

ECONOMIC AFFAIRS

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#RUSSIA'S BAN ON CRYPTOCURRENCY

- On January 20, 2022, the **Russian central bank proposed to crack down the cryptocurrencies.**
- If this move is adopted, it could disrupt the burgeoning virtual money sector **because Russia is one of the largest crypto-mining nations worldwide.**
- This proposal was made as Russian authorities have been criticising the cryptocurrencies for years, as these can be used for illegal activities. Authorities also called for regulation.
- The Bank of Russia called to reinforce the ban on cryptocurrency payments, **put ban on cryptocurrency mining, as well as to tight laws on trading virtual money.**



Legal status to cryptocurrencies in Russia

- In Russia, authorities granted legal **status to cryptocurrencies in 2020.** However, their use in payments was never authorised.

Increasing regulations on cryptocurrencies

- Increasing popularity of cryptocurrencies** and their adoption by financial institutions has forced some governments to assess whether regulation is required to protect users.
- As per **Financial Action Task Force (FATF)**, cryptocurrency-related services are defined as “virtual asset service providers” (VASPs) and it recommends to regulate them with money laundering and know your customer (KYC) requirements.
- In 2021, 17 states in United States passed laws and resolutions related to cryptocurrency. China declared all cryptocurrency transactions of any kind illegal in Sept. 2021 and **cracked down on cryptocurrency.**

OTHER ISSUES IN NEWS:

EL SALVADOR ADOPTED BITCOIN AS LEGAL TENDER

El Salvador, a small coastal country in Central America has become the **first in the world** to adopt **Bitcoin**, as **legal tender**.

- Legal tender** is the **legally recognized money** within a given political jurisdiction.
- Bitcoin:** Introduced in 2009, it is a type of **cryptocurrency** that enables instant payments to anyone.
- Cryptocurrency** is a specific type of **virtual currency**, which is decentralised and protected by cryptographic encryption techniques.
- Bitcoin, Ethereum, Ripple** are a few notable examples of cryptocurrencies.
- Bitcoin is based on an **open-source protocol** and is not issued by any **central authority**.

India's Current Stand on Cryptocurrency:

- In 2018, **The Reserve Bank of India (RBI)** issued a circular preventing all banks from dealing in cryptocurrencies. This circular was declared unconstitutional by the **Supreme Court** in May 2020.
- Recently, the government has announced to introduce a bill; **Cryptocurrency and Regulation of Official Digital Currency Bill, 2021**, to create a sovereign digital currency and simultaneously ban all private cryptocurrencies.
- In India, the funds that have gone into the Indian blockchain start-ups account for less than 0.2% of the amount raised by the sector globally.
- The current approach towards cryptocurrencies makes it near-impossible for blockchain entrepreneurs and investors to acquire much economic benefit.

Central Bank Digital Currency (CBDC)

- The **Reserve Bank of India (RBI)** has proposed amendments to the **Reserve Bank of India Act, 1934**, which would enable it to launch a **Central Bank Digital Currency (CBDC)**, thus enhancing the scope of the definition of '**bank note**' to include currency in digital form.
- The move has come amid the government's plans to introduce a **Bill on cryptocurrencies in the current Parliament session** that seeks to prohibit **all private cryptocurrencies in India with certain exceptions**.
- CBDC is a **digital form of Fiat Currency** which can be transacted using wallets backed by blockchain and is **regulated by the central bank**. It is a **legal tender** issued by a central bank in a digital form.
- **Fiat money** is a government-issued currency that is not backed by a commodity such as gold. Fiat money gives central banks greater control over the economy because they can control how much money is printed.
- Though the concept of CBDCs was **directly inspired by bitcoin**, it is **different from decentralised virtual currencies and crypto assets**, which are not issued by the state and lack the 'legal tender' status.

#RELATED: CENTRAL BANK DIGITAL CURRENCY (CBDC)

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Significance:

- It would **reduce the cost of currency management** while enabling real-time payments without any inter-bank settlement.
- India's fairly high currency-to-GDP ratio holds out another benefit of CBDC to the extent large cash usage can be replaced by (CBDC), **the cost of printing, transporting and storing paper currency can be substantially reduced.**
- It will also **minimize the damage to the public** from the usage of private virtual currencies.
- It will enable the user to conduct both domestic and cross border transactions which **do not require a third party or a bank.**
- It has the potential to provide significant benefits, such as **reduced dependency on cash, higher seigniorage due to lower transaction costs, and reduced settlement risk.**
- It would also possibly **lead to a more robust, efficient, trusted, regulated and legal tender-based payments option.**

Issues:

- **Some key issues under RBI's examination include**, the scope of CBDCs, the underlying technology, and the validation mechanism and distribution architecture.
- **Also, legal changes would be necessary as the current provisions have been made keeping in mind currency in a physical form under the Reserve Bank of India Act.**
- **Consequential amendments would also be required in the Coinage Act, Foreign Exchange Management Act (FEMA) and Information Technology Act.**
- **Sudden flight of money from a bank under stress is another point of concern.**

Recent Developments:

- **El Salvador**, a small coastal country in Central America, has become the first in the world to adopt Bitcoin, as legal tender.
- **Britain** is also exploring the possibility of creating a Central Bank Digital Currency (Bitcoin).
- In 2020, **China started testing its official digital currency** which is unofficially called "Digital Currency Electronic Payment, DC/EP".
- In April 2018, RBI banned banks and other regulated entities from supporting crypto transactions after digital currencies were used for frauds. In March 2020, the **Supreme Court struck down the ban** as unconstitutional.

#INDIA TO BECOME ASIA'S 2ND LARGEST ECONOMY BY 2030

According to the Information Handling Services (IHS) Markit report, **India is likely to overtake Japan as Asia's second-largest economy by 2030.**

- Currently, **India is the sixth-largest economy**, behind the U.S., China, Japan, Germany and the U.K.
- IHS Markit is a **global leader in information, analytics and solutions** for the major industries and markets that drive economies worldwide.
- Note:** The size of a nation's overall economy is typically **measured by its Gross Domestic Product, or GDP**, which is the value of all final goods and services produced within a country in a given year.



GDP Projection:

- In terms of value, the **size of the Indian economy stood at USD 2.7 trillion** in 2021, which is projected to grow to USD 8.4 trillion by 2030.
- This boom is enough to overtake Japan, making India the second largest economy in the **Asia-Pacific region** by 2030.
- India's growth rate is projected to be 8.2% in 2021-22**, compared to a decline of 7.3% in the previous fiscal.
- However, the momentum of the current **financial year(FY)** will continue in 2022-23 as well and India will achieve 6.7% growth.

Role of Different Sectors:

- The **manufacturing, infrastructure and services sector** along with the **e-commerce sector** have a big role to play in boosting India's growth rate.
- Not only will this, due to increasing digitization, the e-commerce market become bigger in the coming times.
- According to a report, 1.1 billion Indians will have internet by 2030, in 2020 this number was 500 million.

Growth Rate:

- Overall the future of the Indian economy looks strong and stable, making it the fastest growing country in the country for the next decade.
- In the long term also, **technological developments like infrastructure sector and startups** will play a big role in sustaining India's rapid growth rate.
- Being one of the **world's fastest-growing economies** will make **India one of the most important long-term growth markets for multinationals** in a wide range of industries, including manufacturing industries such as autos, electronics and chemicals, and services industries such as banking, insurance, asset management, healthcare and information technology.

Middle Class Support:

- India gets the most help from its vast middle class, which is its main consumer force.
- Indian consumer spending will also double in the next decade. This could increase from USD1.5 trillion in 2020 to USD3 trillion in 2030.
- **FDI Inflows:** The large increase in **Foreign Direct Investment (FDI)** inflows to India that has been evident over the past five years is also continuing with strong momentum in 2020 and 2021.
- It is being **boosted by large inflows of investments from global technology Multinational Companies (MNCs)** such as Google and Facebook that are attracted to India's large domestic consumer market.

Current State of India's Economy:

- India's **GDP** at current prices stood at USD 694.93 billion in the first quarter of FY22, as per the provisional estimates of gross domestic product for the first quarter of 2021-22.
- **India is the fourth-largest unicorn base** in the world with over 21 unicorns collectively valued at USD 73.2 billion.

Government Initiatives for Boosting Economy

- **'Make in India'** and the National Policy on Electronics 2019 (NPE 2019)
- **Production-linked Incentive Scheme (PLI) in Various Sectors**
- **Major Telecom Sector Reforms:** Major telecom sector reforms have been approved in September 2021, which are expected to **boost employment, growth, competition, and consumer interests.**
- The rationalisation of adjusted gross revenue, the **rationalisation of bank guarantees (BGs), and the encouragement of spectrum sharing** are among the key reforms.

Deep Ocean Mission:

- The Indian government approved the **Deep Ocean Mission (DOM)** in August 2021, with a budget outlay of Rs. 4,077 crore (USD 553.82 million) over the next five years.
- **Focus on Renewable Sources:**
- In order to generate energy, **India is focusing on renewable sources.** It plans to achieve 40% of its energy from non-fossil sources by 2030, up from 30% currently, and to increase its renewable energy capacity from to **175 gigatonnes (GW) by 2022.**
- In line with this, India and the United Kingdom jointly launched a **'Roadmap 2030'** in May 2021 to collaborate and combat climate change by 2030.

#NSO ESTIMATE ON FY22 GDP GROWTH

- According to first advance estimates of National Statistical Office (NSO), India's gross domestic product (GDP) is estimated to grow 9.2% in the financial year 2021-22.
- Growth in GDP is supported by an uptick in the farm sector output, mining sector output and manufacturing sector outputs.
- In 2020-21, GDP had contracted to 7.3 percent, amid the covid-19 induced lockdown.



NSO vs. RBI estimate

- The NSO estimate is lower as compared to GDP forecast by RBI in December 2021 policy review. RBI had projected a GDP growth of 5 per cent.
- The RBI has further estimated the growth of 6.6 per cent and 6 percent respectively in the third quarter (Oct-Dec 2021) and fourth quarter (Jan-Mar 2022).

NSO's estimate

- As per NSO data, **absolute GDP and Gross Value Added (GVA)** will recover and better the numbers as compared to 2019-20.
- Government's spending will remain buoyant. Investments have picked up and are likely to be more than the level in 2019-20.
- Demand is expected to remain sluggish, **at 55 per cent of the GDP, lower than the level in 2019-20.** Government final consumption expenditure is expected to be 7.6 per cent more than FY21 while 10.7 per cent more than FY20.
- Investment activity has also **increased and buoyant gross fixed capital formation (GFCF)** is growing by 14.9 per cent in FY22, 2.6 per cent more than 2019-20.

Private final consumption expenditure (PFCE)

- Impact of the Covid-19 pandemic is still visible on private final consumption expenditure (PFCE). PFCE is likely to grow 6.8 per cent. It will be at **Rs 80.80 lakh crore for FY22, lesser than pre-pandemic level of Rs 83.21 lakh crore.**
- **Growth in different sectors:** Agriculture is likely to grow at 3.9 per cent in FY22 as compared to 3.6 per cent growth in FY21. Manufacturing sector is growing by 12.5 per cent. Electricity generation is likely to grow 8.5 per cent as compared to 1.9 per cent last year. **Services like trade, hotels and transport are estimated to grow at 11.9 per cent.**

#PIERRE OLIVIER AS NEW CHIEF ECONOMIST AT IMF

- The **International Monetary Fund** announced on January 11, 2022, that it has **appointed Pierre-Olivier Gourinchas as its next Chief Economist**.
- A **French-born University of California- Berkley Economist** will replace Gita Gopinath as the IMF's Chief Economist who will be joining the IMF management team in January 2022.



Pierre-Olivier Gourinchas: IMF's new Chief Economist

- Pierre-Olivier Gourinchas, a French National, is a graduate in Physics from the Ecole Polytechnique. He holds a master's degree in Economics from Ecole des Hautes Etudes en Sciences Sociales.
- From 2012 to 2013, he had worked with the **Prime Minister of France as part of the Council of Economic Advisors**.
- In his remarkable career as an Economist, Gourinchas has been honoured with many awards and recognition.
- It includes Bernacer Prize for the Best European Economist under 40 working in the field of macroeconomics and finance in 2007.

Association with IMF

- Pierre-Olivier Gourinchas, while working as a faculty at the University of California, started working as a **visiting scholar at the International Monetary Fund (IMF) in 2009**.
- He also became the editor of the fund's premier research journal, the **IMF Economic Review**.
- Pierre-Olivier Gourinchas is credited for increasing the reach of the magazine among a wider base of economic policymakers and the community. He was associated with Fund in this role till 2016.

International Monetary Fund (IMF)

- The International Monetary Fund (IMF) is an organization of 189 member countries, each of which has representation on the IMF's executive board in proportion to its financial importance, so that the most powerful countries in the global economy have the most voting power.

Objective

- Foster global monetary cooperation
- Secure financial stability
- Facilitate international trade
- Promote high employment and sustainable economic growth
- And reduce poverty around the world

History

- The IMF, also known as the Fund, was conceived at a **UN conference in Bretton Woods**, New Hampshire, United States, in July 1944.
- The 44 countries at that conference sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s.
- **Countries were not eligible for membership** in the International Bank for Reconstruction and Development (IBRD) **unless they were members of the IMF.**
- IMF, as per **Bretton Woods agreement** to encourage international financial cooperation, introduced a system of convertible currencies at fixed exchange rates, and replaced gold with the U.S. dollar (gold at \$35 per ounce) for official reserve.
- After the **Bretton Woods system** (system of fixed exchange rates) **collapsed in the 1971**, the IMF has promoted the **system of floating exchange rates**. Countries are free to choose their exchange arrangement, meaning that market forces determine the value of currencies relative to one another. **This system continues to be in place today.**

#GITA GOPINATH TO BE IMF'S 1ST DEPUTY MD

- The **Chief Economist of the International Monetary Fund (IMF)**, **Gita Gopinath** will take up a new role as the First Deputy Managing Director of IMF. Gopinath will be the second-rank official at IMF.
- She will replace the **First Deputy Managing Director Geoffrey Okamoto** who plans on leaving the IMF early in 2022.
- Gita Gopinath served as the Chief Economist of IMF for 3 years. She was announced to return to her academic position at Harvard University next year in January but decided to stay.



IMF under Gita Gopinath's leadership

- The Research Department of the **International Monetary Fund under Gita Gopinath's** leadership has gone from 'strength to strength', highlighting Fund's contribution to multilateral surveillance.
- There is a new analytical approach to help the countries respond to the international capital flows.
- Also, her recent work on a pandemic plan for ending the COVID-19 crisis by setting the targets of vaccinating the world at a feasible cost was also appreciated.

Role of the First Deputy Managing Director of IMF

- The **First Deputy Managing Director of IMF** will take the lead on surveillance and the related policies will oversee research and flagship publications. FDMD will also help in fostering the highest quality standards for the International Monetary Fund publications.

#INDIA'S TRADE WITH CHINA

India's trade with China in 2021 crossed USD125 billion with imports from China nearing a record USD100 billion, underlining continued demand for a range of Chinese goods, particularly machinery.

- This is **when the relations hit a new low** due to the prolonged standoff by the militaries in eastern Ladakh.
- India's Biggest Exports to China:** India's biggest exports to China in recent years were iron ore, cotton and other raw material-based commodities, which have seen a recovery in demand in China last year (2021).
- India's Biggest Imports from China:** India has imported large quantities of electrical and mechanical machinery, **Active Pharmaceutical Ingredients (APIs)**, auto components and, over the past two years, a range of medical supplies from oxygen concentrators to Personal Protective Equipments (PPEs).



Growth in Bilateral Trade:

- The **43% year-on-year growth in bilateral trade with India was among the highest among China's major trading partners.**
- Trade figures with China's top three trading partners showed growth of 28.1% with **ASEAN** (to USD 878.2 billion), 27.5% with the **European Union** (to USD 828.1 billion), and 28.7% with the United States, to USD 755.6 billion.
- Trade Deficit with China:** The trade deficit for India grew to USD 69.38 billion in 2021.
- India has been highlighting its concerns over the growing trade deficit with China for over a decade and calling on China to open its markets for India's IT and pharmaceutical products.
- Trade deficit refers to a situation where the country's import dues exceed the receipts from the exports.

Steps taken to Counter Dependence on China:

- Ban on Chinese apps.** Increasing scrutiny of Chinese investments in many sectors, and a decision to keep Chinese companies out of **5G trials.**
- The government has also made its **prior approval mandatory for foreign investments** from countries that share land border with India to curb "opportunistic takeovers" of domestic firms - a move which will restrict FDI from China.
- To cut import dependency on China for **APIs (Active Pharmaceutical Ingredients)**, the government in March, 2020 **approved a package comprising four schemes** with a total outlay of Rs. 13,760 crore to boost domestic production of bulk drugs and medical devices in the country along with their exports.
- In 2020, the Ministry of Commerce and Industry **identified 12 sectors** - to make India a global supplier and cut import bills.

- These sectors are food processing, organic farming, iron, aluminium and copper, agro chemicals, electronics, industrial machinery, furniture, leather and shoes, auto parts, textiles, and coveralls, masks, sanitisers and ventilators.
- Current Issues in India-China Relations

Military Standoff in Eastern Ladakh:

- The border standoff between India's and China's armies began in May 2020 after a violent confrontation in the **Pangong lake areas**, and both sides have gradually increased their deployment by pouring in tens of thousands of soldiers and heavy weaponry.
- On 12th January, 2022 the two sides met for the **14th round of Corps Commander-level discussions** to end the standoff in the remaining territories, and they promised to meet again shortly.
- **New Border Law:** China's new law on land borders has come into effect from the new year (2022).
- The law states among other things that China abides by treaties concluded with or jointly acceded to by foreign countries on land boundary affairs.
- **Renaming of several places in Arunachal Pradesh:** Several places in Arunachal Pradesh have been renamed recently by China as part of its claim on the Indian state.
- India condemned the move on a global scale and the country has responded with a clear statement that assigning invented names would do no good and would not alter the facts that the places are a part of Arunachal Pradesh.
- **Bridge across Pangong Lake:** Recently, it was found that China is building a new bridge on **Pangong Tso** which will provide an additional axis to deploy troops faster between the north and south banks of the lake, and closer to the **LAC (Line of Actual Control)**.
- The bridge is in their territory, and the Indian Army will have to factor this in its operational plans.

#RBI'S APPROVAL PENDING FOR BAD BANK

- **Finance Minister Nirmala Sitharaman has announced** the formation of India's first-ever "Bad Bank".
- **National Asset Reconstruction Company Limited" (NARCL)** has already been incorporated under the Companies Act. It will acquire stressed assets worth about Rs 2 lakh crore from various commercial banks in different phases.
- **Another entity — India Debt Resolution Company Ltd (IDRCL)**, which has also been set up — will then try to sell the stressed assets in the market. The NARCL-IDRCL structure is the new bad bank.
- To make it work, the government has **Okayed the use of Rs 30,600 crore to be used as a guarantee.**



Bad Bank – Origin of Concept

- The **concept of a bad bank** was pioneered at the Pittsburgh-headquartered Mellon Bank in 1988. Bad Bank would set up as a separate entity that would buy the **Non-Performing Asset from other banks to free up their books for fresh lending. It is focused on the task of recovery.**

- A bank may accumulate a large portfolio of debts or other financial instruments which unexpectedly become at risk of partial or full default. A large volume of **non-performing assets usually make it difficult for the bank to raise capital, for example through sales of bonds.**
- In these circumstances, the bank may wish to segregate its “good” assets from its “bad” assets through **the creation of a bad bank.**

What is a bad bank? Why was it needed?

- In every country, commercial banks accept deposits and extend loans. The **deposits are a bank's “liability”** because that is the money it has taken from a common man, and it will have to return that money when the depositor asks for it.
 - Moreover, in the interim, it has to pay the depositor an interest rate on those deposits.
 - In contrast, the loans that banks give out are their “assets” **because this is where the banks earn interest and this is money that the borrower has to return to the bank.**
 - The whole business model is premised on the idea that a bank will earn more money from extending loans to borrowers than what it would have to pay back to the depositors.
- In normal functioning, as the proportion of bad loans — **they are typically calculated as a percentage of the total advances (loans)** — rise, two things happen.
- One, the concerned bank becomes less profitable because it has to use some of its profits from other loans to make up for the loss on the bad loans.
 - Two, it becomes more risk-averse. In other words, its officials hesitate from extending loans to business ventures that may remotely appear risky for the fear of aggravating an already **high level of non-performing assets (or NPAs).**
- The **Reserve Bank of India's (RBI's)** approval for the implementation of the proposal for setting up a ‘Bad Bank’ is still pending.
- In **September 2021**, the Union Cabinet approved the Rs. 30,600 crore guarantee to back Security Receipts issued by **National Asset Reconstruction Company Limited (NARCL)** for acquiring stressed loan assets.

NARCL & IDRCL:

- The NARCL has been set up and issued a license by the RBI to conduct business as an **Asset Reconstruction Company (ARC).**
- NARCL will acquire stressed assets worth about Rs 2 lakh crore from various commercial banks in different phases.
 - Public Sector Banks (PSBs) will maintain 51% ownership in NARCL.
 - Simultaneously, a separate company has been set up to function as an Asset Management Company, named **India Debt Resolution Company Limited (IDRCL), which will provide management and resolution of assets** and also help in the operational aspects, relating to price discovery and aim at evolving the best possible recovery and the resolution process.
- PSBs and Public Financial Institutes (FIs) will hold a maximum of 49% stake in IDRCL. The remaining 51% stake will be with private-sector lenders.

- The **NARCL** is majorly owned by public sector banks with **51% ownership** but in the case of the **IDRCL**, **51% shares** are in private hands.

Functioning of the Dual Structure:

- The **NARCL** will first purchase bad loans from banks.
- It will pay **15% of the agreed price in cash** and the remaining **85% will be in the form of "Security Receipts"**.
- When the assets are sold, with the help of **IDRCL**, the **commercial banks will be paid back the rest**.
- If the bad bank is unable to sell the bad loan, or has to sell it at a loss, **then the government guarantee will be invoked**.
- The difference between what the commercial bank was supposed to get and what the bad bank was able to raise will be paid from the Rs 30,600 crore that has been provided by the government.
- This **guarantee is extended for a period of five years**.

Frequently Asked Questions Related to Bad Banks

- **What is meant by a Bad Bank?**
- A 'bad bank' is a bank that buys the bad loans of other lenders and financial institutions to help clear their balance sheets. The bad bank then resolves these bad assets over a period of time. When the banks are freed of the NPA burden, they can take a more positive look at the new loans.
- **How do banks sell bad loans?**
- Banks sell the non-performing loans at significant discounts, and the collection agencies attempt to collect as much of the money owed as possible. Alternatively, the lender can engage a collection agency to enforce the recovery of a defaulted loan in exchange for a percentage of the amount recovered.
- **Why are Bad Banks created?**
- Such bad bank institutions have been created to address challenges arising during an economic credit crunch to allow private banks to take problem assets off their books.

#RELATED: PM MODI TO LAUNCH TWO RBI INITIATIVES

- Recently, PM Modi launched two **RBI initiatives** through video conferencing.
- The two innovative customer-centric initiatives include the **RBI Retail Direct Scheme** and the **Reserve Bank - Integrated Ombudsman Scheme**.

RBI Retail Direct Scheme

- The **RBI Retail Direct facility** was announced in February 2021 to improve access to government securities for retail investors. The scheme offers the investors a new avenue to directly invest in government securities.
- The retail investors will also have the facility to open and maintain the '**Retail Direct Gilt Account**' with the **RBI**, free of cost.
- The initiative was first flagged by **RBI Governor Shaktikanta Das**, calling it a major structural reform in the February policy review.



- The **RBI Retail Direct Scheme** is a **one-stop solution** to facilitate investment in Government Securities by individual investors.

- **What are government securities?**
- **Government securities are debt issuances issued by the government.** It is basically a bond or other type of debt obligation that is issued by a government with a promise of repayment at the time of maturity.
- The issuances can be used to fund daily operations, military projects and special infrastructure.
- Government securities are a type of financial investment instrument that offers safe and guaranteed returns to investors. It is ensured that the **investors receive the promised returns at the time of the security's maturity.**

Reserve Bank - Integrated Ombudsman Scheme

- The Reserve Bank - Integrated Ombudsman Scheme aims to improve the grievance redress mechanism for resolving **customer complaints against entities that are regulated by RBI.**
- The main theme of the scheme is '**One Nation-One Ombudsman**' with one portal, one address and one email for the customers to lodge their complaints.
- Under the scheme, there will be a single point of reference for customers to submit documents, file their complaints, track status of their complaints and provide feedback.

#UNION FINANCE MINISTER TABLED ECONOMIC SURVEY 2021-22

- Union Finance Minister Nirmala Sitharaman tabled the Economic Survey 2021-22 and the Statistical Appendix in the Lok Sabha on January 31, 2022.

- **The Economic Survey 2022 projects India's GDP to grow at 8-8.5% in the Fiscal Year 2022-23.** The GDP growth for the ongoing financial year 2021-22 has been estimated to be 9.2 percent.

- The Economic Survey 2022 was presented by Principal Economic Adviser Sanjeev Sanyal and new Chief Economic Advisor (CEA) Dr V AnanthaNageswaran during a press briefing.
 - The central theme of this year's Economic Survey is the **"Agile approach"**.
 - This year's survey uses various examples to highlight the **use of satellite and geospatial data** to reflect the infrastructural growth in the country.



What is the Economic Survey?

- The Economic Survey of India is an **annual document released by the Ministry of Finance.**
- It **contains the most authoritative and updated source of data on India's economy.**
- It is a report that the government presents on the state of the economy in the past one year, the key challenges it anticipates, and their possible solutions.

- It is **prepared by the Economics Division of the Department of Economic Affairs (DEA)** under the guidance of the Chief Economic Advisor.
- It is usually presented a day before the Union **Budget** is presented in the **Parliament**.
- The **first Economic Survey in India was presented in the year 1950-51**. Up to 1964, it was presented along with the Union Budget. From 1964 onwards, it has been delinked from the Budget.
- What are the Key Points of the Economic Survey 2021-22?

Economic Survey 2022 Highlights

- Economic Survey 2021-22 details the state of different sectors of the Indian economy and the reforms that need to be undertaken to accelerate growth in all the sectors.
- According to Economic Survey 2022, the economy is estimated to have grown by 9.2 percent in FY 2021-22 after a contraction of 7.3 percent in the previous year.
- **There has been a revival in economic activities to pre-pandemic levels in the year 2021-22**. He said that even though the health cost of the second COVID wave was much more severe, the economic cost of it was much milder.
- As per Economic Survey 2021-22, all macro indicators point towards the fact that the Indian economy is well placed to face challenges backed by the revival in industrial growth.

Sector-wise Impact

- **Agriculture Sector:** According to Principal Economic Advisor Sanjeev Sanyal, Agriculture sector was least affected by lockdowns of various kinds. The Agriculture sector grew by 3.6 percent in fiscal year 2020-21 and again by 3.9 percent in fiscal year 2021-22.
- **Industrial Sector:** The Industrial sector though did go through a contraction but now it is about 4.1% percent above pre-pandemic levels. The industrial sector including mining and construction industry is estimated to have grown by 11.8 per cent in fiscal year 2021-22. The growth in the sector had contracted by 7 per cent in 2020-21.
- **Services Sector:** The growth in the services sector, which has been the worst-hit sector by the COVID-19 pandemic, is just a little short of where it was during pre-pandemic times, as per the Principal Economic Advisor.
- **Inflation:** The inflation during fiscal year 2021-22 reflected the disruptions caused by the lockdown and disruptions in the supply chain, explained Sanyal. He added saying that since restrictions were lifted this year, the Consumer Price Index (CPI) has come back into the tolerance band and has remained at 5.6 percent.

Increased Inflation:

- The Survey notes that **supply chain disruptions and slow economic growth have contributed to an increase in inflation**. The withdrawal of stimulus in developed economies in the upcoming fiscal (2022-23) is likely to affect capital flows into the country.
- The surge in energy, food, non-food commodities, and input prices, supply constraints, disruption of global supply chains, and rising freight costs across the globe stoked global inflation during the year (2021-22).

- Stimulus spending in developed economies and pent up demand during the pandemic could lead to **"imported inflation"** (Inflation due to increases in the prices of import) in India.

State of the Economy (GDP Growth):

- The Indian economy is **estimated to grow by 9.2% in real terms in 2021-22** (as per **first advance estimates**) subsequent to a **contraction of 7.3% in 2020-21**.
- The **Gross Domestic Product (GDP)** projected to **grow by 8-8.5% in real terms in 2022-23**.
- Projection comparable with **World Bank** and **Asian Development Bank's** latest forecasts of real GDP growth of 8.7% and 7.5% respectively for 2022-23.
- According to the **International Monetary Fund's latest World Economic Outlook** projections, India's real GDP is projected to grow at 9% in 2021-22 and 2022-23 and at 7.1% in 2023-2024, which would **make India the fastest growing major economy in the world for all 3 years**.

Sustainable Development and Climate Change:

- India's overall score on the **NITI Aayog Sustainable Development Goals (SDG) India Index and Dashboard improved to 66** in 2020-21 from 60 in 2019-20 and 57 in 2018-19.
- India has the tenth largest forest area in the world**. In 2020, India ranked third globally in increasing its forest area during 2010 to 2020.
- In 2020, the forests covered 24% of India's total geographical area, accounting for 2% of the world's total forest area.
- In August 2021, the **Plastic Waste Management Amendment Rules, 2021**, was notified which is aimed at phasing out single use plastic by 2022.
- Draft regulation on **Extended Producer Responsibility** for plastic packaging was notified.
- The Prime Minister, as a part of the national statement delivered at the **26th Conference of Parties (COP 26)** in Glasgow in November 2021, announced **ambitious targets to be achieved by 2030** to enable further reduction in emissions.

Social Infrastructure:

- Expenditure on social services** (health, education and others) by Centre and States as a proportion of GDP increased from 6.2% in 2014-15 to 8.6% in 2021-22 (BE)
- As per the **National Family Health Survey-5**:
- Total Fertility Rate (TFR)** came down to 2 in 2019-21 from 2.2 in 2015-16.
- Infant Mortality Rate (IMR)**, under-five mortality rate and institutional births have improved in 2019-21 over year 2015-16.
- Under **Jal Jeevan Mission (JJM)**, 83 districts have become **'HarGhar Jal'** districts.
- Increased allotment of funds to **Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)** to provide buffer for unorganised labour in rural areas during the pandemic.
- In addition to the **National Health Mission**, Union Budget 2021-22, announced **Ayushman Bharat Health Infrastructure Mission**, a new **Centrally Sponsored Scheme** to develop capacities of primary,

secondary and tertiary Health Care Systems, strengthen existing national institutions, and create new institutions to cater to detection and cure of new and emerging diseases.

- India is **among the few countries producing Covid vaccines**. The country started with two made in India Covid vaccines. In line with India's vision of **Atmanirbhar Bharat**, India's **first domestic Covid - 19 vaccine, Whole Virion Inactivated Coronavirus Vaccine (COVAXIN)**, was developed and manufactured by Bharat Biotech International Limited in collaboration with National Institute of Virology of Indian Council of Medical Research (ICMR).
- The **progress of vaccination should be seen not just as a health response indicator, but also as a buffer against economic disruptions** caused by repeated pandemic waves.

#DR. V. ANANTHA NAGESWARAN AS NEW CHIEF ECONOMIC ADVISOR

- **Dr V. AnanthaNageswaran** assumed charge as the new **Chief Economic Advisor** on January 29, 2022. He was appointed to the post by the government, succeeding KV Subramanian who stepped down on October 8, 2021 to return to academia after the completion of his three-year term.
- Dr V. AnanthaNageswaran's appointment comes just days before the tabling of the **2021-22 Economic Survey on January 31, 2022 and presentation of Union Budget 2022-23 on February 1st**.
- Nageswaran till recently served as the Dean of the IFMR Graduate School of Business. He was also a distinguished Visiting Professor of Economics at Krea University.



About Dr V. AnanthaNageswaran

- Dr V. AnanthaNageswaran has also been a part-time member of the **Economic Advisory Council to the Prime Minister of India from 2019 to 2021**.
- He had co-founded Takshashila Institution, which is an independent centre for research and education in public policy.
- Nageswaran worked as a senior advisor to the **International Financial Services Authority of India (IFSCA) between 2019 and 2021**.
- Between 1994 and 2011, he worked as a currency economist at the Union Bank of Switzerland.

Role of Chief Economic Advisor

- The Chief Economic Advisor is the head of the Economic Division of the Economic Affairs Department under the Finance Ministry. The post is equivalent to the rank of Secretary to the Government of India. Until the 1970s, almost all Chief Economic Advisors were members of the Indian Economic Service.

Previously Chief Economic Advisors

- **KV Subramanian** had taken over as the Chief Economic Advisor of India on December 7, 2018. His appointment came almost five months after his predecessor **Arvind Subramanian had stepped down**.
- Before him, former **RBI Governor Raghuram Rajan** was the Chief Economic Advisor in the Finance Ministry August 2012 till September 2013.

- The prestigious post has also been held by former Prime Minister Manmohan Singh from 1972 to 1976.

PM Economic Advisory Council

- It is an independent body. Nageswaran had led the council for PM Modi. Currently Dr Bibek Debroy is the Chairman of the council. The council advises the PM on national and international economic issues.
- **IFSCA:** IFSCA aims to bring a strong global connect between India and rest of the world. It was created in 2020 at the GIFT city, Gandhinagar, Gujarat. **IFSCA develops and regulates financial services and financial products.**
- It is governed by nine members. Each member from IRDAI, SEBI, RBI, PFRDA. Two members from Ministry Finance and two members as recommended by the selection committee. **It is led by a chair person.**

#MINISTER OF FINANCE PRESENTED UNION BUDGET

Recently, the Minister of Finance presented the **Union Budget 2022-23**. With this Budget, India has marked the 75 years of Independence through **Azadi ka Amrit Mahotsav**.

- Apart from this, the budget also lays down a plan for **next 25 years and refers to the same period as Amrit Kaal**.
- It has also announced some **important measures for taxpayers**.

Budget and Constitutional Provisions

- According to **Article 112 of the Indian Constitution**, the Union Budget of a year is referred to as the Annual Financial Statement (AFS).
- It is a statement of the estimated receipts and expenditure of the Government in a Financial Year (which begins on 1st April of the current year and ends on 31st March of the following year).
- Overall, the **Budget contains:**
 - Estimates of revenue and capital receipts,
 - Ways and means to raise the revenue,
 - Estimates of expenditure,
 - Details of the actual receipts and expenditure of the closing financial year and the reasons for any deficit or surplus in that year, and
 - The economic and financial policy of the coming year, i.e., taxation proposals, prospects of revenue, spending programme and introduction of new schemes/projects.
- In Parliament, the Budget **goes through six stages:**
 - Presentation of Budget.
 - General discussion.
 - Scrutiny by **Departmental Committees**.
 - Voting on Demands for Grants.
 - Passing an Appropriation Bill.
 - Passing of Finance Bill.



- The Budget Division of the Department of Economic Affairs in the Ministry of Finance is the nodal body responsible for preparing the Budget.
- The first Budget of Independent India was presented in 1947.

What are the Key Highlights of Budget 2022?

- **Growth Rate:** India's economic growth in the current year (2021-22) is estimated to be **9.2% of GDP**, the highest among all large economies.
- The revised **Fiscal Deficit** in the current year is estimated at **6.9% of GDP (Gross Domestic Product)** as against 6.8% projected in the Budget Estimates.
- The Fiscal Deficit in 2022-23 is estimated at **6.4% of GDP**, which is consistent with the broad path of fiscal consolidation announced last year to reach a fiscal deficit level below **4.5% by 2025-26**.
- **Amrit Kaal:** India has entered into Amrit Kaal, the **25-year-long leadup to India@100**. During the **Amrit Kaal**, the government aims to attain the following vision:

Blueprint of Amrit Kaal: Four Priorities:

- PM GatiShakti
- Inclusive Development
- Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition, and Climate Action
- Financing of Investments

BLUE PRINT OF AMRIT KAAL: FOUR PRIORITIES

#1. PM GATI SHAKTI

- PM GatiShakti National Master Plan for Multi-Modal Connectivity, **launched in October 2021**, is an initiative **aimed at coordinated planning and execution of infrastructure projects**. The objective is **to bring down logistics costs**.
- **GatiShakti is a digital platform** bringing development projects of 16 ministries, including railways and roadways, together for integrated planning and implementation.
- When launched, the **GatiShakti scheme subsumed the Rs 110 lakh crore National Infrastructure Pipeline** announced in 2019.

Focus Area for Budget 2022-23:

- Its scope will **encompass the seven engines** (Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure).
- It will also include the **infrastructure developed by the state governments** as per the GatiShakti Master Plan.
- The touchstone of the Master Plan will be **world-class modern infrastructure and logistics synergy** among different modes of movement – both of people and goods – and location of projects.

What are the Major Proposals for PM GatiShakti?

- **Road Transport:** PM GatiShakti Master Plan for **Expressways** will be formulated in 2022-23 to facilitate faster movement of people and goods.
- **National Highways network** to be expanded by 25,000 km in 2022-23. **Rs. 20,000 crore** to be mobilized for the expansion.
- **Railways:**
- Railways will **develop new products and efficient logistics services** for **small farmers and Small and Medium Enterprises**, besides taking the lead in integration of **Postal and Railways networks** to provide seamless solutions for movement of parcels.
- **'One Station-One Product'** concept to help local businesses & supply chains.
- As a part of **Atmanirbhar Bharat**, **2,000 km of network** will be brought under **Kavach**, the **indigenous world-class technology** for safety and capacity augmentation in 2022-23.

#2. Inclusive Development

- In this section we will discuss the **'Inclusive Development' Pillar of the Budget 2022-23**.
- What is New for Agriculture & Food Processing?
- **Agriculture: Rs. 2.37 lakh crore direct payment to 1.63 crore farmers** for procurement of wheat and paddy.
- **Chemical-free Natural Farming** will be promoted throughout the country, with a focus on farmers' lands in 5-km wide corridors along river Ganga, at the first stage.
- **2023** has been announced as the **International Year of Millets**. Support will be provided.
- A **comprehensive scheme to increase domestic production of oilseeds** will be implemented.
- **For delivery of digital and hi-tech services to farmers**, a scheme in **Public Private Partnership (PPP)** mode will be launched.
- **NABARD** to facilitate funds with **blended capital to finance startups for agriculture & rural enterprise**.
- **'Kisan Drones'** for crop assessment, digitization of land records, spraying of insecticides and nutrients.
- **Ken Betwa project:** 1400 crore outlay for implementation of the **Ken – Betwa link project**. 9.08 lakh hectares of farmers' lands to receive irrigation benefits by Ken-Betwa link project.
- Draft DPRs (Detailed Project Reports) of five river links, namely **Damanganga-Pinjal, Par-Tapi-Narmada, Godavari-Krishna, Krishna-Pennar and Pennar-Cauvery** have been finalised.

What about the Education & Health Sector?

- **Education:** 'One class-One TV channel' programme of **PM eVIDYA** to be expanded to 200 TV channels.
- **Virtual labs and skilling e-labs** to be set up to promote critical thinking skills and simulated learning environment.
- High-quality e-content will be developed for delivery through **Digital Teachers**.
- **Digital University** for world-class quality universal education with personalised learning experience to be established.
- **Health:** An open platform for the **National Digital Health Ecosystem** to be rolled out. **National Tele Mental Health Programme** for quality mental health counselling and care services to be launched.

- A network of 23 tele-mental health centres of excellence will be set up, with **NIMHANS** being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.
- Two lakh anganwadis to be upgraded to Saksham Anganwadis.

What is there for Upgrading Basic Amenities?

- **Har Ghar, Nal Se Jal:** Rs. 60,000 crore allocated to cover 3.8 crore households in 2022-23 under **Har Ghar, Nal se Jal**.
- **Housing for All:** Rs. 48,000 crore allocated for completion of 80 lakh houses in 2022-23 under **PM Awas Yojana**.
- **Prime Minister's Development Initiative for North East Region (PMDevINE):** New scheme PM-DevINE launched to fund infrastructure and social development projects in the North-East.
- An initial allocation of Rs. 1,500 crore was made to enable livelihood activities for youth and women under the scheme.

Other Major Announcements in Budget:

- **Railways: One Station One Product concept** to help local businesses & supply chains.
- **Parvatmala:** It is a **National Ropeways Development Program**, Parvatmala to be taken up on PPP mode.
- **Kisan Drones:** For crop assessment, digitization of land records, spraying of insecticides and nutrients.
- **MSME:** Udyam, e-shram, NCS and ASEEM portals to be interlinked.
- **Skill Development: Digital Ecosystem for Skilling and Livelihood (DESH-Stack e-portal)** will be launched to empower citizens to skill, reskill or upskill through on-line training.
- **Education: 'One class-One TV channel' programme** of PM eVIDYA to be expanded to 200 TV channels.
- **Health:** An open platform for the **National Digital Health Ecosystem** to be rolled out.
- **Saksham Anganwadi (New Generation Anganwadi):** Integrated benefits to women and children through Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0.
- **Vibrant Villages Programme:** Vibrant Villages Programme for development of Border villages with sparse population, limited connectivity and infrastructure on the northern border.
- **Digital Rupee:** Introduction of Digital Rupee by the Reserve Bank of India starting 2022-23.

#3. Productivity enhancement and investment; sunrise opportunities; energy transition and climate action'.

- One of the priority areas is '**productivity enhancement and investment; sunrise opportunities; energy transition and climate action**'.
- It aims to ensure ease of living and doing business and to attain the vision of promoting energy transition and climate action during the Amrit kaal.
- **Next Phase of Ease of Doing Business & Ease of Living:**
- In recent years, over 25,000 compliances were reduced and 1486 union laws were repealed, result of '**minimum government & maximum governance**', and Ease of Doing Business (EODB).
- For the Amrit Kaal, the next phase of **Ease of Doing Business EODB 2.0** and Ease of Living will be launched.

- EODB 2.0 would entail digitisation of manual processes, integration of central and state level systems through IT bridges, single-point access for all citizen-centric services and standardisation and removal of overlapping compliance requirements.
- The government will follow the idea of **'trust-based governance'**.
- **Urban Development:** A **high-level committee of reputed urban planners, urban economists and institutions** will be formed to make recommendations on urban sector policies, capacity building, planning, implementation and governance.
- **Telecom Sector:** A scheme for design-led manufacturing will be launched to build a **strong ecosystem** for 5G as part of the **Production Linked Incentive Scheme**.
- **Export Promotion:** The **Special Economic Zones Act** will be replaced with a **new legislation** that will enable the states to become partners in **'Development of Enterprise and Service Hubs'**.

AtmaNirbharta in Defence:

- 68 % of the capital procurement budget will be earmarked for domestic industry in 2022-23, up from 58% in 2021-22.
- Defense R&D will be opened up for industry, startups and academia with 25 % of defense R&D budget earmarked.
- Independent nodal umbrella body to be set up for meeting testing and certification requirements.

Solar Power:

- To facilitate domestic manufacturing for the ambitious **goal of 280 GW of installed solar capacity by 2030**, an additional allocation of **19,500 crore for Production Linked Incentive for manufacture of high efficiency modules**, will be made.

Circular Economy:

- The **Circular Economy** transition is expected to help in productivity enhancement as well as creating large opportunities for new businesses and jobs.
- The action plans for ten sectors such as electronic waste, end-of-life vehicles, used oil waste, and toxic & hazardous industrial waste are ready.

#4. FINANCING OF INVESTMENTS

- One of the Priority Areas is **'Financing of Investments'**.
- What is in the Budget related to Financing of Investments?
- **Public Capital Investment:** Outlay for capital expenditure **stepped up sharply by 35.4% to Rs. 7.50 lakh crore in 2022-23** in comparison to the current year. Outlay in 2022-23 to be **2.9% of GDP**.
- The **'Effective Capital Expenditure'** of the Central Government is estimated at **10.68 lakh crore in 2022-23**, which will be about **4.1% of GDP**.
- Capital expenditure is the money spent by the government on the development of machinery, equipment, building, health facilities, education, etc. It also includes the expenditure incurred on acquiring fixed assets like land and investment by the government that gives profits or dividends in future.
- **Green Bonds:** As a part of the government's overall market borrowings in 2022-23, **sovereign Green Bonds** will be issued for mobilizing resources for green infrastructure.

GIFT-IFSC:

- **World-class foreign universities and institutions** will be allowed in the **Gujarat International Finance Tec-City (GIFT City)** to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, except those by **International Financial Services Centre Authority (IFSCA)** to facilitate availability of high-end human resources for financial services and technology.
- An **International Arbitration Centre** will be set up in the GIFT City for timely settlement of disputes under international jurisprudence.
- **Services for global capital for sustainable & climate finance** in the country will be facilitated in the GIFT City.
- **Digital Rupee:** Government will introduce **Digital Rupee**, using **blockchain** and other technologies, to be issued by the **Reserve Bank of India starting 2022-23**.
- **Financial Assistance to States for Capital Investment:**
- The outlay for the 'Scheme for Financial Assistance to States for Capital Investment' is being enhanced from Rs. 10,000 crore in Budget Estimates 2021-22 to Rs. 15,000 crore in Revised Estimates 2021-22.
- **For 2022-23**, the allocation is **1 lakh crore** to assist the states in catalysing overall investments in the economy.
- These fifty-year interest free loans are over and above the normal borrowings allowed to the states.
- This allocation **will be used for PM GatiShakti related and other productive capital investment of the states**. It will also include components for:
 - Supplemental funding for priority segments of **PM Gram Sadak Yojana**, including support for the states' share,
 - Digitization of the economy, including **digital payments and completion of Optic Fibre Cable (OFC) network**, and
 - Reforms related to building byelaws, town planning schemes, transit-oriented development, and transferable development rights.
- In 2022-23, in accordance with the recommendations of the **15th Finance Commission**, the states will be allowed a **fiscal deficit of 4% of GSDP (Gross State Domestic Product)** of which **0.5% will be tied to power sector reforms**.

#RELATED: INTRODUCTION A DIGITAL RUPEE IN UNION BUDGET

- Finance Minister Nirmala Sitharaman announced the government's intent to **introduce a digital rupee in her Union Budget 2022-23 speeches** on February 1, 2022.
- The Finance Minister announced that the digital currency or digital rupee will be introduced by the central bank of India using block chain and other technologies.
- The **RBI Digital Currency** will be issued starting from 2022-23 fiscal year.

What is RBI Digital Currency?

- The RBI Digital Currency will be the same as the liquid cash we hold in our wallets and banks, except it would be in a digital form.
- The digital rupee introduced by the **RBI will be held in a digital wallet, under the supervision of the central bank**.

Will Digital Currency replace Physical Cash?

- The introduction of digital rupee does not mean phasing out of physical cash, as it will continue to be used by people and banks.
- The people who are interested in owning digital rupee may be given the option of converting their deposits in the banks into the new RBI digital rupee.

RBI Digital Currency Significance

- The announcement of the introduction of RBI digital currency is extremely significant as it comes at a time when there is an increase in the demand for private cryptocurrencies such as bitcoin.
- The government approved digital currency will enable those who are hesitant in investing in **private cryptocurrencies given the risk factor involved, to feel more secure while investing.**
- Further, the cost of issuing digital currencies will be far lower than the **cost of incurred during printing and distribution of physical cash.** The RBI would be able to create and distribute the digital rupee at almost zero cost.
- The introduction of the digital rupee may bring down the use of physical cash, in **line with PM Modi's vision of creating a digital India.**
- Digital currency will also reduce instances of corruption and fraud as the **digital rupee will be monitored by RBI and hence can be easily tracked.**

Tax on crypto in India

- Under taxation of virtual / digital assets, FM Nirmala Sitharaman made the following announcements: Any income earned from the transfer of virtual digital assets shall be taxed at a rate of 30 percent.
- There will be no deduction in respect of any expenditure or allowance **while computing such income, except cost of acquisition.**
- The loss from transfer of **virtual assets shall not be set-off against any other income.**

#PROPOSALS RELATING TO DIRECT TAXES

- The proposals relating to taxes and duties aim to simplify the tax system, promote voluntary compliance by taxpayers, and reduce litigation. **No changes** have been proposed to **the income tax slabs and tax rates (individual taxpayers).**
- A direct tax is a **tax that a person or organisation pays directly to the entity that imposed it.** Example: income tax, real property tax, personal property tax, or taxes on assets.

What is there for Individuals?

- **Tax relief to persons with disability:**
- The government proposed **to allow the payment of annuity and lump sum amount to the differently abled dependent during the lifetime of parents/guardians, i.e., on parents/ guardians attaining the age of sixty years.**
- **The present law provides for deduction to the parent or guardian only if the lump sum payment or annuity is available to the differently abled person on the death of the subscriber i.e. parent or guardian.**



- **Parity between employees of State and Central government:**
- Tax deduction limit increased from 10% to 14% on employer's contribution to the
- **National Pension System** account of State Government employees which **brings them at par with central government employees.**
- It would help in enhancing social security benefits

What is there for Corporates Businesses & Co-operatives?

- **Reduced Alternate minimum tax rate and Surcharge for Cooperatives:**
- To provide a **level playing field between co-operative societies and companies**, the government proposed to reduce this rate for the cooperative societies also to **15%.**
- Proposed to **reduce the surcharge on co-operative societies from present 12% to 7%** for those having total income of more than 1 crore and up to 10 crores.
- This would help in **enhancing the income of cooperative societies** and its members who are mostly from rural and farming communities.

#PROPOSALS RELATING TO INDIRECT TAXES

- The **Union Budget 2022-23**, while continuing with the declared policy of a stable and predictable tax regime, intends to bring more reforms that will take ahead the vision to establish a **trustworthy tax regime.**
- An indirect tax is a tax that is levied upon goods and services before they reach the customer who ultimately pays the indirect tax as a part of market price of the goods or service purchased. For example, **Goods and Services Tax (GST)**, Import duties.

What are the Key Proposals?

- **Record GST Collection:** GST collections touched a record of Rs 1.40 lakh crore in January 2022 on rapid economic recovery (despite the coronavirus pandemic).
- GST showcases the spirit of **Cooperative Federalism** and fulfills the dream of India as **one market-one tax.**
- **Special Economic Zones:** Customs Administration of **SEZs** shall be fully IT driven and function on the **Customs National Portal** with a focus on higher facilitation and with only risk-based checks.
- **Customs Reforms and Duty Rate Changes:** **Faceless Customs** has been fully established. Customs' reforms have played a very vital role in: Domestic capacity creation,
 - Providing a level playing field to MSMEs,
 - Easing the raw material supply side constraints,
 - Enhancing ease of doing business
 - Being an enabler to other policy initiatives such as **PLIs** and Phased Manufacturing Plans.

CHANGES IN CUSTOM DUTY IN BUDGET 2022-23

The Finance Minister introduced a host of changes in Customs duty on several items in the **Union Budget for 2022-23.**

- This would mean that **imports become more expensive or cheaper** depending on the change in customs duties.

What are the Changes in the Import Duty?

- The **customs duty on umbrellas** was doubled to 20%, while exemptions provided on import of parts of umbrellas were withdrawn.
- Similarly, the **customs duty on single or multiple loudspeakers**, whether or not mounted in their enclosures was **hiked to 20% from 15%**.
- **Import duty was reduced for** cut and polished diamonds, asafoetida, cocoa beans, methyl alcohol and acetic acid.
- **Duty on capital goods and project imports** was rationalized by phasing out concessional rates and applying a moderate tariff of 7.5%.
- Under **Project Import Scheme**, goods imported by a company are placed under a single tariff in the **Customs Tariff Act, 1975** to facilitate faster assessment and clearances of goods.
- The tariff changes will come into effect from **1st May 2022**, as per the **Finance Bill 2022-23**.

What is the Reason behind increasing the Import Duty?

- **For Protecting Domestic Industries:** The hike in import duty for items, such as umbrellas, are in line with the **increase in import duty on toys last year**.
- The hike is being **done for industries** which manufacture items that do not deploy any major technology.
- **For Popularising One Station-One Product:** It also falls in line with the other Budget announcement of popularising **one station-one product to popularise local businesses** and supply chains as announced in **Budget 2022**.
- The concept of '**One station one product**' has based itself on the successful **One District One Product (ODOP) scheme**. Based on a district's strengths, ODOP has been a transformational step towards realising the true potential of a district, fueling economic growth, generating employment and rural entrepreneurship.

OTHER MAJOR ANNOUNCEMENTS IN BUDGET 2022-23**#SOVEREIGN GREEN BONDS**

- One key announcement in Budget 2022 Speech of Union **Finance Minister Nirmala Sitharaman** was about Sovereign Green Bonds.
- **Sovereign Green Bonds** will be major part of Central Government's Borrowing Programme 2022-23 and will be used to "for mobilising resources for green infrastructure." **Mention of issuance of Green Bonds in FY23 showcases India's seriousness in pursuing climate action.**

Green Financing

- In November 2021, **Prime Minister Narendra Modi** in his address at the **Climate Change Conference in Glasgow, Scotland** made a historic announcement about India achieving 'Net Zero Carbon Emissions' by 2070.
- Since then, India has announced several key steps towards this goal and Green Financing is one of the major milestones of this journey.
- **Green Financing** refers to the specific financial arrangement that is made for setting up environmentally sustainable projects addressing **different aspects of climate change**.

- The **issuance of Green Bonds by the Central Government** would also be part of Green Financing.

What are Green Bonds?

- By its definition, Green Bonds are financial instruments that are issued by any **sovereign entity, inter-governmental groups or alliances, and corporates**, with an aim to use the funds proceeds towards environmentally sustainable projects.
- If we were to break down Bonds as financial debt instrument, it amounts two aspects i.e., collection of funds and usage. In case of Green Bonds, for the first aspect the Bonds are issued by the Sovereign Government to collect funds for a specific purpose of financing eco-friendly and environmentally sustainable projects only.
- There are different types and kinds of environmentally sustainable projects towards which the funds gathered via Green Bonds can be used. Some examples for **which funds collected via Green Bonds can be used are:**
 - **Renewable Energy Projects:** Setting up of Solar Power Plants, Wind Mills, Biogas plants and others
 - **Clean Transportation Projects:** Electric Cars and their charging network, Funding research in Green Fuels
 - **Energy Efficiently Projects:** Setting up Green Buildings with zero waste, Eco-friendly Recycling of Waste Materials, Projects aimed at conservation of Energy.
- Like any other Bonds being issued by the Government, even in case of Green Bonds, it would be required to provide details about the projects that it plans to finance using the funds collected and showcase its demonstratable impact on climate change and environmental aspects.

Green Bonds: Global Scenario

- With **Climate change and Environmental Concerns** being outlined as one of the biggest global and external threats to their citizens, government across the globe have issued Green Bonds in the last 5 year.
- In fact, by the end of 2022, as many as 24 Governments have issued Sovereign Green, Social and Sustainability bonds, which amounts to a **total of USD 111 billion, as per a report published by London-based Climate Bonds Initiative.**

#VIBRANT VILLAGES PROGRAMME

- **Finance Minister Nirmala Sitharaman** announced in her budget speech that, government is set to work on improving connectivity across northern border under the **Vibrant Villages Programme.**

What is Vibrant Villages Programme?

- Minister did not provide details on this programme. However, as per reports the Vibrant Villages programme will be launched to improve infrastructure in **villages along India's border with China.**
- Infrastructure will be improved in states like Uttarakhand, Himachal Pradesh, and Arunachal Pradesh.
- It will also provide for improvement in road connectivity and development of decentralized renewable energy sources.



Significance of the programme

- The **announcement to launch Vibrant Villages Programme** is significant in light of increasing China's presence along the Himalayan frontier with India. China is actively constructing dual-use infrastructure.
- It has sparked concerns among government, strategic circles and security forces, and strategic circles. China has undertaken large-scale construction since 2017, along the border. It is building border villages in Tibet in a bid to strengthen their presence along the frontier.

Objectives of the programme

- The vibrant villages programme will be launched with the objective of upgrading the housing facilities. This objective will be met by strengthening infrastructure across **villages located near the Line of Actual Control (LAC). It seeks to prevent migration.**
- **China's model villages:** China has developed model villages across border areas of Bhutan and Nepal along with India in recent years. **India's Vibrant Villages Programme** is being considered as a response to China's model villages.

#ANNOUNCEMENT OF 'RAMP PROGRAMME'

- During the Union Budget 2022-23 presentation, the *finance minister Smt Nirmala Sitaraman* announced that RAMP programme is to be rolled out at an estimated cost of Rs 6,000 crores.
- The programme is to be implemented for 5 years.
- **RAMP is a post COVID resilience and recovery programme.** It aims to improve the condition of MSMEs in India. The MSMEs were badly affected due to COVID pandemic and lock down.
- It provides better access to finance to the MSMEs.
- The programme will increase the productivity of MSMEs. Also, it will increase the competitiveness of MSMEs. It will revitalise the MSME sector.

World Bank and RAMP

- In 2021, the **World Bank said that the RAMP programme** is to mobilize **finance of 15.5 billion USD**. It is to improve the performance of five lakh MSMEs.
- In 2020, the World Bank approved 750 million USD loan to the MSMEs in India. Later in 2021, the World Bank provided 500 million USD to boost the MSMEs in the country. **This benefitted 5 million MSMEs.**
- How will RAMP benefit the MSME?
- It **will unlock the liquidity issues**. Currently, the lenders are concerned about the repayment by the borrowers. This is limiting and decreasing the flow of credit into the MSME sector.
- The **programme will de-risk the lending from non-banking financial institutions and banks**. It will strengthen small finance banks. It will increase the funding capacity of market oriented channels.

#PARVATMALA SCHEME ANNOUNCED IN BUDGET 2022-23

Recently, the Union Finance Minister in the **Union Budget for 2022-23** announced **National Ropeways Development Programme – “Parvatmala”** to improve connectivity in hilly areas.

What is the Scheme?

- The scheme will be taken up on **PPP (Public Private Partnership)** mode, which will be a **preferred ecologically sustainable alternative in place of conventional roads** in difficult hilly areas.
- The idea is **to improve connectivity and convenience for commuters, besides promoting tourism.**
- This may also cover congested urban areas, where conventional mass transit systems are not feasible.
- The scheme is **being presently started in regions like Uttarakhand, Himachal Pradesh, Manipur, Jammu & Kashmir and the other North Eastern states.**
- The Finance Minister announced that contracts for 8 ropeway projects for a length of 60 km would be awarded in 2022-23.



Who is the Nodal Ministry?

- The **Ministry of Road Transport and Highways (MORTH)** will have responsibility for development of ropeway and alternative mobility solutions technology, as well as construction, research, and policy in this area.
- In February 2021, the **Government of India (Allocation of Business) Rules 1961** was amended, which enabled the MORTH to also look after the development of Ropeways and Alternate Mobility Solutions.
- The move will give a boost to the sector by **setting up a regulatory regime.**
- The MORTH has so far been responsible for development of Highways and regulating the road transport sector across the country.

#UNION FINANCE MINISTER TABLED ECONOMIC SURVEY 2021-22

- Union Finance Minister Nirmala Sitharaman tabled the Economic Survey 2021-22 and the Statistical Appendix in the Lok Sabha on January 31, 2022.
- **The Economic Survey 2022 projects India's GDP to grow at 8-8.5% in the Fiscal Year 2022-23.** The GDP growth for the ongoing financial year 2021-22 has been estimated to be 9.2 percent.
- The Economic Survey 2022 was presented by Principal Economic Adviser Sanjeev Sanyal and new Chief Economic Advisor (CEA) Dr V Anantha Nageswaran during a press briefing.
- The central theme of this year's Economic Survey is the **“Agile approach”**.



- This year's survey uses various examples to highlight the **use of satellite and geospatial data** to reflect the infrastructural growth in the country.

What is the Economic Survey?

- The Economic Survey of India is an **annual document released by the Ministry of Finance**.
- It **contains the most authoritative and updated source of data on India's economy**.
- It is a report that the government presents on the state of the economy in the past one year, the key challenges it anticipates, and their possible solutions.
- It is **prepared by the Economics Division of the Department of Economic Affairs (DEA)** under the guidance of the Chief Economic Advisor.
- It is usually presented a day before the Union **Budget** is presented in the **Parliament**.
- The **first Economic Survey in India was presented in the year 1950-51**. Up to 1964, it was presented along with the Union Budget. From 1964 onwards, it has been delinked from the Budget.
- What are the Key Points of the Economic Survey 2021-22?

Economic Survey 2022 Highlights

- Economic Survey 2021-22 details the state of different sectors of the Indian economy and the reforms that need to be undertaken to accelerate growth in all the sectors.
- According to Economic Survey 2022, the economy is estimated to have grown by 9.2 percent in FY 2021-22 after a contraction of 7.3 percent in the previous year.
- **There has been a revival in economic activities to pre-pandemic levels in the year 2021-22**. He said that even though the health cost of the second COVID wave was much more severe, the economic cost of it was much milder.
- As per Economic Survey 2021-22, all macro indicators point towards the fact that the Indian economy is well placed to face challenges backed by the revival in industrial growth.

Sector-wise Impact

- **Agriculture Sector:** According to Principal Economic Advisor Sanjeev Sanyal, Agriculture sector was least affected by lockdowns of various kinds. The Agriculture sector grew by 3.6 percent in fiscal year 2020-21 and again by 3.9 percent in fiscal year 2021-22.
- **Industrial Sector:** The Industrial sector though did go through a contraction but now it is about 4.1% percent above pre-pandemic levels. The industrial sector including mining and construction industry is estimated to have grown by 11.8 per cent in fiscal year 2021-22. The growth in the sector had contracted by 7 per cent in 2020-21.
- **Services Sector:** The growth in the services sector, which has been the worst-hit sector by the COVID-19 pandemic, is just a little short of where it was during pre-pandemic times, as per the Principal Economic Advisor.
- **Inflation:** The inflation during fiscal year 2021-22 reflected the disruptions caused by the lockdown and disruptions in the supply chain, explained Sanyal. He added saying that since restrictions were lifted this year, the Consumer Price Index (CPI) has come back into the tolerance band and has remained at 5.6 percent.

Increased Inflation:

- The Survey notes that **supply chain disruptions and slow economic growth have contributed to an increase in inflation**. The withdrawal of stimulus in developed economies in the upcoming fiscal (2022-23) is likely to affect capital flows into the country.
- The surge in energy, food, non-food commodities, and input prices, supply constraints, disruption of global supply chains, and rising freight costs across the globe stoked global inflation during the year (2021-22).
- Stimulus spending in developed economies and pent up demand during the pandemic could lead to **"imported inflation"** (Inflation due to increases in the prices of import) in India.

State of the Economy (GDP Growth):

- The Indian economy is **estimated to grow by 9.2% in real terms in 2021-22** (as per **first advance estimates**) subsequent to a **contraction of 7.3% in 2020-21**.
- The **Gross Domestic Product (GDP)** projected to **grow by 8-8.5% in real terms in 2022-23**.
- Projection comparable with **World Bank** and **Asian Development Bank's** latest forecasts of real GDP growth of 8.7% and 7.5% respectively for 2022-23.
- According to the **International Monetary Fund's latest World Economic Outlook** projections, India's real GDP is projected to grow at 9% in 2021-22 and 2022-23 and at 7.1% in 2023-2024, which would **make India the fastest growing major economy in the world for all 3 years**.

Sustainable Development and Climate Change:

- India's overall score on the **NITI Aayog Sustainable Development Goals (SDG) India Index and Dashboard improved to 66** in 2020-21 from 60 in 2019-20 and 57 in 2018-19.
- **India has the tenth largest forest area in the world**. In 2020, India ranked third globally in increasing its forest area during 2010 to 2020.
- In 2020, the forests covered 24% of India's total geographical area, accounting for 2% of the world's total forest area.
- In August 2021, the **Plastic Waste Management Amendment Rules, 2021**, was notified which is aimed at phasing out single use plastic by 2022.
- Draft regulation on **Extended Producer Responsibility** for plastic packaging was notified.
- The Prime Minister, as a part of the national statement delivered at the **26th Conference of Parties (COP 26)** in Glasgow in November 2021, announced **ambitious targets to be achieved by 2030** to enable further reduction in emissions.

Social Infrastructure:

- **Expenditure on social services** (health, education and others) by Centre and States as a proportion of GDP increased from 6.2% in 2014-15 to 8.6% in 2021-22 (BE)
- As per the **National Family Health Survey-5**:
- **Total Fertility Rate (TFR)** came down to 2 in 2019-21 from 2.2 in 2015-16.
- **Infant Mortality Rate (IMR)**, under-five mortality rate and institutional births have improved in 2019-21 over year 2015-16.
- Under **Jal Jeevan Mission (JJM)**, 83 districts have become **'Har Ghar Jal'** districts.

- Increased allotment of funds to **Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)** to provide buffer for unorganised labour in rural areas during the pandemic.
- In addition to the **National Health Mission**, Union Budget 2021-22, announced **Ayushman Bharat Health Infrastructure Mission**, a new **Centrally Sponsored Scheme** to develop capacities of primary, secondary and tertiary Health Care Systems, strengthen existing national institutions, and create new institutions to cater to detection and cure of new and emerging diseases.
- India is **among the few countries producing Covid vaccines**. The country started with two made in India Covid vaccines. In line with India's vision of **Atmanirbhar Bharat**, India's **first domestic Covid - 19 vaccine, Whole Virion Inactivated Coronavirus Vaccine (COVAXIN)**, was developed and manufactured by Bharat Biotech International Limited in collaboration with National Institute of Virology of Indian Council of Medical Research (ICMR).
- The **progress of vaccination should be seen not just as a health response indicator, but also as a buffer against economic disruptions** caused by repeated pandemic waves.

#1ST COUNTRY TO ADOPT INDIA'S UPI SYSTEM

- The **1st country to adopt India's UPI system** will be Nepal which will be critical in modernizing the neighboring country's digital economy.
- To deliver the services in Nepal, **NPCI International Payments Ltd (NIPL)**, NPCI's international arm, has partnered with Manam Infotech and Gateway Payments Service (GPS).
- In Nepal, GPS is the authorized payment system operator, and Manam Infotech will implement the **Unified Payments Interface (UPI)** there.



Purpose of the collaboration

- **According to NPCI**, the collaboration will benefit Nepal's greater digital public good by strengthening interoperable real-time **person-to-merchant (P2M) and person-to-person (P2P)** transactions in the neighbouring country.
- This collaboration will allow the citizens of **Nepal's last-mile consumers to benefit from an interoperable**, open payment system that enables real-time financial transfers between merchant payments and bank accounts.
- It will open the way for real-time cross-border P2P transfers between Nepal and India in the future. UPI's real-time payment system can help accelerate **Nepal's financial inclusion process while also expanding business opportunities**.
- It will aid in the modernization of Nepal's digital payment infrastructure and provide citizens with the convenience of digital payments.

About NPCI

- The **Reserve Bank of India's specialized section, the National Payments Corporation of India** which was founded in the year 2008 is managed by the Ministry of Finance of the Government of India. It was established by the Reserve Bank of India to manage India's retail payment and settlement systems.

About NPCI International Payments Limited (NIPL)

- NPCI has established a separate business to market its product internationally. Countries in Africa, Asia, and the Middle East have approached NPCI to strengthen their payment infrastructure.
- NIPL wants closer cooperation with international partners in areas such as **cross-border remittance, UPI implementation**, and the use of indigenously produced technologies in digital payments.

Unified Payments Interface (UPI):

- It is an **advanced version of Immediate Payment Service (IMPS)**- round-the-clock funds transfer service to make cashless payments faster, easier and smoother.
- UPI is a system that **powers multiple bank accounts** into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- UPI is **currently the biggest among the National Payments Corporation of India (NPCI) operated systems** including National Automated Clearing House (NACH), Immediate Payment Service (IMPS), Aadhaar enabled Payment System (AePS), Bharat Bill Payment System (BBPS), RuPay etc.
- The **top UPI apps** today include PhonePe, Paytm, Google Pay, Amazon Pay and **BHIM**, the latter being the Government offering.
- As part of an agreement, **India's UPI will be linked to Singapore's PayNow.**
- **NPCI launched UPI** with 21 member banks in 2016.

Launch of e-RUPI:

- It is a **cashless and contactless method for digital payment**. It is a **Quick Response (QR) code** or SMS string-based e-voucher, which is delivered to the mobile of the users.
- The users will be able to **redeem the voucher without needing a card, digital payments app, or internet banking access**, at the service provider.
- It connects the sponsors of the services with the beneficiaries and service providers in a digital mode **without any physical interface**.
- The mechanism also **ensures that the payment to the service provider is made only after the transaction is completed**.
- The system is **pre-paid** in nature and hence, **assures timely payment to the service provider** without the involvement of any intermediary.

#NATIONAL LAND MONETIZATION CORPORATION?

Recently, the **Union Cabinet** has approved the setting up **National Land Monetization Corporation (NLMC)** as a wholly owned Government of India company.

- The Finance Minister had **announced plans to set up a special purpose vehicle** for this purpose in the **Union Budget 2021-22**.
- In August, 2021, the government of India launched the **National Monetization Pipeline (NMP)**.



What is National Land Monetization Corporation (NLMC)?

- NLMC will **undertake surplus land asset monetisation as an agency function**, and assist and provide technical advice to the Centre in this regard.
- NLMC has been announced with an **initial authorized share capital of Rs 5000 crore** and **paid-up share capital of Rs 150 crore**.
- The **Board of Directors of NLMC** will comprise senior Central Government officers and eminent experts to enable professional operations and management of the company.
- The Chairman, non-Government Directors of the NLMC will be **appointed through a merit-based selection process**.
- The new company, which will be **set up under the administrative jurisdiction of the finance ministry**.
- NLMC will **hire professionals from the private sector** just as in the case of similar specialised government companies like the **National Investment and Infrastructure Fund (NIIF)** and **Invest India**.

Benefits:

- This will **enable productive utilization of under-utilized assets** to trigger private sector investments, new economic activities, boost local economy and generate financial resources for economic and social infrastructure.
- NLMC is also **expected to own, hold, manage and monetize surplus land and building assets** of CPSEs under closure and the surplus non-core land assets of Government owned CPSEs under strategic disinvestment.
- This will **speed up the closure process of CPSEs** and **smoothen the strategic disinvestment process of Government owned CPSEs**.

What will be the Function of the NLMC?

- NLMC will undertake monetization of surplus land and building assets of **Central Public Sector Enterprises (CPSEs)** and other Government agencies.
- CPSEs are those companies in which the **direct holding of the Central Government or other CPSEs is 51% or more**.
- At present, **CPSEs hold considerable surplus, unused and under-used non-core assets** in the nature of land and buildings.
- NLMC will also **advise and support other Government entities** (including CPSEs) in **identifying their surplus non-core assets** and monetizing them in a professional and efficient manner to generate maximum value realization.
- NLMC will **act as a repository of best practices in land monetization**, assist and provide technical advice to the Government in implementation of asset monetization programmes.

What is Asset Monetization?

- **About:** It is the process of **creating new sources of revenue for the government** and its entities by unlocking the economic value of unutilized or underutilized public assets.

- India needs more **infrastructures** but the **public sector** simply doesn't have the **resources** to build it. There are two possible responses.
- For setting new infrastructure, **one can think of bringing in the private sector** with a contractual framework for what it has to do, and then let it bring its own resources.
- To recognise that **there are more risks in the construction stage** and it is perhaps better to let the public sector build the asset and then sell it off to private players or if not an outright sale, let the private sector manage it.

Public-Private Partnership Model:

- PPP is an arrangement between government and private sector for the provision of public assets and/or public services. Public-private partnerships allow large-scale government projects, such as roads, bridges, or hospitals, to be completed with private funding.
- In this type of partnership, investments are undertaken by the private sector entity, for a specified period of time.
- These partnerships work well when private sector technology and innovation combine with public sector incentives to complete work on time and within budget.
- As PPP involves full retention of responsibility by the government for providing the services, it doesn't amount to privatization.
- There is a well defined allocation of **risk between the private sector and the public entity**.
- Private entity is chosen on the basis of open competitive bidding and receives performance linked payments.

#National Monetisation Pipeline (NMP)

- **About:** The **National Monetisation Pipeline (NMP)** envisages an aggregate **monetisation potential of ₹6-lakh crore** through the leasing of core assets of the Central government in sectors such as roads, railways, power, oil and gas pipelines, telecom, civil aviation etc, over a four-year period (FY 2022-25).

Significance of NMP:

- **Boost Economy:** It is the first-of-its-kind initiative that will boost the economy, **generate better employment opportunities** and **drive the competitiveness** of the Indian economy.
- **Utilising Underutilised Public Assets:** The NMP advocates **unlocking idle capital** from non-strategic underperforming government owned assets.
- **Eight core industrial sectors** that support infrastructure (coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity) have a **total weight of nearly 40% in the Index of Industrial Production (IIP)**.

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