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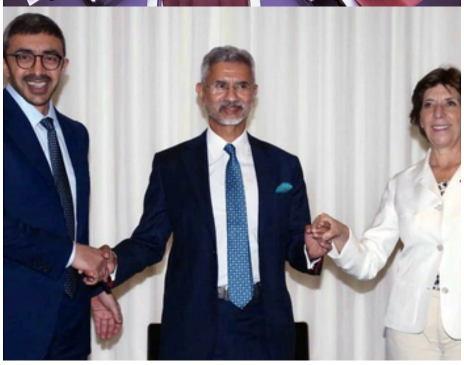
CPRG CHRONICLE

'A newsletter for public policy and governance enthusiasts'

CENTER OF POLICY
RESEARCH AND GOVERNANCE

FEBRUARY 2023 HIGHLIGHTS



INTERNATIONAL RELATIONS AND SECURITY

- Prime Minister Shri Narendra Modi dedicated a Helicopter Factory of Hindustan Aeronautics Limited (HAL) in Tumakuru, Karnataka to the nation.
- India, France, UAE - Formal Trilateral Cooperation Initiative
- Govt issued SoP for environmental safeguards on highway projects near international borders & LoC
- Youth 20 Inception Meeting was hosted by Assam with the participation of more than 150 delegates from G20 countries
- The First G20 Finance Ministers and Central Bank Governors (FMCBG) meeting under the G20 Indian Presidency took place in Bengaluru, Karnataka.
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ECONOMY

- The Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman presented the Union Budget 2023-24 in Parliament
- 7,400 crore digital payments of ₹126 lakh crore has taken place through UPI in 2022 as per the Budget
- New Infrastructure Finance Secretariat established to enhance opportunities for private investment in infrastructure.
- Policy Perspectives: Debating the Road to Policy Consensus on Crypto Assets" was held, as part of the India's G20 Presidency's efforts to broaden the dialogue around crypto assets.
- Direct Tax collection, net of refunds, stood at Rs. 12.98 lakh crore which is 18.40% higher than the net collections for the corresponding period of last year.

SOCIAL

- Rs. 15,000 crore earmarked for the implementation of Pradhan Mantri PVTG Development Mission over the next three years under the Development Action Plan for the Scheduled Tribes.
- Ministry of Housing and Urban Affairs signed an MoU with Engineers India Limited to develop Waste to Energy and bio-methanation projects in cities with a population of million plus
- Save Wetlands Campaign’ was launched on the basis of “whole of society” approach for wetlands conservation
- India's first marine spatial planning framework launched

SCIENCE & TECHNOLOGY

- Inter-ministerial panel to explore digital competition law to promote competition, innovation, and consumer protection in India's rapidly evolving digital economy
- TRAI invites stakeholder opinions on separate authorization for digital connectivity infrastructure
- PM Modi inaugurated the India Energy Week
- KAVACH-2023, a national level hackathon was launched to identify innovative ideas and technological solutions for addressing the cyber security and cybercrime challenges of the 21st century.

EDUCATION

- District Institutes of Education and Training to be developed as vibrant institutes of excellence for Teachers’ Training.
- Pariksha Parv 5.0 organized by the National Commission for the protection of Child Rights
- AICTE introduces curriculum for B.Tech Electronics VLSI Design & Technology and Diploma in IC Manufacturing
- Real-time payment between India and Singapore launched
- The Department of School Education and Literacy (DoSEL), Ministry of Education, Government of India organized a two-day National Workshop on Content of Teaching-Learning Material and Assessment under New India Literacy Programme (NILP)

REGIONAL DEVELOPMENT

- Promulgation of the Anti-Cheating Ordinance by the Governor of Uttarakhand
- North India's first nuclear plant coming up in Haryana
- "Yuva Sangam" registration portal launched by the Ministry of Education to build ties between the youth of North East and the rest of India
- Government of India decided to establish Eklavya Model Residential Schools (EMRS) in every block with 50% or more ST population and atleast 20,000 tribal persons.

SOCIAL INFRASTRUCTURE AND EMPLOYMENT

India is now in its 75th year of independence and the country plans on becoming a developed nation in the next 25 years. Social infrastructure and employment would play a crucial role in achieving this goal since they serve as major drivers of growth in the Indian economy. The Sustainable Development Goals 2030 adopted by the government revolve around social welfare which stands as a testimony to the significance held by social infrastructure in the development of the country. The Global Pandemic was a huge pushback to economies all over the world including India through FY23 but India has managed to pull back and is currently doing significantly well in various social parameters.The government is currently looking at long-term goals which is visible in its increased spending on social infrastructure and employment since FY16. India is planning to achieve social infrastructure development and employment growth through ‘minimum government, maximum governance.’ and ‘sabka saath, sabka vikaas aur sabka vishwaas.’ where education and health are the main priorities of the government as they have a direct impact on HDI as well as employment.

Social infrastructure involves the pillars of education, public health, family welfare; water supply and sanitation; housing; urban development that support the society in having access to services and amenities that lead to improvement in overall quality of life. This means that improvement in social infrastructure indirectly contributes to economic development by enhancing opportunities for income and employment. India has a huge youth population that can contribute to making world class workforce provided its social infrastructure contributes to better quality of life leading to economic growth and employment. Research studies have concluded that quality of life depends upon the fulfilment of basic needs and being able to live in an affable environment. In this regard, the Aspirational Districts Programme initiated in January 2018 with a vision to raise living standards of its citizens and ensure inclusive growth of all in the burgeoning economy is important.

India does not fare well when it comes to education especially with reference to PISA ranking wherein India stands 73rd out of 74 countries (Rajagopalan, 2019). Major issues facing quality education are focus on rote learning, grim student teacher ratio, no proper pedagogical approaches. Along with this, dropout at secondary upwards levels is a major concern but the progressive nature of the New Education Policy 2020 aims at resolving these issues and revamping the education system by making it more accessible and equitable and adaptive to the needs of the present generation. It provides for nurturing all-around development and skill acquisition by youth in an inclusive, accessible, and multilingual set-up. Education, apart from enhancing the employability of the working-age population, plays a significant role in breaking the cycles of poverty and social marginalisation. NEP 2020 further focuses on vocational training and skill development giving equal opportunity to all and making sure that no one is left behind. These efforts will be the bedrock for India to improve quality education.

Another crucial dimension of the social infrastructure of the country is the health of its individuals. The pandemic laid out the fragility of Indian healthcare system and India has persistently worked towards its improvement by increasing the share of government health expenditure from 28.6% in 2014 to 40.6% in 2019(EconomicSurvey,2022-23,p187). Government has enhanced the quality of health infrastructure in both urban and rural areas through the establishment of Sub Centres, PHCs, CHCs and e-Sanjeevani telemedicine scheme. Out of pocket health expenditures have been declining majorly due to Ayushmaan Bharat insurance schemes and Health indices like IMR, and MMR have shown improvement which proves that India has been treading on the right path as far as healthcare is concerned.

The efforts made in health and education will prove to be fruitful only when the Indian youth become employable. We therefore need to be aware of the strides made by the government in this sector. According to employment data, the share of self-employed workers increased and that of regular wage/salaried workers declined in 2020-21 vis-à-vis 2019-20, in both rural and urban areas. Statistics show a skewed distribution of a larger number of factories with low employment sizes and a few factories with higher employment sizes. There is therefore a need to upskill and create further employment opportunities that are stable and sustainable so as to absorb the demographic dividend available in the country. The government has come up with programs related to The Skill Indian Mission which focus on skilling, re-skilling and up-skilling through short-term and long-term training programmes. A major initiative in this regard is the eShram portal which captures details of unorganised workers for the optimum realisation of their employability and also extends the benefits of the social security schemes to them. The success of these schemes is imperative for increasing employment and catering to the future growth of the country.

The Covid-19 pandemic and the ensuing Russia-Ukraine conflict have impacted the development trajectory of India and the world. There was a global decline in human development around the world for the first time in 32 years but The country continued to make measurable progress in social infrastructure and employment. There is an increase in income and overall improvement in the standard of living over the past decades. Government has been successful in tackling poverty through monetary provisions and state interventions leading to holistic development.

India ranks 132 out of 191 countries and territories in the 2021/2022 HDI report(EconomicSurvey,2022-23,p149) and is placed in the medium human development category, on the parameter of gender inequality. These indicators show that India is doing better than the other South Asian countries in terms of human development. This showcases that the efforts made by India have been instrumental in bringing this change and India is on the trajectory of development as far as the social infrastructure and employment of youth is concerned despite numerous challenges brought forward by the internal and external environment.

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ARE FREEBIES EXHIBITING THE BANALITY OF EVIL?

Introduction

The union budget for FY23 was formulated against the backdrop of unanticipated geopolitical developments that unfolded during the year aggravating supply disruptions and adversely impacting the prices of fuel, food, and other essential commodities. (India, 2023) The government's fiscal policy response necessitated additional spending due to it. Albeit additional fiscal resource pressures during the year, inflation is relatively under control. The cohesiveness of the Centre-State relations has resulted in devolution and transfer of sufficient funds to the States. The strength of the states is what gives the Centre its power. Therefore, the macroeconomic stability of the Union is contingent on the macroeconomic stability of both the Centre and states. Hannah Arendt's Eichmann in Jerusalem: A Report on the Banality of Evil describes the protagonist as someone who does evil without being evil. Although freebies have been inherently designed for the benefit of people, the political discourse centered on freebies has been claimed to aid populism politics and also financial instability to certain states.

Freebies have had its fair share in boosting certain sectors. When the Bihar government launched free bicycle schemes in 2006, it turned out to be a huge success and the dropout rate fell from 70% in 2007 to only 20% in 2011. Girls in Bihar who weren't able to go to school were able to get basic education with these bicycles. In 2010-2015 the Assam government provided free sewing machines to weavers and this has helped in employment generation for women. While giving out freebies, it is also important to teach or ensure that the beneficiaries have the skills to accompany these freebies. Another category of freebies are provided with the main motive of adding to the happiness of people such as open gym, tirth yatra scheme, free yogashalas, cultural fairs etc.

There is great ambiguity in the meaning of “freebies.” (Singh, 2022) There is a fine line between the concept of merit and freebies. The concept of merit goods and public goods on which expenditure outlays have overall benefits is desirable expenditures. On the contrary, freebies might seem cheap but the real question is about how expensive it is for the economy, life quality and social cohesion in the long run. The prominent trend of freebies could be traced back to 2006 in Tamil Nadu and other states also hopped on the bandwagon with time. Later, a complaint was lodged against the Tamil Nadu government in the Supreme Court which entailed issues of bribery given by the government with respect to freebies. The offence of bribery to influence voters was punishable under Section 123 of the Representation of the People Act, 1951 but SC made a landmark judgment where it ruled that the provision of freebies does not amount to bribery and suggested the formation of an expert panel for evaluation or call for an all-party meeting. Upon evaluation, it was found that freebies pose a massive threat to certain states that would align them with the circumstances of Sri Lanka.

First, it has taken a massive toll on the State’s exchequer and resources. A large part of the administration and governance machinery gets caught up in its implementation and hence it must be contained. It affects not just the economy but social progress as it could be used for creating long-term assets. As per some of the estimates, the implementation of the freebies promised inPunjab could cost as much as Rs 17,000 crore. If all factors affecting Punjab's debt ratio are taken into consideration, the additional effect will be 3% of GSDP. We are aware that Punjab's Debt-to-GDP ratio is already 53.3% for 2021–2022, and these new measures would make it worse. If Delhi is taken into consideration, the Delhi government earmarked 468 crores for the water supply according to the 2019-2020 budget. This was balanced off as the fiscal deficit to the state’s GDP in 2019-2020 was quite less. Therefore, states should check their financial limits before implementing unnecessary freebie schemes.

Second is the issue of the distortion of expenditure priority. (Jain, 2022) For instance, Rajasthan reverted back to the old pension scheme which is regressive as it is inherently inequitable. 56% of Rajasthan's tax and non-tax earnings come from pension and wage payments. So, 6 percent of the population, which is made up of government employees, stands to gain from 56% of the state's revenue. This poses risks for intergenerational inequality as well as for the larger concepts of equity and morality. This leads to social inequalities as well.

Third, It undermines the credit culture as it encourages the borrowers to waiver loans and it erodes the trust in the arrangement that exists between lender and borrower. It also distorts the prices and ultimately leads to cross-subsidization. This affects the demand-supply equations and this ultimately disincentivizes the private sector and destabilizes the macroeconomic foundation.

Fourth, it moves away from the environmental aspect. When power, water and other consumption goods are available at cheaper price or free, it distracts from the outlay of environmental and sustainable growth, renewable energy and more efficient public transport systems.

For the past three years, our fiscal deficit has been around 10% which is greater than the fiscal deficit to be maintained as per FRBM norms (3% of fiscal deficit). This freebies culture has indeed aided in the fiscal instability of certain states and it could be overcome if a sunset clause is provided. 46.5% of the Indian working population is in the agricultural sector and there must be a shift towards a highly productive non-agricultural sector for development to be infiltrated to this ilk. This requires investment in education and skills but the trend of quality education systems in rural areas has been regressive for the past few years. Albeit heavy expenditure and the time taken for restructuring the education system, the government must work on improving its quality. States must also ensure elimination of subsidy leakages and target the right population.

Along with the provisions put in place for the benefit of the people in the form of freebies, the government should work towards improving the employability of the population through promotion of quality education so that the need for such freebies gets minimized. The massive savings of about Rs 1.3 lakh crore per year that will result from this rationalization may be spent on imparting modern skills to the people in rural areas. (gulati, 2023) Freebies that aim to bridge the gap in accessing and availing basic necessities and are financially viable are indeed a boon. It must be evaluated in terms of eradicating poverty, employment generation, happiness index. The financial capacity of the state needs to be analyzed properly before proceeding with freebie schemes otherwise it would exhibit the banality of evil.

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INDIA'S PROSPECTS AS A KEY PLAYER IN THE GLOBAL SEMICONDUCTOR VALUE CHAIN

Semiconductors or Chips have become the backbone of the modern human experience, enabling and powering our most innovative technologies. Like a skeleton, chips provide the fundamental framework upon which our digital existence is constructed, serving as the underlying structure that supports and sustains our interconnected world. India's rising consumption of semiconductors, which is expected to surpass $80 billion by the year 2026 (Roy, 2022), is driven by the dual-use quality of chips. It is critical for both national and economic security. Given the present geopolitical landscape, India has a unique opportunity to strengthen its manufacturing capacity and emerge as a prominent player in the global semiconductor value chain. This strategic move would not only secure a stable and dependable supply of semiconductors for the country but would also enable India to establish itself as a significant contributor to the global semiconductor industry. As rightly pointed out by the Economic Survey of India 2022-2023, "In this fast-evolving context, as global companies adapt their manufacturing and supply chain strategies to build resilience, India has a unique opportunity to become a global manufacturing hub this decade."

Chips are not only essential to modern life, but they are also incredibly complex in their design and manufacturing. the global supply chain represents the pinnacle of globalization, with a vast network of countries and businesses working in tandem to bring this essential technology to consumers across the globe. No country is completely self-reliant in the semiconductor industry, as the various stages of the production process are spread out across different locations, with each contributing country having a specific role to play. The United States and Europe focus on production technology, whereas Korea and Taiwan excel in process technology. China, Taiwan, Vietnam, and Malaysia have comparative advantages in the assembly, test, and packaging sectors. (Tsun, 2022)

The global semiconductor supply chain is a complex system influenced by geopolitical factors, rather than a straightforward collaboration between nations. It is a new frontier for conflict and tension, with the ongoing "chip war" between the US and China. At present, the United States and its allied nations occupy a prominent position in the semiconductor value chain, while there have been several efforts to impede China's increasing capabilities (Khan, et. al., 2021). In October 2022, the US government introduced comprehensive export controls that made it challenging for companies to sell chip-making equipment, chips, and software containing US technology to China, regardless of their location globally. Additionally, the US government imposed a ban on US citizens and permanent residents from providing support for chip development or production at specific factories in China. (Tewari, 2023)

In light of this, India faces the challenge of carefully navigating its position in this complex global value chain, with a strategic eye towards advancing its national and economic interests while avoiding entanglements that may be detrimental to its long-term goals. In the midst of the escalating chip war between the US and China, India is striving to position itself as a viable contender in the semiconductor industry. India is pursuing two main strategies to enhance its position in this regard. Firstly, it is focused on developing its domestic capabilities in this field through policy action. Secondly, it is engaging in collaborations with other countries to further strengthen its technological expertise.

The ESI specifically mentions the US CHIPS and science act in light of the impending shortage crisis in the semiconductor industry. The act aims to boost domestic semiconductor manufacturing capacity by directing US$ 280 billion towards R&D over the next decade. This presents an excellent opportunity for India, as the US and India are collaborating to develop a semiconductor design, manufacturing, and fabrication ecosystem in India. A task force is being established between the US Semiconductor Industry Association (SIA), IESA, and the Government of India to identify industry opportunities and facilitate the strategic development of complementary semiconductor ecosystems (Dixit, 2023).

India's progress towards achieving self-reliance in the electronics sector is currently in its early stages and significant challenges remain. It is heavily dependent on imports, with 94 percent of its electronics and all of its semiconductors being sourced from foreign markets, as reported by the Financial Express in 2022 (Vardhan, 2022). Concurrently, various policies have emerged to support India's efforts in establishing a resilient semiconductor ecosystem. In December 2021, the Indian government released the Semiconductor Fab Ecosystem Programme to create policies and build the country's domestic semiconductor industry. It also launched the India Semiconductor Mission (ISM), a $10 billion incentive plan to provide financial support to semiconductor fabricators. India has a strong talent pipeline in semiconductor research and design, but it may face challenges in securing raw materials like metals and alloys, which are mostly controlled by China.

India holds over 6 per cent of the world's rare earth reserves, which are vital to semiconductor production, but expanding the mining industry would require significant financial investment and time (Howard et al., 2022). Further, The Indian government launched the PLI (Production-Linked Incentive) scheme with the aim of achieving self-reliance and promoting the Make-in-India programme. According to the economic survey of India, projected to draw in a capex of approximately ₹3 lakh crore over the next five years and has the potential to create employment opportunities for over 60 lakh individuals in the country. The manufacturing sector's contribution to total capital formation is currently around 17-20 per cent between FY12 and FY20. By promoting the PLI scheme, the government aims to increase this share and boost the country's manufacturing industry. (Economic Survey of India, 2023)

There are already signs of progress. In September 2022, a partnership was formed between Taiwanese company, Foxconn, known for assembling Apple's iPhones, and Indian mining company, Vedanta, with the aim of constructing a semiconductor manufacturing facility in the western state of Gujarat, valued at $19.5 billion. In March 2023, India and the US signed a memorandum of understanding with the goal of establishing a semiconductor supply chain. Industry experts view this as an avenue for both countries to reduce global reliance on China.

It is imperative for India to address its current dependence on imported chips and reduce its reliance on foreign suppliers to strengthen its semiconductor security. It should focus on creating a robust domestic semiconductor ecosystem that includes chip design, fabrication, testing, and packaging. It is crucial to note that the semiconductor value chain is vital for global production and supply, and no nation can act alone. Therefore, India needs to take a collaborative approach and work closely with other nations to ensure that its semiconductor industry thrives. India has the potential to become a major player in the semiconductor industry, given its large pool of skilled labor, vast domestic market, and supportive government policies. However, it will require significant investments in infrastructure, research, and development to achieve this goal.

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FALLING INFLATIONARY EXPECTATIONS IN INDIA

Inflation refers to the rate of upward movement in prices within a specified timeframe. It is commonly assessed through broad indicators, such as the overall escalation in prices or the augmentation in the cost of living within a nation. However, it can also be evaluated in a more specific manner, such as for particular goods like food, or for services such as haircuts.

Regardless of the context, inflation signifies the degree to which the relevant set of goods and/or services has become pricier over a particular duration, often over the course of a year.

India has been experiencing falling inflationary expectations in recent years. Inflationary expectations refer to people's beliefs or perceptions about the future rate of inflation. These expectations play an important role in influencing economic behaviour and decision-making. When people expect prices to rise, they tend to increase their spending or invest to protect themselves from the anticipated price rise. Conversely, when people expect prices to remain stable or fall, they may reduce their spending or invest less, which can lead to lower inflation.

The primary factors contributing to the falling inflationary pressures in India include the country's monetary policy, its overall economic performance etc. The monetary policy of India plays a crucial role in controlling inflation and contributing to falling inflationary expectations. The Reserve Bank of India (RBI), which is responsible for formulating and implementing monetary policy in India, uses various tools to manage inflation and maintain price stability. One of the primary tools used by the RBI is the repo rate. The repo rate is the rate at which banks borrow funds from the RBI. By adjusting the repo rate, the RBI can influence the cost of borrowing for banks, which in turn affects the interest rates that consumers and businesses pay for loans.

When the RBI increases the repo rate, borrowing becomes more expensive, which can help to reduce inflation by curbing demand and reducing spending. In addition to the repo rate, the RBI also uses various other tools such as open market operations, reserve ratios, and liquidity management to influence the money supply and control inflation. These measures can help to reduce the money supply in the economy and reduce inflationary pressures. By using these tools effectively, the RBI can contribute to falling inflationary expectations in India. When the public perceives that the central bank is committed to maintaining price stability, it can lead to a reduction in inflationary expectations. This, in turn, can help to reduce actual inflation as businesses and consumers adjust their behaviour and expectations in response to the policy measures taken by the RBI.

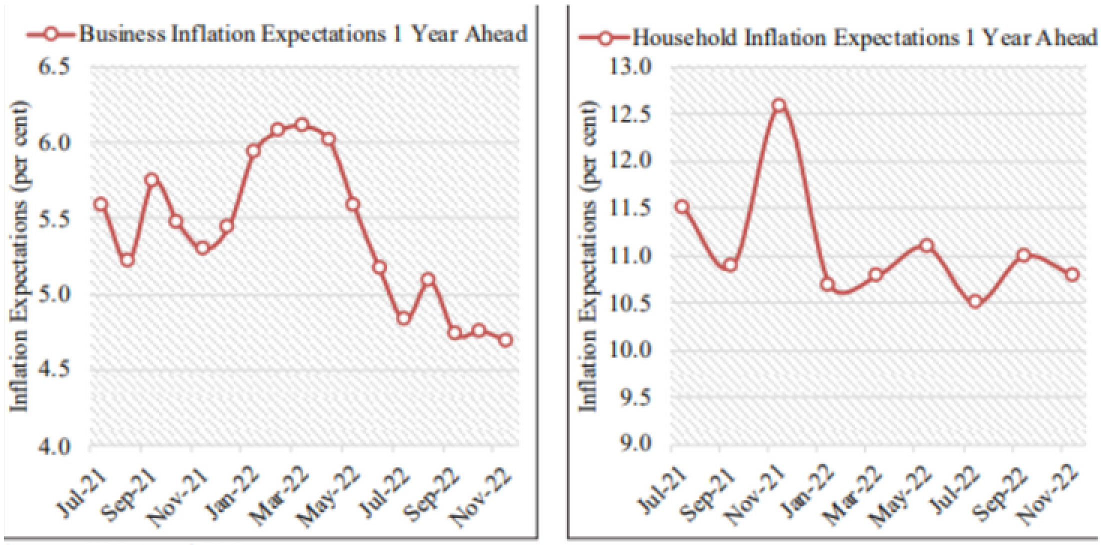
Another factor contributing to the falling inflationary expectations in India is the country's overall economic performance. India has experienced relatively low economic growth in recent years, which has helped to keep inflation in check. Additionally, the government has implemented measures to control food prices, which is a major contributor to inflation in India.

Further, Expectations of Inflation play a vital role in shaping the trajectory of inflation in any economy. The Reserve Bank of India (RBI) has been successful in anchoring inflationary expectations through its forward guidance and responsive monetary policy, thereby effectively guiding the course of inflation in the country.The perceptions of businesses regarding inflation are particularly significant as they are responsible for setting prices. If businesses anticipate higher costs in the near future, they may pass them on to consumers in the form of higher prices. Consequently, the RBI closely monitors one-year-ahead inflationary expectations by businesses. Fortunately, such expectations have shown a decreasing trend in the current fiscal year, indicating a positive outlook for inflation.

Similarly, household inflation expectations are critical as households are the price takers in the economy. Their expectations on inflation influence their consumption choices, which can have a significant impact on the overall economy. Much like businesses, household inflation expectations have also moderated, indicating a positive outlook for inflation in the near future.

According to the All India Wholesale Price Index (WPI), the annual rate of inflation for February 2023 (over February 2022) is 3.85% (provisional) (*India wholesale price index change March 2023 data - 1969-2022 historical*) . This represents a decrease from the 4.73% inflation rate recorded in January 2023 (Figure 1).

The decline in the inflation rate for February 2023 is primarily attributed to a fall in prices of various commodities such as crude petroleum & natural gas, non-food articles, food products, minerals, computers, electronic & optical products, chemicals & chemical products, electrical equipment, and motor vehicles, trailers & semitrailers (Table 1).



Source: IIM-A and RBI

Figure 1: Business and Household Inflationary Expectations are falling

Index Numbers & Annual Rate of Inflation (Y-o-Y in %)*							
All Commodities/Major Groups	Weight (%)	Dec-22		Jan-23 (P)		Feb-23 (P)	
		Index	Inflation	Index	Inflation	Index	Inflation
All Commodities	100	150.5	5.02	150.6	4.73	150.9	3.85
I. Primary Articles	22.6	172.9	2.67	174.0	3.88	173.0	3.28
II. Fuel & Power	13.2	158.0	18.09	155.8	15.15	158.8	14.82
III. Manufactured Products	64.2	141.1	3.37	141.3	2.99	141.6	1.94
Food Index	24.4	170.7	0.89	171.2	2.95	171.3	2.76

*Note: P: Provisional, F: Final, * Annual rate of WPI inflation calculated over the corresponding month of previous year*

Table 1: Index Number & Annual Rate of Inflation

Month	All Commodities Index Number	Inflation Rate (%)
December 2022	130.2	13.97%
January 2023	131.3	4.73%
February 2023 (Provisional)	130.7	3.85%

Table 2: Inflation Rate

The annual rate of inflation based on the All India Wholesale Price Index for February 2023 has decreased to 3.85% from 4.73% in January 2023. The decline in inflation is primarily due to a fall in prices of various commodities such as crude petroleum & natural gas, non-food articles, food products, minerals, computers, electronic & optical products, chemicals & chemical products, electrical equipment, and motor vehicles, trailers & semitrailers.

The RBI has been proactive in managing inflation expectations in India. The central bank has been using a variety of tools to manage inflation expectations, such as setting inflation targets and communicating its policies and decisions to the public. The RBI has also been working to increase transparency and accountability in its operations, which has helped to build trust and credibility with the public. The Indian government has also been working to manage inflation expectations by implementing measures to control food prices. The government has implemented a number of policies to increase food production, reduce waste, and improve distribution. These measures have helped to stabilize food prices and reduce the impact of food inflation on the overall inflation rate. (Muduli & Shekhar, Tail Risks of Inflation in India 2023)

There are numerous challenges faced by the Indian government while managing inflationary expectations. One of the challenges faced by the Indian government in managing inflation expectations is the high level of public debt which can put upward pressure on inflation if it is not managed properly. The government has been trying to reduce its debt by reducing subsidies and increasing tax revenues which have further helped to reduce the government's borrowing costs and improve its fiscal position.

Falling inflationary expectations is therefore a positive development for India. The RBI's proactive approach to managing inflation expectations, combined with the government's measures to control food prices and manage its debt, has helped to stabilize the Indian economy and improve the standard of living for people in the country. While there are challenges ahead, the overall outlook for inflation in India is positive, and the country is well-positioned for continued growth and development in the coming years.

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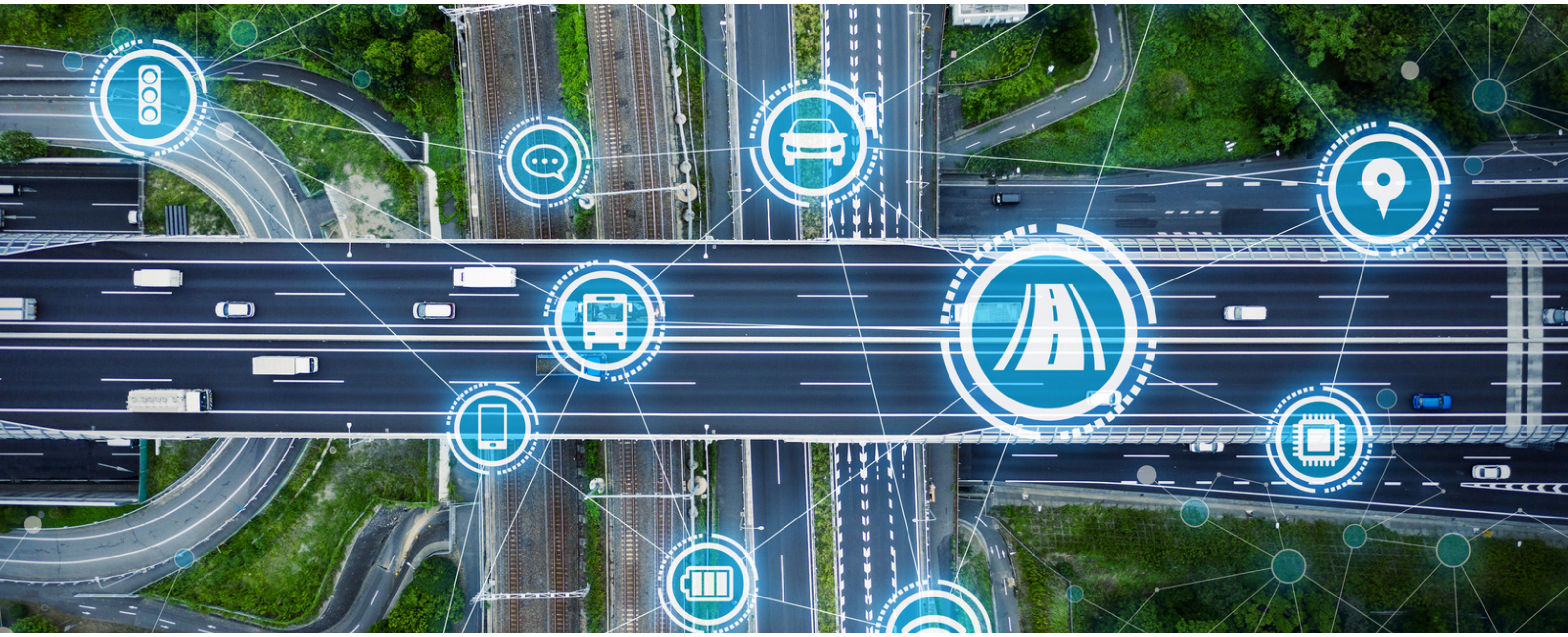

GOVERNMENT'S VISION AND APPROACHES TO INFRASTRUCTURE DEVELOPMENT IN INDIA

Infrastructure development is a key driver of economic growth and plays a crucial role in enhancing the standard of living of citizens. A robust infrastructure is essential for attracting foreign investment, improving the competitiveness of domestic industries, and creating job opportunities. In India, the push for infrastructure development has included investments in transportation, energy, water, and sanitation, among other areas. These investments have also been crucial in facilitating rural development and reducing regional disparities.

India's push for infrastructure development and investment has gained momentum in recent years, with the government's increased impetus for capital expenditure playing a vital role in driving growth. This trend has been seen against the backdrop of subdued capital expenditure by the private sector, indicating the importance of public investment in supporting the country's economic growth.

The government has significantly increased its outlay for capital expenditure in 2022-23 (BE), with the target rising by 35.4% from ₹ 5.5 lakh crore in the previous year (2021-22) to ₹ 7.5 lakh crore. The spending till December 2022 shows that approximately 67% of the budgeted Capex has been spent, with ₹ 5 lakh crore spent against a budgeted Capex of 7.5 lakh crore.

This shows a significant improvement from the previous year's Capex spending of ₹ 3.9 lakh crore for the same period, indicating the success of the government's efforts to boost public investment.

The steady increase in public capital expenditure has played a vital role in supporting economic growth while laying the foundation for future growth. Public investment in capital assets has boosted economic efficiency and potential growth and created opportunities for private investment. The IMF has also observed that capacity utilisation in the private sector has been recovering, which is a positive sign of private investment being attracted by public investment.

To maintain a high growth rate and achieve various social objectives in a developing economy like ours, it is necessary to increase infrastructure investment continuously. Recognising this, the government introduced the National Infrastructure Pipeline (NIP) and the National Monetisation Pipeline (NMP) to provide a much-needed impetus for infrastructure investment. The NIP comprises new and existing infrastructure projects with a value greater than ₹100 crores. Currently, it contains 8,964 such projects, with a total investment value of over ₹108 lakh crore, all of which are in different stages of implementation. Furthermore, the National Monetisation Pipeline (NMP) seeks to create new infrastructure by leveraging private sector investment, using the principle of asset creation through monetisation. Through NMP, there is a chance to reduce financial liabilities and create more fiscal room for investment in new infrastructure assets. Its core objective is to monetise central government assets, and it is estimated that it has the potential to monetise assets worth ₹6.0 lakh crore over four years from FY20-25.

Further, the pharmaceutical sector, responsible for a substantial share of India's exports, has contributed significantly to developing the country's infrastructure, particularly in research and development, manufacturing, and logistics. The Indian government has also established various policies and initiatives to promote the growth of the pharmaceutical sector and leverage its potentials for boosting the country's infrastructure, such as establishing institutions like the National Institute of Pharmaceutical Education and Research(NIPER), the Indian Pharmacopoeia Commission, and the Department of Pharmaceuticals (FICCI, 2020).

The sector's contribution to the growth of the country's logistics industry can be attributed to the significant volumes of exports and imports it generates.

India's objective of significantly increasing its exports requires attention to the logistics aspects crucial in facilitating this goal. On September 17, 2022, National Logistics Policy was introduced to target various aspects of enhancing logistics efficiency, such as simplifying procedures, regulatory compliance, building skills, and making logistics more integral to the overall process. NLP aims to create an efficient, sustainable, and reliable logistics ecosystem in India that is technologically advanced, integrated, cost-effective, and resilient while fostering inclusive growth. At the same time, the PM GatiShakti scheme, with a multimodal approach, is designed to fill the gaps in physical infrastructure and to integrate existing and proposed infrastructure development initiatives of different agencies.

The Indian government has undertaken several initiatives to enhance the logistics ecosystem, including both infrastructure projects like Ude Desh ka Aam Nagrik (UDAN), Bharatmala, Sagarmala, Parvatamala, National Rail Plan, and process reforms such as GST, e-Sanchit, Single Window

Interface for Trade (SWIFT), Indian Customs Electronic Data Interchange Gateway (ICEGATE), Turant Customs, and various others. Furthermore, the government has set up the National Bank for Financing Infrastructure and Development (NaBFID) as a development financial institution to set a virtuous investment cycle in motion. Project Development Cells (PDCs) have been established in all concerned Ministries/Departments of the Government of India to fast-track investments (India Brand Equity Foundation [IBEF], 2021).

However, the government's vision for infrastructure continues beyond here. As India has already submitted its Long-Term Low Emission Development Strategy at COP27, the next leap would be towards advanced infrastructure that is more energy-efficient, incorporates the idea of a circular economy, and transitions towards low-carbon development. This would require significant investment, which might be too vast to provide by the public or private sectors alone. Public-Private Partnership (PPP) would be the route to finance and create such infrastructure. Governments rely on PPPs as essential means to engage the private sector's expertise and resources in critical infrastructure sectors, leading to closing infrastructure gaps and enhancing service delivery efficiency. A key factor contributing to PPPs' success is the strength of their institutional structure, financial support, and the use and accessibility of standardised documents.

The government's efforts to promote infrastructure development and investment have also received international recognition. According to a report by the World Bank (2021), India has made significant progress in the Ease of Doing Business rankings and was ranked 13th in 2021, up from 142nd in 2014. This improvement is largely attributed to the various reforms and initiatives undertaken by the government, including those in the infrastructure sector.

Although the Russia-Ukraine conflict may not directly affect India's infrastructure plans, its potential indirect effects on the cost, funding, and implementation of infrastructure projects in India cannot be overlooked. The conflict may cause disruptions in international trade, leading to shortages in raw materials and inputs required for infrastructure projects, which could result in project delays and increased costs. Additionally, the conflict's impact on global oil prices could adversely affect India's energy security and increase the cost of energy-intensive infrastructure projects. Since India is a major oil importer, any significant increase in oil prices may raise input costs for infrastructure projects, potentially affecting their feasibility.

Despite the potential impact of the conflict, the government's vision for infrastructure development in India remains focused on promoting the growth of key sectors in the Indian economy.

In conclusion, India's push for infrastructure development and investment is a step in the right direction. Public investment in infrastructure has been a vital driver of economic growth, and the government's efforts to attract private investment through various initiatives have been successful. However, sustained public investment in infrastructure is required to build a foundation for future growth. PPPs will be important in financing and creating climate-resilient and climate-resistant infrastructure. The initiatives undertaken by the government in infrastructure development, logistics, funding, and sustainability are expected to create significant opportunities for businesses and enhance the overall quality of life for citizens.

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Contributors

Team CPRG, New Delhi
Dr. Ramanand Nand, Director CPRG

Vanya Keswani, Sandra Suresh, Raksheta Raman, Arnav Jain, Shrutika Jain, Chahat Mahajan, Rupal Kalebere