April 2022 —Vol. 4, Issue 6

CENTER OF POLICY RESEARCH AND GOVERNANCE

A newsletter for public policy and governance enthusiasts'

ECONOMIC SURVEY 2021-2022

CENTER OF POLICY RESEARCH AND GOVERNANCE

APRIL HIGHLIGHTS

Source: GK Today

- The Indian government has introduced the Indian Antarctic Bill-2022, around 40 years after the country had first signed the Antarctic Treaty.

- The growth forecasts for the Pacific and East Asia have been lowered by the World Bank in its latest economic update. The forecasts have been lowered to 5 per cent from 5.4 per cent that was forecasted in October 2021.

- India's GDP growth has been forecasted by the Asian Development Bank (ADB) to 7.5 per cent in 2022-23 from 2021-22's estimated 8.9 per cent. The report has also suggested that the growth will pick up and reach 8 per cent in 2023-2024.

- The Lok Sabha has passed the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Amendment Bill, 2022. The Bill has been passed to amend the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005.

- Astronomers have recently discovered a planet that is a near-identical twin of Jupiter. The newly discovered twin of Jupiter is also located at a similar distance from its star as the distance between Jupiter and the Sun.

- Russia has been suspended from the UN Human Rights Council (UNHRC) after there were allegations that its soldiers violated human rights in Ukraine. The member nations of the United Nations General Assembly (UNGA) voted to suspend Russia.

- The Reserve Bank of India led by Governor Shaktikanta Das released the monetary policy update for April 2022. The Policy Repo Rate has been kept unchanged at 4 percent.

- Indonesia, the largest producer, and exporter of palm oil is experiencing domestic shortages so much that the government has been forced to put curbs on shipments and introduce price controls.


Source: The Economic Times

Source: The Economic Times

- In FY22 asset monetisation worth Rs 96,000 crore has been completed by the Central Government. It surpassed the Rs 88,000 crore target.

- The World Trade Organization (WTO) has revised its global trade growth forecast this year from 4.7 percent to 3 percent due to the impact of the Russia-Ukraine war.

- The students of the country have been allowed to pursue two degrees simultaneously by the University Grants Commission. From the academic session of 2022-23, the students can start applying for these dual degree programmes.

- For the fiscal year 2022-23, India's GDP forecast has been slashed by the World Bank from 8.7 percent to 8 percent. The reason given for the change in forecast is due to rising inflation and worsening global supply caused due to the Russia-Ukraine war.

- In India, a prospective vaccine against COVID-19 or SarsCov2 is being developed that doesn't require refrigeration or stored in cold-chain storage. According to a study published in the peer-reviewed journal 'Viruses', the vaccine, in mouse trials has generated antibodies against various variants of the virus.

BRIEF OF ECONOMIC SURVEY

Finance Minister Nirmala Sitharaman introduced The Economic Survey 2021-22 in Parliament on 31st January 2022. The pre-budget Economic Survey is tabled in the Parliament ahead of the Union Budget to present the state of the economy and propose policymaking decisions. The pre-Budget Economic Survey is authored by a team led by Chief Economic Advisor (CEA). The theme of this Economic Survey connects with the craftsmanship and study of policymaking under conditions of extreme uncertainty. The default process of policy building in India and most parts of the world has generally been too dependent on a pre-determined "Waterfall" approach - an upfront analysis of the issue, detailed planning and final execution. This is the structure that supports five-year plans and rigid metropolitan master plans. The issue is that this present reality is an intricate, unpredictable place spot struck by a wide range of arbitrary shocks and potentially negative side effects. The reaction of traditional financial matters was to make perpetually point by point plans/guidelines and elaborate forecasting models regardless of above and beyond proof that this didn't further improve results.

This Economic Survey sets out to explain the alternative "Agile" approach that informed India's monetary reaction to the Covid-19 shock. This structure depends on input

loops, real-time monitoring, safety-net buffers etc. Planning matters in this structure, yet generally for scenario analysis, distinguishing vulnerable sections, and understanding policy options rather than as a deterministic forecast of the flow of the events.

A similar acknowledgement of vulnerability informs the longer-term supply-side strategy: the blend of policies that energize economic flexibility through development, business and risk-taking on the one hand and simultaneously invests in resilient infrastructure while puts resources into the tough framework, social safety nets and macroeconomic buffers on the other. Thus, it is trusted that readers will actually want to see the connections between apparently unique arrangements going from liberalization, privatization, expansion focusing on housing for all,the Insolvency and Bankruptcy Code, health insurance for poor people, and monetary consideration, infrastructure spending, direct benefit transfers etc. They are about protection from or exploiting an uncertain future.

Two years of the COVID-19 pandemic, the global economy continues to be plagued by uncertainty, with resurgent waves of mutant variants, supply chain disruptions and a return of inflation in both advanced and emerging economies. In this context, it is important to evaluate both the pace of growth revival and the strength of macroeconomic stability indicators. Hence the important area and sectors of the Economic Survey have been discussed briefly.

The Indian economy went through a major crisis and subsequent reforms in 1991, and the Economic Survey of 1991-92 was eagerly awaited. This was the first Survey that was brought out in two volumes, although the first volume was a short booklet of 27 pages that highlighted the macroeconomic problems facing the country, while the second volume reviewed the various sectors in detail. In subsequent years, the Survey reverted to one volume with a few modifications in the number of chapters. The length of the Survey, meanwhile, crossed 380 pages by the early 2000s.

In 2007-08 and 2008-09, in the middle of a global financial crisis, an analytical chapter was added about the country's medium-term challenges and macro-economic prospects. From here onwards, more thematic chapters were included each year. In 2011-12, the document was 485 pages spread over thirteen chapters and the statistical appendix. In 2013-14, the statistical appendix was separated out and published as a separate volume. In the following year, the Survey was presented in two volumes: Volume 1 had a number of chapters addressing topical policy concerns, while Volume 2 carried the traditional Economic Survey along with the statistical appendix. This format was continued till last year, with the length of the document steadily going up. Moreover, an attempt was made in the last three Surveys to ensure that the Volume 1 chapters adhered to a broad theme rather than appeared as stand-alone papers. The Economic Survey 2020-21 consisted of 335 pages in Volume 1, 368 pages in Volume 2 and a statistical appendix of 174 pages - a total of 877 pages!

The following articles start by majorly discussing Foreign Direct Investment, that is, direct investment equity flows in the reporting economy. Under FDI, the total FDI flow is represented with respect to different

sectors; also, the recent trends have been taken into account to ensure a holistic approach. Another major field where India's progress on SDGs, that is Sustainable Development Goals has been discussed. The SDGs are a framework for achieving peace and prosperity, as well as a better and more sustainable future for all people.

In 2020-21, India progressed further in achieving the Sustainable Development Goals (SDGs). India's overall score on the NITI Aayog SDG India Index & Dashboard 2020- 21 improved to 66 from 60 in 2019-20 and 57 in 2018-19. The number of Front Runners (scoring 65-99) increased to 22 states and UTs in 2020-21 from 10 in 2019-20. Kerala and Chandigarh were the top state and UT respectively on SDG performance in 2020-21. In North East India, 64 districts were Front Runners and 39 districts were Performers in the NITI Aayog North-Eastern Region District SDG Index 2021-22.

As economic activity started showing signs of picking-up in the second year of the pandemic, the global economy faced the fresh challenge of rising global inflation. COVID-19 related stimulus spending in major economies along with pent-up demand boosting consumer spending pushed inflation up in many advanced and emerging economies. 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. Crude oil prices also witnessed an upswing during the year on the back of increased demand from recovering economies and supply restrictions by the Organization of the Petroleum Exporting Countries and its allies (OPEC+).

Global Industrial activity continued to be affected by the disruptions caused by the COVID-19 pandemic. While the Indian industry was no exception to these disruptions, its performance has improved in 2021-22. Gradual unlocking of the economy, record vaccinations, improvement in consumer demand, continued policy support towards industries by the government in the form of AtmaNirbhar Bharat Abhiyan and further reinforcements in 2021-22 have led to an upturn in the performance of the industrial sector. The growth of the industrial sector, in the first half of 2021-22, was 22.9 percent vis a vis the corresponding period of 2020-21and is expected to grow by 11.8 percent in this financial year. The industrial performance has shown improvement as reflected in the cumulative growth of the IIP. During April-November 2021-22 the IIP grew at 17.4 percent as compared to (-)15.3 percent in April-November 2020-21. According to RBI- Studies on Corporate Performance, which is based on the results of select listed companies in the private corporate sector, the net profit to sales ratio of large corporates reached an all-time high despite the pandemic.

Source: ORF

AFTERMATH OF COVID 19: INDIA'S RESPONSE TO HEALTH

"Two years into the worst pandemic in our lifetime, changes in lifestyles defined by mask mandates, lockdowns, and social distancing, we ask ourselves—how, and when, will the pandemic end?"

The COVID-19 pandemic was not the first, and it will undoubtedly not be the last, to strike the world. Pandemics elicit a nationwide focused reaction that puts the health system's structure and capabilities to the test, ignoring other services in the process. Covid-19 was spreading uncontrolled across India, wreaking havoc in major centers like Mumbai and wreaking havoc in rural areas where there was tremendous poverty and little access to health care. The heartbreaking images of funeral pyres set up in public parks, a never-ending line of burning bodies, were only a small part of the tragedy that was unfolding across the country. People were waiting with their sick and dying loved ones outside hospitals where there were no longer any beds or even oxygen – in the sweltering heat. In these circumstances, the nation realized the critical need for a greater focus on the country's healthcare system.

India has undoubtedly achieved major breakthroughs in the delivery of healthcare over the previous several decades. It has been one of the greatest sectors in terms of

of employment and income, and it is rapidly expanding. In India, healthcare is primarily provided by either public or private providers. The major goal of public healthcare is to provide primary care through community-based health programmes, with the goal of reducing death and morbidity from various communicable and non-communicable diseases. Basic health services are supplied through sub-centers and primary health centres, while secondary and tertiary care is given by establishments such as community health centres, district hospitals, and medical colleges, which are generally located at district headquarters. But such efforts proved insufficient in the wake of the pandemic that struck our country.

Source: India today

Measures were implemented during COVID-19 to disrupt the transmission chain. The world's largest COVID-19 countrywide lockdown was extended until May 3, 2020. COVID-19 had caused 18,985 confirmed cases and 603 deaths in India as of April 22, 2020, in 31 states and union territories. The lockdown also gave the authorities time to prepare for a likely rise in cases when the epidemic peaked in the following weeks, according to forecasts. At the state level, COVID-19 preparedness and response differed. The government's rushed implementation of the lockdown proved to be a disaster for the already vulnerable communities. There was a large departure of migrant labour, and fears of famine among those employed in the informal economy were growing. In areas with overcrowding and poor hygiene and sanitation, putting in place public health measures was extremely challenging. The lack of competent healthcare in the country was blamed on capacity constraints, a lack of political will, and operational practicality. Efforts to correct the issue, which included provisions for testing kits, testing firms, and laboratories, were, however, quite successful. As a technique for providing epidemiological evidence, testing was increased rapidly as well as strategically. A shortage of health workers hampered India's response, although this was alleviated by allowing new reforms to mobilise extra health-care employees from various sources.

The propagation of misinformation fueled by fear, stigma, and blame posed a threat to India's COVID-19 response. There was an increase in aggression towards health-care providers, as well as stigmatisation of those who had or were suspected of having COVID-19, which made it difficult to disclose disease. India's National COVID Immunization Program has grown to become one of the world's largest vaccination programmes, guided by scientific and epidemiological evidence, WHO recommendations, and worldwide best practises. The programme was led by the National Expert Group on Vaccine Administration for COVID-19 (NEGVAC) on the basis of concurrent scientific findings. India was one of the few countries that manufactured COVID vaccines. The country began with two COVID vaccines made in India. Whole Virion Inactivated Corona Virus Vaccine (COVAXIN), India's first domestic COVID-19 vaccine, was developed and manufactured by Bharat Biotech International Limited in partnership with the Indian Council of Medical Research's National Institute of Virology (ICMR). COVID-19 vaccine was made available for free to all eligible

individuals at all Government COVID-19 Vaccination Centres (CCs). With the COVID-19 pandemic putting even the world's most advanced healthcare systems to the test, India's healthcare system has been shaken as well. Both the private and public sectors collaborated in the overall response to the pandemic. Private Indian healthcare companies rose to the occasion and have been giving the government with all of the resources it requires, including testing, isolation beds for treatment, medical personnel, and equipment at government COVID-19 hospitals, as well as home healthcare. We are standing at a crossroads that will define the future, from inclusive healthcare infrastructure to resilient public-private partnerships, and from investing in R&D to construct the healthcare systems of the future to empowering our workforces. In the aftermath of the Covid-19 pandemic, a significant budgetary increase for the healthcare sector pushed India's health expenditure to 2.1 percent of GDP for the first time, bringing it closer to the government's policy goal. According to the Economic Survey 2021-22, the central and state governments' budgeted expenditure on the health sector in the pandemic year reached 2.1 percent of GDP, up from 1.3 percent the previous fiscal year.

Finally, the epidemic has brought India together in its efforts to stop the virus from spreading and make the globe a safer place to live. The Indian state has withstood the test of time and demonstrated its ability to properly deal with changing environmental conditions. The pandemic also served as a step toward the Indian state's much-needed aim of citizen-centered, participatory democracy. Long-term, increased investment in clinical, biomedical, microbiological, and public health research is critical for early detection of threats, constructing resilient socioeconomic and health systems, generating cheap diagnostics, and anticipating socioeconomic, demographic, and gendered implications.

NEED FOR THE MAINTENANCE OF MACROECONOMIC STABILIZATION IN INDIA.

Growth and Stability go hand in hand and stability becomes a prerequisite in ensuring the development of a country. It is therefore pertinent for a country to focus on macroeconomic policies to make the country stable. Macroeconomic policies influence and contribute to the attainment of rapid, sustainable economic growth aimed at poverty reduction in a variety of ways which makes it essential to maintain the economic stability of the country. The term "Economic stability" refers to the lack of excessive macroeconomic fluctuations. A country's macroeconomic stability is determined by its relatively consistent production growth and low and stable inflation while the weak performance of growth in the economy is related to macroeconomic instability. A country must examine stability indicators as well as the challenges that the economy is facing nowadays. The leading chapter of the economic survey highlights macroeconomic stability showcasing the importance of analysing the macroeconomic indicators to make the Indian Economy stable. Let us look into some of the crucial indicators of Inflation, that influence policymaking in India.

Maintenance of stability in the economy is quite difficult to achieve. Macroeconomic stability is required for the success of policy adjustment and largely financial reforms. There are various causes and effects of

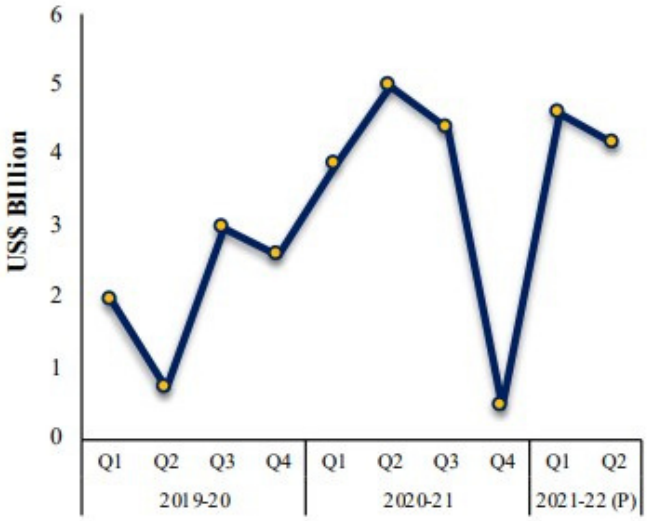
instability in the economy. Firstly, let us talk about the instability in inflation. During the 2nd wave of covid 19, there were so many fluctuations in the inflation and there was certainly a high jump in the prices. We need to consider the trends in CPI Inflation and retail inflation to get a clear view of the macroeconomic condition of India. If we compare India's CPI inflation which is one of the most imp macroeconomic stability indicators, the Economic Survey showcases that it was 9.1% during the global financial crisis and it went up to 9.4% during the taper tantrum period of 2012-13. During this COVID-19 pandemic, the CPI Inflation stood at 5.2%.

The above data simply helps us to analyse that the CPI Inflation has remained unstable and the Finance Minister also emphasized on this uncertainty by mentioning that the CPI surged to a 17-month high of 6.95% in March from 6.07% in February. Further, the trends show the decline in retail inflation was led by the rising of food inflation. Last year, the food inflation was 9.1% during the time of COVID 19 and it was at a low of 2.9% during the FY21-22. Subsequently, there is a high rise in the price of petrol and diesel which conforms to the instability in the economy. Proactive measures were taken to contain the price rise in pulses and edible oils and a reduction in central excise and subsequent cuts in Value Added Tax by most States helped ease petrol and diesel prices.

On the other side, WPI inflation in the 'fuel and electricity' group was above 20% due to rising international petroleum costs. Due to this, the Wholesale Price Inflation (WPI) has been moving in the double digits. This has been attributed to the low base in the previous year, pick-up in economic activity, high freight costs, and a sharp increase in the oil prices. Despite the fact that the high WPI inflation is partially attributable to base effects that will eventually fade, India must be careful of inflation, particularly from rising global energy costs. So, the Macroeconomic stability indicators suggest that the Indian Economy is well placed to take on the challenges of 2022-23. The "second wave's" economic impact was far smaller than the full lockdown phase in 2020-21, and India will recover from all previous falls through effective monetary and fiscal policy initiatives.

The effect on external sectors, i.e. the Indian economy's balance of payments, is the second macroeconomic indicator that influences stability. Over the last two years, the balance of payments has remained in excess (during the covid-19).

It is quite visible from the graph that there was a sharp decline in the BOP surplus during the year 2019-20 which is below US$ 1 Billion but it gradually seems to rise and reaches the peak which is also US$ 5 Billion. In the same time period of 2020-21, there was a drastic decline but the next financial year showed high growth in the surplus in the BOP.



Source: RBI

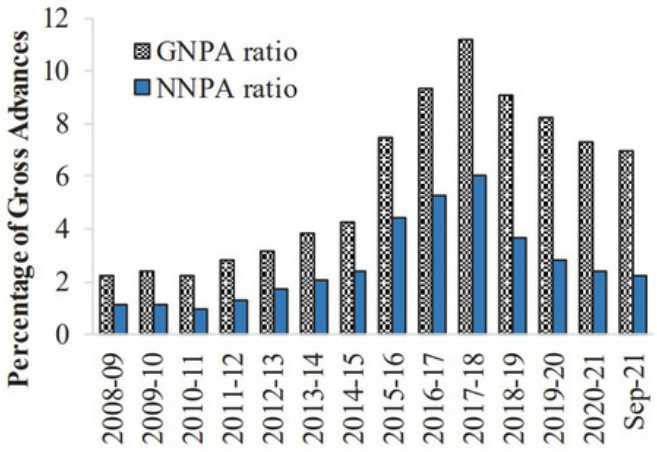
The exports and imports of India's goods rebounded quickly this fiscal year, approaching pre-COVID levels. Despite low tourism revenue, net services increased significantly with collections and payments exceeding pre-pandemic

levels. Net capital flows increased to US$ 65.6 billion in the first half of 2021-22 as a result of continued foreign investment inflows, a rebound in net external commercial borrowings, increased banking capital, and extra special drawing rights (SDR) allocation. India's external debt increased to US $ 593.1 billion at the end of September 2021, up from US $ 556.8 billion a year earlier as a result of the IMF's increased SDR allocation and greater commercial borrowings. In the first half of 2021-22, foreign currency reserves reached US$ 600 billion, and on December 31, 2021, they were US$ 633.6 billion. After China, Japan, and Switzerland, India was the world's fourth-largest foreign exchange reserve holding at the end of November 2021.

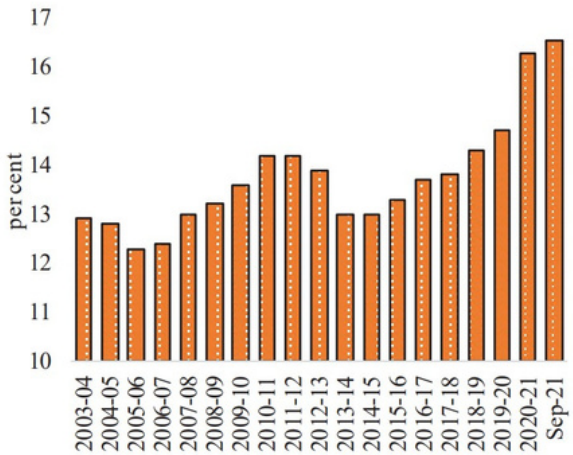
At last, we can say that moving toward emerging market economies, India's capital markets, have done exceptionally well and have allowed record mobilization of risk capital for Indian companies. Indian markets outperformed its peers in April-December 2021. So far, the year 2021-22 has been an excellent year for the primary markets, with several new generation companies/tech start-ups/unicorns generating money through IPOs.

More importantly, the economic survey states that the banking sector is well funded, and the overhang of non-performing assets appears to have structurally diminished, even after accounting for the pandemic's delayed impact. Scheduled Commercial Banks' (SCBs) Gross Non-Performing Advances and Net Non-Performing Advances ratios have been declining since 2018-19. SCBs' GNPA ratio fell from 7.5 percent at the end of September 2020 to 6.9 percent at the end of September 2021. SCBs' NNPA ratio fell from 6% at the end of 2017-18 to 2.2 percent at the end of September 2021.Simultaneously, since 2015-16, the Capital Adequacy Ratio has improved. Due to improvements in both public and private sector banks, the capital to risk-weighted asset ratio (CRAR) of SCBs grew from 15.84 percent at the end of September 2020 to 16.54 percent at the end of September 2021.

GNPA and NNPA ratio of SCBs



Capital Adequacy Ratio (per cent)



Source: RBI

To maintain macroeconomic stability, the government budget, as well as the country's poverty-reduction programmes, must be funded in a sustainable, noninflationary manner. To build and combine a country's macroeconomic strategy and poverty reduction plan, iterative procedures are employed. Because inflation damages the poor by reducing economic growth and redistributing real

incomes and wealth to those least able to protect their economic interests, it should be kept low and steady through prudent macroeconomic measures. Inflationary pressures can lead to a lot of volatility in the market. Rapid disinflation can have short-run output costs, which must be evaluated against the costs of continued inflation, unless inflation starts at extremely high levels. The nation must therefore learn from the past trends of macroeconomic indicators and move cautiously towards maintaining stability in the overall development of the country.

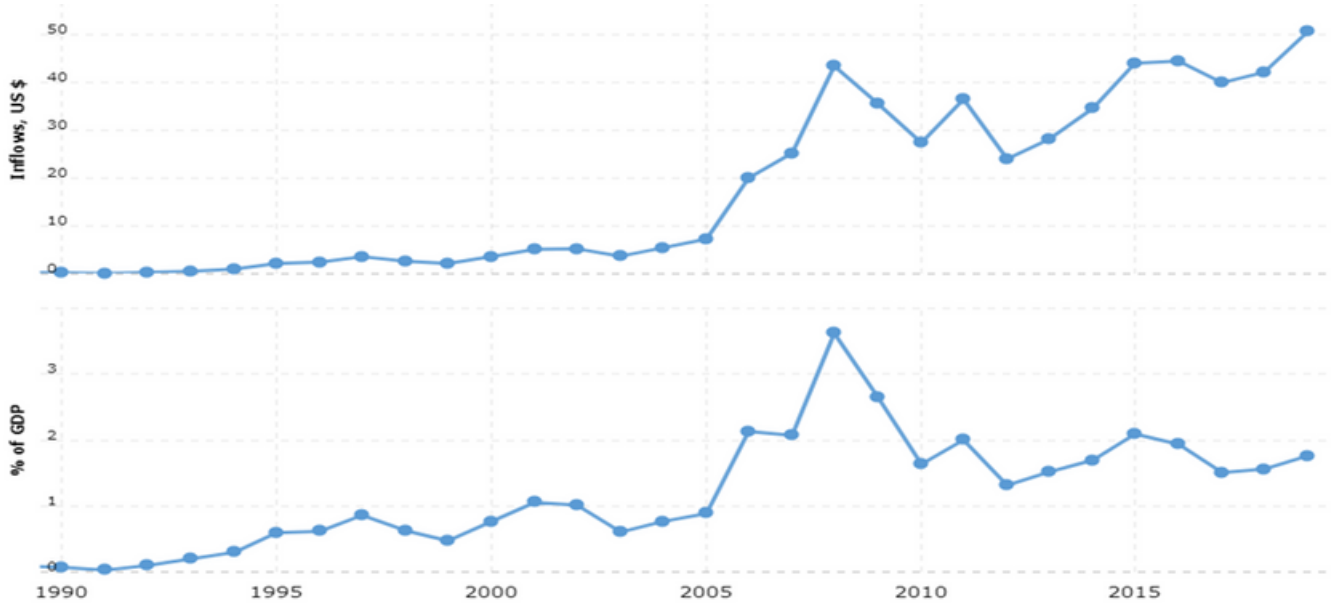
FOREIGN DIRECT INVESTMENT: A CORNERSTONE IN THE DEVELOPMENT OF THE INDIAN ECONOMY

Financial resources play a pivotal role in the smooth functioning as well as the development of an economy. It is indispensible for the survival and growth of the economy. One such pertinent resource which keeps the economy moving is Investment. According to J.M. Keynes, Healthy economies invest more than they save since public and private investment creates a multiplier effect in the generation of income in the economy thereby leading to both economic as well social benefits. In this context, Foreign Direct Investment has been a keystone in the growth of the developing countries of the world.

Foreign Direct Investment refers to direct investment equity flows in the reporting economy. It is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. FDI allows the direct involvement of a foreign company in the day to day affairs of the country in which such investment is made. Foreign Direct Investment therefore brings skills, expertise and technology along with money to the economy in which investment is made. An empirical analysis of factors that influence inward FDI show that inward FDI is significantly influenced by trade openness, economic growth prospects, market size, labour cost and

capital account openness of the host countries. It is due to such reasons that India has become one of the most preferred destinations for Foreign Direct Investment.

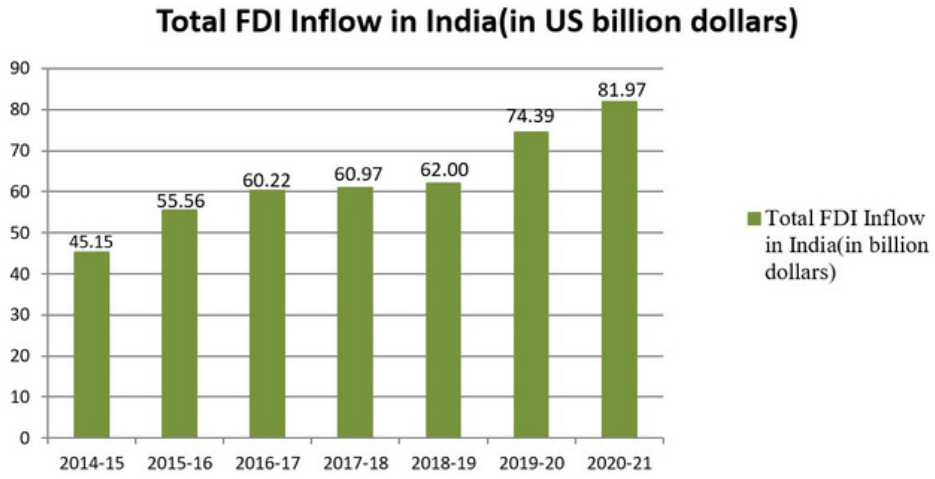
Foreign Direct Investment expanded in India with the Liberalization, Privatization and Globalization (LPG) reforms of 1991 which happened in the aftermath of the Indian Economic crisis. The economic policy of the Narsimha Rao Government changed the very nature of the reality of India and helped in getting rid of the most crucial impediments in the growth of the Indian Economy. As a result of these reforms, Indian opened its gates to the investment from foreign countries and FDI has been steadily increasing in India since 1991.



Apart from being a critical driver of economic growth in the country, FDI is the major non debt financial resource for the economic development of India. Government of India's favorable policies and vigorous business environment ensured the sustenance of capital inflows making India the fifth largest recipient of FDI inflows in the world according to the World Investment Report 2021 released by United Nations Conference on Trade and Development. According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDI equity inflow in India stood at US$ 560.78 billion between April 2000 and September 2021 which showed that the government's efforts in improving the Ease of Doing Business and relaxing FDI norms have yielded fruitful results. The FDI inflow was about 64 billion dollars in 2020 making India the fifth largest recipient of FDI inflows in the world.

This makes it pertinent to have a look at the inflows of FDI in India as far as the Primary, Secondary and the Service sectors are concerned. It is noteworthy that the major foreign direct investment in India is in the manufacturing and the service sector in India and the Economic Survey 2021-22 also laid emphasis on this fact. The Industrial sector of India contributes about 28.2% to the GDP growth making it one of the three core sectors of the Indian Economy. The Foreign Direct investments in the industrial sector have been growing since 2014 owing to the Government's focus on the Make in India campaign paving the way for 'Vocal for Local'. This growth was affected by the disruptions caused by the pandemic but its performance has improved in 2021-22 with the unlocking of the Indian economy. The supportive policy initiatives of the Indian Government along with the launch of the

National Monetization Pipeline in line with National Infrastructure Pipeline have attracted significant investments in the sector. The investor friendly norms of the government strived to improve foreign participation in the country while protecting the Indian Industry from opportunistic takeovers. It has also enhanced foreign direct investment through the automatic route by allowing up to 74% FDI in the Defense and Insurance sector and up to 100% FDI in the Petroleum and Natural Gas and the Telecom Sector through this route where there is no need for government permissions while making an investment.

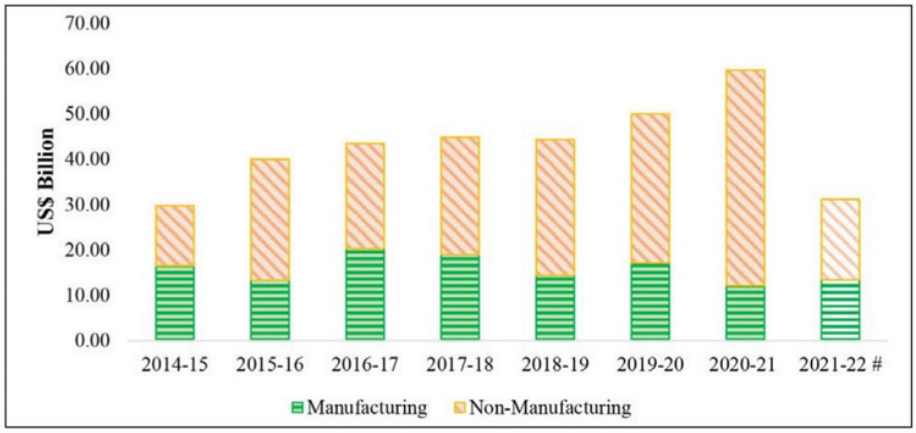


The service sector contributing more than 50% to India's GDP growth was the worst hit from the pandemic due to the contact intensive nature of the sub sectors of the economy. But the sector has started coming back on track after the unlocking of the global economy in the second half of 2021. In line with the maximum share of service sector in the GDP of India, the maximum share of FDI inflows in India is also captured by the service sector. The Service sector ranked 1st in FDI inflow as per data released by the Department for Promotion of Industry and Internal Trade (DPIIT). The Indian services sector has been the largest recipient of FDI inflows between April 2000 and December 2021 which accounted to US$ 92.41 billion. It has also received FDI inflows worth US$16.73billion in the first half of 2021-22. India has allowed 100% FDI in Education, Healthcare, Telecom, Aviation, Tourism and Hospitality which significantly enhances the opportunities for the growth of these sectors.

As far as the Primary Sector of India is concerned, it has been the prime focus of of the government since it employs more than 50% of the Indian population with a share of 19% in the GDP growth of the country. It also becomes crucial due to the agrarian nature of the Indian economy. The government has allowed 100 percent FDI in Horticulture, Floriculture, Animal husbandry, fish farming, Aquaculture and food processing industry. The Food Processing Industry witnessed FDI equity inflow of US$ 4.99 billion during the period April 2014 to September 2021 while the other sectors also recorded a favorable growth.

The Prime Minister has rightly defined FDI as a way to 'First Develop India' making FDI a responsibility for India and an opportunity for the rest of the world. The above analysis of the foreign direct investment in the various sectors of the economy showcases the indispensible role played by the FDI in the socio economic development of the country. India can also take cue from the ongoing US China trade war to use the opportunity to attract more FDI in the country since FDI inflows in India not only help in increasing the capital inflows in the economy but also increase the employment opportunities along with the enhancement in the technological knowhow in the country. It also escalates competition in the market thereby improving the quality of services offered to the citizens of the country. As far the economy is concerned, FDI aids in maintaining the exchange rate stability in

maintaining the exchange rate stability in the country and developing the backward regions of the country. FDI also proves to be advantageous in maintaining a favorable balance of payments and effectuating the better utilization of natural resources of the country.



Source: Survey calculation based on data from DPIIT. # April to Sept 2021

The government of India has been careful in allowing Foreign Direct Investments only through the government route in crucial sectors of the economy so as to avoid undue influence of the foreign companies. Measures have also been taken to make the process of investments rational and transparent by amending the standard operating procedures thereby curbing the opportunistic mergers and takeovers. Although beneficial, a country can reap the benefits of FDI only when it is conscious enough to neutralize the threats caused by the presence of foreign investors. The recent trends of the foreign direct inflows stand as a testimony to its contribution in the growth of the Indian economy and India has come a long way in utilizing the opportunities brought forth by the foreign direct investments to ensure the holistic development of India.

SUSTAINABLE DEVELOPMENT GOALS

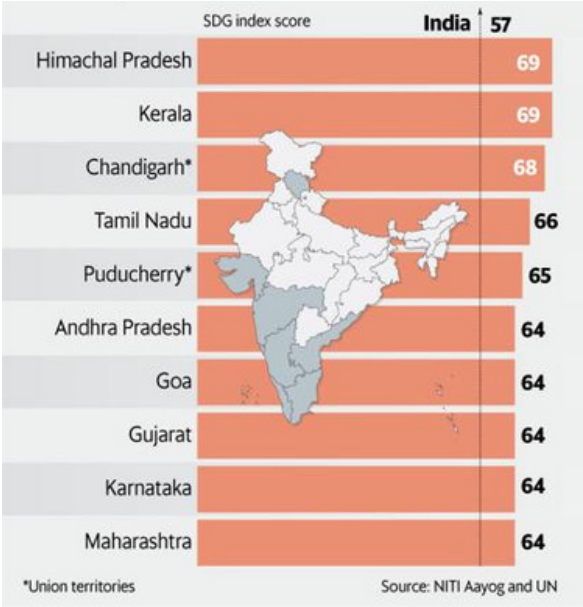
Source: Georgian Tech News

INDIA'S PROGRESS ON SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals are a framework for achieving peace and prosperity, as well as a better and more sustainable future for all people. On September 25, 2015, the United Nations (UN) General Assembly adopted the document "Transforming Our World: The 2030 Agenda for Sustainable Development," which includes 17 sustainable development goals and 169 associated targets to address some of the world's most pressing environmental, political, and economic challenges. Poverty, inequality, climate change, environmental degradation, peace, and justice are among the global concerns addressed by the SDGs. At the heart of the agenda is the universality principle: 'Leave No One Behind,' which means that development in all of its dimensions must be inclusive of all people, everywhere, and should be based on this foundation.

In 2015, India ratified the 2030 Agenda for Sustainable Development. Following that, it has made steady progress toward reaching the Sustainable Development Goals (SDGs) of the United Nations in the areas of health, energy, and infrastructure. India has made considerable progress toward achieving the SDGs' social, economic, and environmental objectives. India embraced the need to start the one-word movement 'LIFE', which stands for Lifestyle for Environment, during the 26th Conference of

the Parties (COP 26) in Glasgow in November 2021, promoting conscious and purposeful consumption rather than thoughtless and destructive consumption. According to a press statement from the NITI Aayog, India's total score across SDGs has improved from 60 to 66 in 2021 due to improvements across the country in 'clean water and sanitation' and 'cheap and clean energy.'



Source: InsightsIAS

In 2021, the series' third and final report contains all 17 goals, 70 targets, and 115 indicators. Goal 3 (good health and well-being), goal 6 (clean water and sanitation), goal 7 (affordable and clean energy), goal 10 (reduced inequalities), goal 11 (sustainable cities and communities), goal 12 (responsible consumption and production), goal 15 (life on land), and goal 16 (peace, justice, and strong institutions) are all SDGs that India has improved upon. India is taking a holistic perspective to fulfilling its 2030 Sustainable Development Goals (SDGs) targets by launching a number of projects. Many of the government's key programmes, such as Swachh Bharat, Make in India, Skill India, Pradhan Mantri Awas Yojana, and Digital India, are at the heart of the SDGs, which have been in place for several years in the country. Clean water and sanitation have become prominent causes for the national government as a result of the Swachh Bharat (Clean India) initiative. The Ayushman Bharat or "Healthy India" scheme, which provides comprehensive basic healthcare as well as secondary and tertiary treatment to 100 million families in the country, is the government's first attempt at universal healthcare.

Furthermore, India's approach to inclusive development through policy measures and its national principles, "Sab ka Saath, Sab ka Vikas," and now "Sabka Prayas," are closely aligned with the SDGs. State governments are critical to India's SDG success because they are best positioned to 'put people first' and ensure that 'no one is left behind.' Many of these programmes rely heavily on state and municipal governments. 15 of the 17 Sustainable Development Goals (SDGs) are directly related to actions carried out by local governments around the country.

Namami Gange Effort was established in 2014 as an integrated and multi-sectoral mission to conserve the Ganga and its tributaries. Its goal is to safeguard, conserve, and revitalise the Ganga River Basin. GPIs (Grossly Polluting Industries) along the Ganga River have also been identified. As a result of these steps, wastewater discharge and pollutant load have been significantly reduced.

To address the problem of air pollution. In 2019, the Indian government established the National Clean Air Programme (NCAP). Furthermore, strict pollution standards for coal-fired thermal power plants have been implemented, and imports of pet coke have been banned in the country since July 2018, with the exception of approved operations. In addition, with the exception of Delhi, all diesel vehicles older than ten years and all gasoline vehicles older than ten years are prohibited.

India now has a life expectancy of 68.8 years, which is comparable to many wealthy countries and meets SDG 3's GOAL 3. India, on the other hand, has mostly failed to meet its own national targets

for GOAL 5 - Gender Equality to date, and does not appear to be on course to do so by 2030 without major societal reforms.

Source: Cambridge Institute of Technology

While India's ranking has dropped to 120 out of 165 countries in 2021, the country's overall score has improved from 60 to 66. Kerala received the highest overall score in the Index in 2020–21, followed by Himachal Pradesh, Tamil Nadu, Andhra Pradesh, and Goa, with Mizoram, Haryana, and Uttarakhand as the top gainers from 2019. Kerala achieved the highest overall score in the Index with its efforts to combat hunger (Goal 2) and provide quality education to students (Goal 4), followed by Himachal Pradesh, Tamil Nadu, Andhra Pradesh, and Goa. Furthermore, Bihar has made the most progress over the years, rising from aspirant to frontrunner status. The overall number of States in the Front Runner category has climbed from 10 in 2019 to 22 in the current Index, which is a significant increase. By 2021, we should have made enough progress to be able to manoeuvre and steer targets in such a way that the goals are met by 2030.

Following the adoption of the Sustainable Development Goals (SDGs) in September 2015, India has demonstrated a significant commitment to global goals throughout the last few years. India's commitment can be seen in its efforts to electrify rural homes, ensure that girls attend and stay in school, provide universal sanitation and housing, and provide young people with the skills they need to compete in the global labour market. In addition, India has made tremendous progress in the use of data for effective policymaking and monitoring scheme progress against goals. Moving forward, the country will need to strengthen its implementation process and raise knowledge about the 2030 Agenda for Sustainable Development's efficacy.

TRENDS IN DOMESTIC AND GLOBAL INFLATION

The Reserve Bank of India (RBI) formulates monetary policy concerned with managing the money supply in the Indian Economy. The policy entails steps made to control the amount of money in circulation as well as the availability and cost of credit in the economy. The role of monetary policy in promoting economic growth in a developing country like India is quite critical. One of the components of monetary policy is Inflation which normally controlled by the central bank and the government. The monetary policy rule explains how the Fed responds to changes in inflation rates by adjusting real interest rates.

Inflation in general refers to the continuous rise in prices in the economy. As inflation rises, the central bank aims for a higher real interest rate. Inflation is the gradual loss of a currency's buying value over time. The increase in the average price level of a basket of selected goods and services in an economy over time can be used to calculate a quantitative estimate of the rate at which buying power declines. A rise in the general level of prices, which is frequently stated as a percentage signifies that a unit of currency now buys less than it did previously.

Inflation is classified into three types: Demand-Pull inflation, Cost-Push inflation, and Built-In inflation. The Consumer Price Index (CPI) and the Wholesale Price

Index are the two most often used inflation indices (WPI). The most important factor to consider while deciding an adequate monetary policy is the optimal inflation rate. There are two debated proportions for effective inflation: whether it should be in the range of 1–3% for the inflation rate that persists in the industrialized economy or in the range of 6–7% for the inflation rate that endures in the developing world. India usually keeps its inflation rate in the range of 3 to 6% which is regarded as appropriate for the smooth functioning of the economy.

What role does this play in the economy? The government and businesses use the inflation rate in a variety of ways. It is critical to a country's monetary policy. Setting interest rates is the most significant duty it performs since the interest rates are decided by the RBI after taking into consideration the inflation rate in the country. When governments are trying to control growing inflation, they raise interest rates, and when inflation is low, they cut interest rates. Inflation plays a significant role in deciding employee earnings. Many benefits, such as pensions, are linked to the indexes, and some firms use inflation rates to decide annual wage raises.

There are several advantages and downsides of the inflation. People are hesitant to spend money while prices are declining because they believe items will become cheaper in the future and they postpone their purchases due to this notion. Moderate Inflation allows wages to be adjusted. A moderate pace of inflation, it is thought, makes relative salary adjustments easier. It may be difficult, for example, to reduce nominal wages (workers resent and resist a nominal wage cut). However, if average wages are growing due to modest inflation, it is simpler to raise the pay of productive workers; unproductive people' earnings can be frozen, effectively resulting in a real wage reduction. If there was no inflation, there would be greater real wage unemployment, as businesses would be unable to decrease pay to recruit workers.

Inflation can therefore help the economy grow. The economy may be locked in a recession during periods of exceptionally low inflation. Targeting a higher rate of inflation may theoretically improve economic growth. But this viewpoint is divisive since some economists oppose aiming for a higher inflation rate while the others aim for more inflation if the economy remains in a prolonged slump. Hence, it is preferable to have inflation over deflation. Deflation, economists joke, is the only thing worse than inflation. A drop in prices can lead to an increase in real debt, as well as a reduction in expenditure and investment. The Great Depression of the 1930s was influenced by deflation. Such incidents vouch for the significance of a moderate inflation rate in the economy.

When the rate of inflation exceeds 2%, it is usually considered a problem. The worsening condition is exacerbated by rising inflation. Hyperinflation, as seen in the 1920s in Germany, the 1940s in Hungary, and and the 2000s in Zimbabwe, can wipe out people's savings and lead to enormous

instability. This type of hyperinflation, however, is uncommon in today's economy. Inflation is typically accompanied by increasing interest rates, ensuring that savers' money is not wiped out. Inflation, on the other hand, can still be an issue. Inflationary expansion is often unsustainable, resulting in harmful boom-bust economic cycles. For example, in the late 1980s, the United Kingdom experienced substantial inflation, but this economic boom was unsustainable, and attempts by the government to curb inflation resulted in the recession of 1990-92.

Sometimes, Inflation tends to inhibit long-term economic growth and investment. This is due to the increased likelihood of uncertainty and misunderstanding during periods of high inflation. Low inflation is said to promote better stability and encourage businesses to invest and take risks. Inflation can make a business unprofitable. A significantly greater rate of inflation in Italy, for example, can render Italian exports uncompetitive, resulting in a lower AD, a current account deficit, and slower economic growth. This is especially crucial for Euro-zone countries, as they are unable to devalue in order to regain competitiveness.

Inflation has increased in both industrialized and emerging economies. In the more industrialized regions, Inflation has risen from 0.7% in 2020 to approximately 3% in 2021 (IMF).2022). The surge in energy, food, non-food commodity and input prices, as well as supply constraints is all factors to take into account. Global supply chain disruption and soaring freight costs fuelled global tensions. There was inflation throughout the year. Crude oil prices surged this year as a result of rising demand from recovering economies and supply cuts by the Organization of Petroleum Exporting Countries and its Allies (OPEC+).

In comparison to many other emerging markets and developing economies (EMDEs) and advanced economies, consumer price inflation in India has remained relatively stable in recent months, reaching 4.9 percent in November 2021 and 5.6 percent in December 2021, owing to the government's proactive supply management measures. In contrast, inflation in the United States reached 7.0 percent in December 2021, the highest level since 1982, pushed primarily by second hand cars and energy. In the United Kingdom, it reached an almost 30-year high of 5.4 percent in December 2021, owing primarily to increased food costs. Brazil, among developing countries, saw high and growing inflation in 2021, reaching 10.1 percent in December. Turkey's inflation rate has been in double digits, peaking at 36.1% in December 2021. Inflation rates in Argentina have been above 50% for the past six months.

Consumer Price Index-Combined (CPI-C) inflation is a measure of retail inflation. The growth rate in India, which was somewhat higher than 6% in 2020-21 due to supply chain interruptions induced by COVID-19 constraints, lockdowns, and night curfews, slowed in the current fiscal year. Inflation in the retail sector was 5.2 percent in 2021-22 (April-December). Following a period of relative stability in the preceding financial years, wholesale inflation,

as measured by the Wholesale Price Index (WPI), spiked sharply in 2021-22. (April-December). The low base in the prior year may account for some of the apparent rise in wholesale inflation. Rising input costs and global commodity prices, on the other hand, led to the increase in wholesale pricing.

Inflation proves to be very good for the development of an economy if it is kept in check through the decrease in aggregate demand, increase in the interest rates and the amount of taxes leading to lessening the money supply in the hands of the citizens. The government should therefore be conscious enough to keep inflation in control since moderate inflation is a boon for the economy but high inflation can be disadvantageous for the country's growth. Moderate inflationary pressures can therefore go a long way in benefitting the economy.

GLOBAL ECONOMIC ENVIRONMENT: TRENDS AND CHALLENGES

2021 has been another volatile, unpredictable year, and it might feel as though the world is constantly besieged by problems and threats. The pandemic affected every country on the earth, with devastating economic implications. As the world adjusted to a "new reality," government stimulus and support packages were pushed out in various shapes and forms. Studying the economy has never been more difficult for economists around the world. However, looking at risks and opportunities, both in the past and future, is essential. This article aims to do precisely that by first analyzing the state of the global economy and further delving into the numerous challenges that it faces.

State of the Global Economy

After declining by 3.4 percent in 2020, the global economy increased by 5.5 percent in 2021, the greatest rate since 1976. In 2021, global gross product was 1.9 percent higher than in 2019, but it was still 3.3 percent below the level predicted before COVID-19. The increase in output in 2021 was mostly due to the restart of household spending and investment, which had come to a halt in 2020 due to global lockdown measures. The global economy is expected to expand by 4% in 2022 and 3.5

percent in 2023, before returning to its long-term trend of 3% each year between 2010 and 2019.However, these aggregate estimates conceal huge disparities in economic expectations, as a large number of developing countries struggle to recover from the pandemic. The pace of growth in the first three quarters of 2021 slowed, particularly in the United States, the European Union, and China, as the stimulative benefits of fiscal and monetary policy began to fade and supply-side difficulties appeared at the end of the year. To keep the global economy on the predicted near-term growth track, supply-side limitations must be eased and inflationary pressures must be contained. However, growth potential is fraught with dangers and uncertainties, including new COVID-19 mutations.

Challenges in the Way of Development

The first major challenge that has arisen due to the pandemic is that of uneven growth and development. A full economic recovery measured in terms of GDP per capita has remained elusive for developing countries in the near term. while the GDP per capita of the developed economies is projected to almost fully recover by 2023 relative to pre-pandemic projections. The uneven pace of recovery between developed and developing countries will widen income inequality across countries and make it all the more difficult to reduce global inequality by 2030, as targeted in the global Sustainable Development Goals.

The second major challenge facing the world economy today is that of rising inflation. Despite enormous increases in global liquidity during the 2008–2009 global financial crisis, worldwide inflation remained substantially contained, typically below central bank targets, over the last decade. However, global headline inflation reached 5.2 percent in 2021, more than 2 percentage points more than its 10-year average. The increase was most noticeable in the United States and the eurozone, as well as in Latin America and the Caribbean. Inflation rose in 2021 owing to a unique combination of unusual supply-side obstacles, a stronger-than-expected demand rebound, and high commodity prices. However, the timing and sequencing of central bank responses to inflationary pressures will continue to be crucial. If monetary policy is tightened too rapidly, the recovery will inevitably stall. Inflation expectations may become entrenched and self-fulfilling if monetary tightening and normalization are postponed for too long. To guarantee financial market stability and boost recovery, major central banks will need to coordinate and clearly define their responses to inflationary pressures. Furthermore, climate change has increased the frequency and severity of extreme weather events, which may have a negative impact on supply chains and lead to price increases.

The last and final challenge facing the world economy is that of lagging labor markets. Despite the progressive relaxation of lockdown restrictions, enormous efforts to protect employment and support enterprises, and a comeback in global output, worldwide employment has yet to fully recover from the unprecedented shock of the COVID-19 epidemic. While aggregate output in most

major economies returned to pre-pandemic levels in 2021, employment recovery lagged and even froze in many regions of the world. According to the International Labour Organization (ILO), by the third quarter of 2021, total working hours remained 4.7 per cent below pre-pandemic levels, equivalent to the loss of 137 million full-time jobs. The slow pace of job growth is insufficient to compensate for earlier job losses, particularly in industries severely hit by the pandemic. The tourist, hotel, travel, and retail trade industries have all been hit hard by the crisis. Youth, women, and migrant workers, as well as individuals with lower educational attainment and abilities, have been disproportionately affected. The gender gap is widening, especially in emerging nations, with women experiencing more job losses and lower labour force participation than males (IMF, 2021d). In countries able to implement large-scale fiscal stimulus measures, mechanisms to protect businesses and jobs helped mitigate fallout from the crisis on employment.

The Way Forward

With respite from the pandemic tantalizingly close in many places but still out of reach in others, policy decisions will be crucial. Ending the pandemic will require ensuring equal vaccine distribution. Many low-income countries will benefit from comprehensive debt reduction. Policymakers will need to use fiscal and monetary tools to help the economy recover while also maintaining financial stability. To support growth on a green, resilient, and inclusive path, policies should focus on reinvigorating human capital, expanding access to digital connections, and investing in green infrastructure.

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