance of payments situation and excessive borrowing. This led to an initial increase in exports but imports continued to grow rapidly, causing large trade deficits.
- **India achieved a favourable balance of trade for the first time in 1972-73** but rising oil prices then led to another deficit in 1973-74.

Phase 3: 5th Five-year Plan

- Higher oil prices in the 1970s negatively impacted India's trade balance, increasing import costs for oil, fertilizers and food grains.

Phase 4: 1980 Onwards: 6th and 7th Plan Period

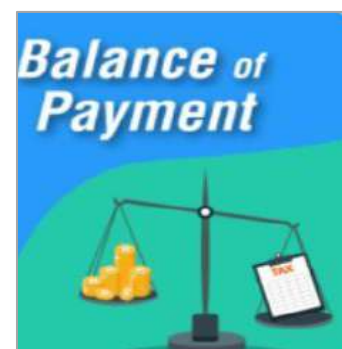
- Trade deficits continued through the 1980s and early 1990s due to high oil import bills and rising prices.

Phase 5: India's Foreign Trade 1989-90 and there after

- Since the early 1990s, India has pursued economic liberalization policies which have led to rapid growth in both exports and imports. However, imports have generally grown at a faster pace, resulting in large trade deficits.
- India's merchandise trade as a percentage of GDP has grown from 13.9% in 1991-92 to over 40% currently, indicating greater openness and integration into the global economy.
- Since around 2014, India's export growth has been subdued due to weak global economic conditions. However, exports started rising again from 2016-17 onwards.

Balance of Payments Trends in India

- **India's balance of payments situation has improved since the economic reforms of 1993-94** due to factors like increase in balance of invisibles, NRI deposits, foreign investment and external commercial borrowings.
- **Foreign direct investment** is an important source of development funding for India.
- **There are two routes for FDI in India** - Automatic route which does not require approval and Government route which requires approval.



- **India received the highest annual** FDI inflows of USD 84,835 million in FY 2021-22, surpassing the previous year's FDI.
- **According to UNCTAD**, India ranked 7th among the top 20 host economies for FDI in 2021.
- **Singapore, USA and Mauritius** are the top three foreign investors in India.
- **The computer software & hardware sector** received the highest FDI, followed by the services sector and the automobile industry.
- **Karnataka** received the highest FDI among Indian states, followed by Maharashtra and Delhi.
- **As per the latest data, For FY24**, the current account deficit narrowed to \$23.2 billion or 0.7% of GDP against \$67 billion or 2% of GDP in FY23.
- **In January-March 2024**, the merchandise trade deficit stood at \$50.9 billion, lower than the \$52.6 billion a year ago.

Portfolio investment

Portfolio Investment refers to purchase of foreign assets without control over them. It includes:

Foreign Institutional Investment:
Depository Receipts
Banking capital transactions
External Commercial Borrowings
External Assistance
Trade Credit

- **Foreign Institutional Investment:** Investment in foreign companies' securities by foreign investors. Regulated in India by SEBI.
- **Depository Receipts:** Financial instruments issued by a bank representing foreign company securities. Includes ADRs, GDRs and IDRs.
- **Banking capital transactions** refer to external financial assets and liabilities of commercial and cooperative banks operating as authorized foreign exchange dealers.
- Loans include:
- **External Commercial Borrowings:** Commercial loans from international markets with minimum 3-year maturity.
- **External Assistance:** Borrowings with concessional terms from institutions like World Bank, IMF.
- **Trade Credit:** Provided by overseas suppliers to Indian importers.

Foreign Trade Policy 2015-20 aims to:

- Support manufacturing and services exports.
- Improve ease of doing business.
- Respond to changing international trade environment.

It introduced schemes like:

- Merchandise Exports from India Scheme (MEIS) for specified exports.
- Services Exports from India Scheme (SEIS) providing incentives for notified service exports.

A key objective of the FTP 2024 is to make it easier for businesses engage in trade through digitalisation. Many export approval processes, as well as the **duty exemption scheme**, will now be automated through IT systems. This means faster processing and lower costs compared to the previous manual handling approach.

The policy has also introduced provisions for merchanting trade which refers to the shipment of certain goods from one foreign country to another foreign country through an Indian intermediary without the goods touching Indian ports. More specifically the government has broadened the range of items allowed for merchanting trade.

In addition to the 2024 FTP, other policy changes in recent years have aimed at making it easier to do business. Most notably, several processes have been digitised to reduce paperwork and increase approval speed. Moreover, businesses also are able to apply online for all **Directorate General of Foreign Trade (DGFT) schemes**, with a **centralized DGFT helpdesk service** to help business owners address any of their international trade issues.



Emerging areas

- **The government sees e-commerce exports** as a promising category that needs special policy interventions.
- **E-commerce exports are a rapidly growing sector, with a projected value of US\$200-300 billion by 2030.** The FTP 2024 outlines a vision and plan for creating e-commerce hubs and related infrastructure, providing services such as payment reconciliation, book-keeping, returns policy, and export entitlements. The government will also conduct outreach and training activities *to help businesses in various weavers and jewellery designers) join e-commerce platforms, which can significantly boost their international sales.* Additionally, integrating Courier and Postal exports with ICEGATE will enable exporters to take advantage of benefits under FTP.
- **India is also enhancing its SCOMET policy (which regulates the export of special chemicals, organisms, materials, equipment, and technologies)** to align with international agreements. This move will help ensure Indian exporters' products better align with global standards, therefore increasing their competitiveness in foreign markets.



Incentive schemes for Indian exporters

In India, there are several export incentive and remission schemes for Indian businesses to benefit from already. It's important that business owners are aware of these initiatives if they wish to minimise their business costs. Some highlights include:



- **The Rebate of Duties & Taxes on Exported Products (RODTEP):** The RODTEP scheme, which came into effect on 1 April 2020 and replaced the now-defunct Merchandise

Exports From India Scheme (MEIS), aims to reimburse all duties and taxes manufacturers paid when they export their products to other countries.

- **The Goods and Services Tax (GST):** Introduced in 2017, the GST has also been a great benefit to businesses. It treats exports as “zero-rated supply”, which means GST will not be levied on the outbound supply of any service of goods, and exporters can claim an input tax credit for the product shipped.



- **Market Access Incentive (MAI):** The MAI scheme provides financial assistance to Indian exporters for marketing-related activities (including abroad) such as market research, branding, and participation in trade fairs



Duty exemption & remission schemes for Indian exporters

India's Ministry of Commerce and Industry has previously introduced multiple schemes to allow duty-free importation of materials required in the production of exporting goods. These schemes have been quite successful, and the Digital India Act mentions the government's plans to digitise them, i.e. to make approval processes online and paperless in future.

Some of the key duty exemption and remission schemes that exist include:

Duty exemption schemes

The Advance Authorisation Scheme (AAS):

The Duty-Free Import Authorisation (DFIA) Scheme

- **The Advance Authorisation Scheme (AAS):** Enables Indian traders to import “inputs” (i.e. raw materials required for their products sold overseas) without paying any taxes or customs duties on them, resulting in lower cost of production.

- **The Duty-Free Import Authorisation (DFIA) Scheme:** Enables Indian exporters to import inputs and capital goods (*e.g. machinery or equipment used in production*) without having to pay basic customs duties.

Duty remission schemes

- **The Duty Entitlement Passbook Scheme (DEPB):** Some export duties will be paid back to the business as credit.
- **The Duty Drawback Scheme (DBK):** Businesses can claim refunds on some of the inputs used in manufacturing and/or processing most goods exported from India.



Future roadmap for foreign trade policy

MSMEs contribute nearly half of India's exports to the world and 29% of the nation's GDP. The FTP 2024 serves as an important roadmap for India's economy to reach new heights and become a key player in world trade. As India moves away from a subsidy-based regime, there is a pressing need for structural reforms that will enhance the long-term competitiveness of the country's businesses and improve its export performance.



To achieve the ambitious target of US\$2 trillion in exports by 2030, continued growth and government support in automation, information technology, trade facilitation, and transaction cost reduction will be key. Furthermore, the promotion of e-commerce, research and development, and district export hubs will play a decisive role in shaping India's future foreign trade policies.

Infrastructure Development: Physical and Social; Public-Private Partnerships

- **Infrastructure** refers to the basic facilities and services that support economic activities and development of a country. It includes transport, communications, energy, irrigation, science and technology, banking, civic amenities and human resources like education and health.
- **Infrastructure contributes to economic growth** by improving productivity, developing domestic markets, attracting investments, generating jobs, reducing poverty and promoting social change.
- **Physical infrastructure** refers to public facilities like roads, ports, energy and



telecom networks that directly support production.

- **Social infrastructure** includes basic services like health, education, sanitation and housing that indirectly support the economy by improving human capital.
- **Government expenditure** on social sectors like education and health has been increasing as a percentage of India's GDP in recent years.
- **Public-private partnerships** can help finance, build and operate infrastructure projects. They enable the government to benefit from private sector expertise and efficiency.
- **The government has set up the National Investment and Infrastructure Fund** with Rs. 20,000 crores and taken policy measures to improve infrastructure investment liquidity.
- **Areas that need priority focus to improve India's public-private partnership model** include updating guidelines based on experience, facilitating contract renegotiations and establishing a dispute resolution process.

Centre-State Financial Relations, Finance Commission

- **India follows a federal system of government** as per the Constitution, though it is described as a Union of States. The states cannot secede from the Indian federation.
- **The Constitution has elaborate provisions** regarding revenue distribution between the Center and States under Part XII.
- **The key characteristics of Center-State financial relations are:** complete separation of taxing powers, tax sharing and allocation of funds to states.
- **Non-tax revenues** are distributed between Center and States based on the nature of revenue source.
- **The Finance Commission** is constituted by the President under Article 280 to recommend revenue distribution between the Center and States.
- **The Finance Commission recommends:** distribution of central tax revenues between Center and States, grants-in-aid to states, augmenting resources for municipalities and Panchayats.
- **The 15th Finance Commission** was constituted in 2017 under N.K Singh. Its key tasks include strengthening cooperative federalism and improving quality of public spending.

In its interim report for FY 2020-21, the 15th FC recommended:

- **Decreasing devolution of central taxes to states** from 42% to 41% to provide for the Union Territories of Jammu and Kashmir and Ladakh.
- **Tweaking the criteria and weights for allocating funds to states**, assigning lower weight to population but higher weight to demographic performance.
- Introducing a new "**tax effect**" criterion with 2.5% weightage and reducing the weight for income distance.



Fiscal Responsibility and Budget Management Act

- **The FRBM Act** was implemented in 2003 to enforce fiscal discipline by reducing fiscal deficit and eliminating revenue deficit. The main objective was to mitigate the fiscal deficit.
- **The objectives of FRBM Act** were to achieve fiscal stability, set fiscal targets, distribute debt equitably and improve fiscal and monetary policies.
- **The initial FRBM targets** included eliminating revenue deficit by 2009, reducing fiscal deficit to 3% of GDP by 2009 and reducing additional liabilities to 9% of GDP by 2004-05.
- **The targets were not achieved so the Act was amended in 2012 and 2015** to relax the fiscal targets.
- **The NK Singh committee** recommended using debt as the primary target and achieving it by 2023. It also proposed creating an autonomous Fiscal Council.
- **The latest FRBM targets include** limiting fiscal deficit to 3% of GDP by 2021, ensuring general government debt does not exceed 60% and central government debt does not exceed 40% of GDP by 2024-25.



Labor and Capital Market

Labor Market

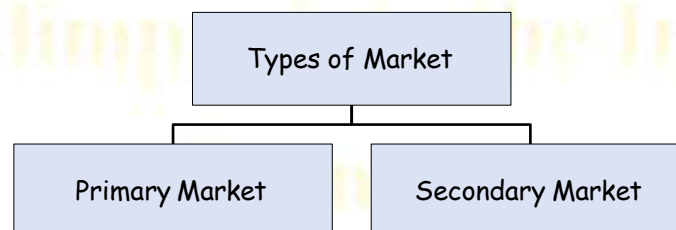
- The labour market refers to the demand and supply of labour by employers and employees respectively. It is a major part of any economy.
- Unemployment refers to a situation where a person is willing to work but is unable to find work. It is considered an important measure of economic health.



Capital Market

The capital market is a place where buyers and sellers trade financial securities like stocks and bonds. It helps companies raise money and investors allocate funds.

Types of capital market:



- The primary market deals with new issues of securities sold by companies.
- The secondary market deals with previously issued securities traded among investors.

Types of financial instruments: Types of financial instruments in the capital market include: equity instruments, credit market instruments, insurance instruments, foreign exchange instruments, hybrid instruments and derivatives.

Functions of capital market

- The capital market helps in economic growth by allocating resources efficiently.
- It promotes savings habits by providing facilities and incentives to investors.
- It helps stabilize and systematize security prices through reducing speculation.
- It provides availability of funds through continuous investment and trading on stock exchanges.

Poverty, Inequality and Unemployment

Poverty

- **Poverty** refers to the inability to fulfil basic needs like food, clothing, housing, education and health facilities.
- **The poverty line is a cut-off point** that divides people as poor or non-poor, usually based on per capita expenditure.
- **The headcount ratio** refers to the percentage of population below the poverty line.



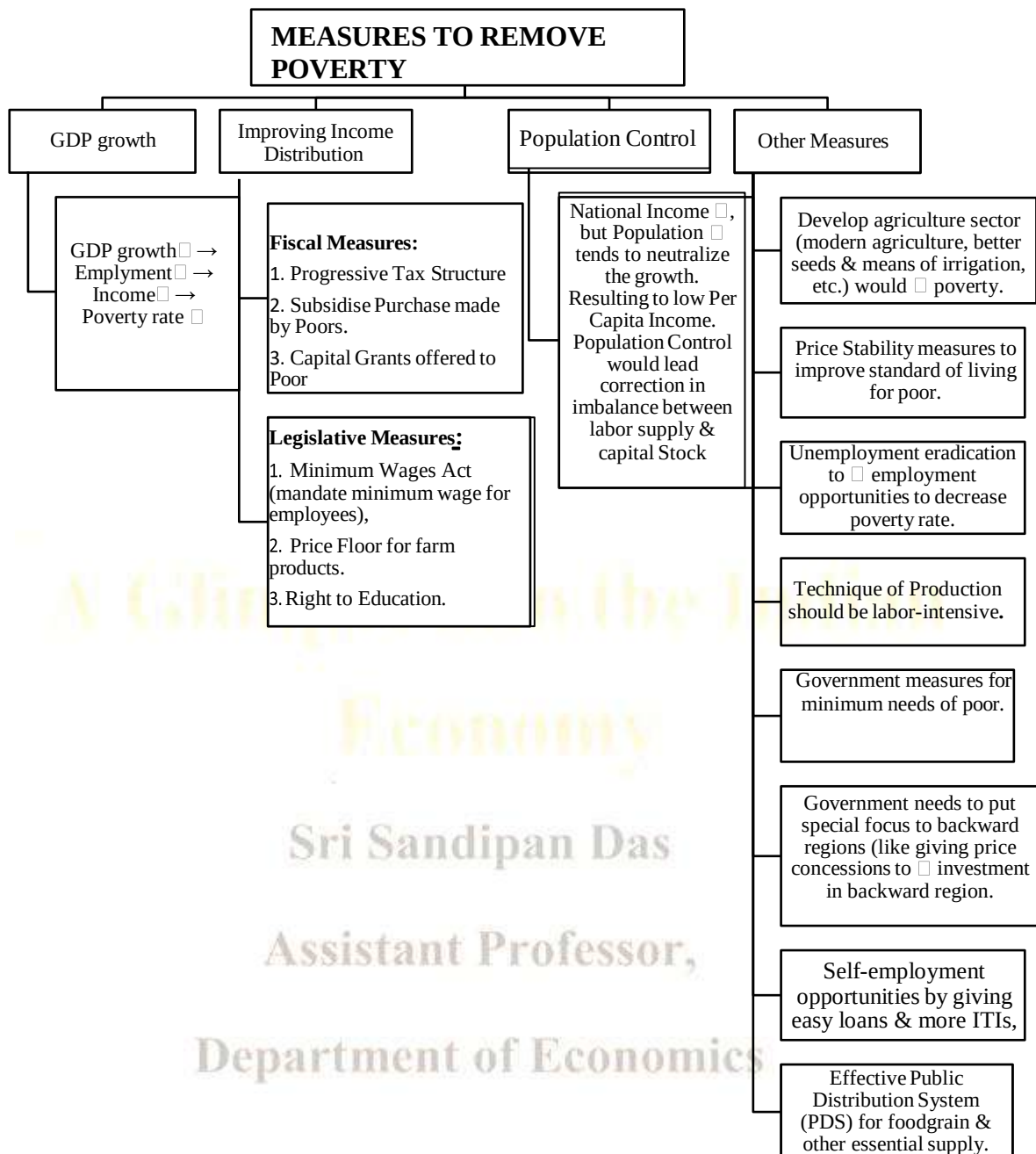
- **The poverty line can be determined** based on income or consumption. Consumption is preferred as it reflects actual use of goods and services and income data is unavailable.
- **In India, only private consumption expenditure** is considered to determine the poverty line.
- **Private consumption expenditure** = Food items + non-food items.
For food items consumption, per capita consumption of calories are considered
- **Thresholds for rural and urban households are:** 2435 calories for rural and 2045 calories for urban. In India, the poverty line lies at 1,286 rupees per month for urban areas and 1,059.42 rupees per month for rural areas
- **The number of poor people in India has increased from 17 crore in 1960-61 to 27 crores** in 2011-12. Nearly 3.44 crore people are living in extreme population in 2024 against 4.69 crore in 2022. India has managed to bring down 'extreme poverty' below 3 per cent of its population
- **However, the poverty percentage has declined** from 34% to 22% in the same period.
- **Poverty ratios in India:** 37.2% in 2004-05, 29.8% in 2009-10, 21.92% in 2011-12, the poverty rate in the country fell to 4.5-5 percent in 2022-23.
- **Rural poverty declined** from 54% in 1972-73 to 26% in 2011-12. Urban poverty declined from 42% in 1972-73 to 14% in 2011-12.



Causes of Poverty

- **India's low national product per capita** leads to most citizens belonging to the lower middle class.
- **India's low economic growth rate of around 5%** means population growth of 2% outstrips economic growth, adding to poverty.
- **Heavy population pressure adds to the dependency burden** and implies greater poverty.
- **The combination of low growth rate and high population growth** leads to inflation and persistent price rises.
- **Unemployment** and underemployment remain at high levels due to insufficient production capacity.
- **There is a lack of capable entrepreneurs** to spur production growth and inadequate infrastructure for development.
- **The unequal income distribution** with the top 20% controlling 53% of income while the bottom 40% has only 15.3% perpetuates the size of poverty and the widening rich-poor gulf.





Inequality:

- India has high levels of income inequality, with the top 10% holding 57% of the total national income while the bottom 50% holds only 13%.
- The average annual income of Indians is Rs 2,04,200 while the bottom 50% earn Rs 53,610 and the top 10% earn over 20 times more at Rs 11,66,520.
- Some reasons for income inequality in India are: lack of skill development, rigid social institutions like caste system, low labor productivity and failure to develop export-oriented industries.



Measures to reduce income inequality include:

- Providing social security benefits, employment guarantee schemes and universal access to public health and education.
- Generating more employment opportunities especially in the labour-intensive manufacturing sector.
- Imposing higher taxes on the wealthy through wealth taxes and inheritance taxes.
- Increasing spending on programs like the National Food Security Act and employment guarantee schemes.



Unemployment:

Unemployment refers to a situation where a person wants to work but cannot find a job.

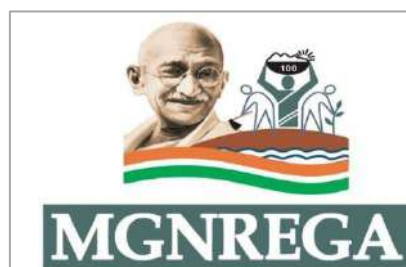
Some major causes of unemployment in India are:

- Rapid population growth
- Agriculture dominance
- Fall of small industries
- Low labour mobility
- Defects in the education system



The government has initiated several schemes to curb unemployment:

- **SMILE** scheme provides shelter homes for rehabilitation of beggars.
- **PM-DAKSH** provides skill development training programs.
- **MGNREGA** guarantees 100 days of employment annually in rural areas.
- **Pradhan Mantri Kaushal Vikas Yojana** aims to train over 40 crore people in different skills by 2022.
- **Rozgar Mela** Scheme will provide 10 lakh government jobs.



If you are wondering about the unemployment rate last ten years or 15 years, we have the data in a tidy little chart for you:

Year	Unemployment Rate (percent)
2024	9.2 (June 2024)
2023	8.003
2022	7.33
2021	5.98
2020	8.00
2019	5.27
2018	5.33
2017	5.36
2016	5.42
2015	5.44
2014	5.44
2013	5.42
2012	5.41
2011	5.43
2010	5.55
2009	5.54
2008	5.41

Source: CMIE