



The Indian Economy: A Review (Part - II)

Part-1

Human Resources: Dovetailing Growth with Capacitating Welfare

A New Approach to Welfare

- **Rising Productivity of Social Sector Spending:**
 - Union government expenditure on social services has increased at a **Compound Annual Growth Rate (CAGR)** of 5.9% between FY12 and FY23.
 - Capital expenditure on social services has grown by 8.1% CAGR over the same period, indicating the creation of societal assets.
- **Universal Access to Basic Amenities:**
 - Programs like Ujjwala Yojana, PM-Jan Aarogya Yojana, PM-Jal Jeevan Mission, and PM-AWAS Yojana focus on universal access to basic amenities.
 - This approach builds social infrastructure for the future and empowers individuals to improve their standard of living.
- **Target-Based Budgetary Allocation with Monitoring Framework:**
 - An Output-Outcome Monitoring Framework for major central sector and centrally sponsored schemes has been in place since FY20.
 - User-friendly dashboards and management information systems (MIS) across major schemes enhance transparency and accountability.
- **Fiscal Efficiency and Minimization of Leakages:**
 - Direct Benefit Transfer (DBT) scheme and **Jan Dhan Yojana-Aadhaar-Mobile (JAM trinity)** enhance fiscal efficiency and minimize leakages.
 - **'One Nation One Ration Card'** program institutionalizes digital goods in welfare, allowing seamless portability of ration cards across states.
- **Prioritizing Social Enablers:**
 - Investments in child immunization and sanitation have positive externalities, benefiting the least privileged and improving long-term health and well-being.
- **Affordable Social Security Schemes for Unorganised Sector Workers:**
 - Atal Pension Yojana (APY), PM Jeevan Jyoti Yojana (PMJJY), and PM Suraksha Bima Yojana (PMSBY) provide social security for unorganised sector workers.
 - The success of these schemes is reflected in their expanding subscriber base, with APY having a subscriber base of 6.1 crore as of December 2023.
- **Large-Scale Infrastructure Development:**
 - A significant push towards infrastructure development has a multiplier impact on employment at the bottom of the pyramid.
 - Investments in digital, energy, and transport infrastructure strengthen the link between growth and development.
- **Calibrated Response to Crisis:**
 - During the Covid-19 crisis, the government opted for a phased response with safety nets for vulnerable sections.
 - The response addressed specific needs, such as ensuring food security, providing credit for street vendors, and creating employment for returnee migrants, while allowing different sectors of the economy to recover at different paces.

The Impact of the New Welfare Approach: A Review

▪ Overall Improvement in Quality of Life:

- The new welfare approach has led to a significant enhancement in the quality of life in India.
- India's ascent to the 5th largest economy is indicative of the positive impact on the lives of the common people compared to a decade ago.


▪ Reduction in Multidimensional Poverty:

- According to a [NITI Aayog](#) report, 13.5 crore Indians have escaped multidimensional poverty between 2015-16 and 2019-21.
- This positive trend is particularly pronounced in rural India and the most backward areas, reflecting the principle of "Antyodaya."

▪ Improvements in Basic Amenities:

- The [National Family Health Survey data for 2019-21](#) highlights consistent progress in access to basic amenities such as electricity, drinking water, sanitation, and clean fuel.
- These improvements contribute to an overall better standard of living.

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| <p>Basic Amenities</p>  | <ul style="list-style-type: none">• 11 crore toilets and 2.3 lakh community toilet complexes were constructed under Swachh Bharat Mission-Grameen (as of January 11, 2024).• 10.8 crore households provided tap water connection under Jal Jeevan Mission (as of January 11, 2024).• Under PM-AWAS-Urban and PM-AWAS-Gramin, 79 lakh and 2.5 crore houses were constructed for the poor in the last 9 years (as of January 8, 2024 and January 11, 2024).• 10 crore LPG connections provided under PM Ujjwala Yojana since 2016 (as of January 8, 2024)• 21.4 crore rural households electrified under Saubhagya since 2015 (as of March 31, 2019)• Digital India: 4.5 lakh common service centres set up in rural areas (as of November 30, 2023) |
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▪ Decline in Out-of-Pocket Health Expenditure:

- National health accounts data reveals a consistent decline in out-of-pocket health expenditure, decreasing from 62.6% of total health expenditure (THE) in FY15 to 47.1% of THE in FY20.
- This reduction signifies improved access to healthcare without placing a significant financial burden on individuals.

▪ Health Indicators Improvement:

- Maternal mortality ratio has seen a decline from 130 per lakh live births in 2014-16 to 97 per lakh live births in 2018-20, indicating progress in maternal health.
- Other health indicators, such as the decline in maternal mortality, contribute to the positive impact of welfare initiatives on public health.

Affordable and Wholesome Health



- 30.3 crore Ayushman Bharat cards created and 6.2 crore hospital admissions (as of January 17, 2024)
- More than 1.6 lakh primary healthcare facilities upgraded to **Ayushman Arogya Mandir** (erstwhile AB-HWCs) (as of December 13, 2023)
- More than 17.4 crore patients availed **e-Sanjeevani OPD** services in Ayushman Arogya Mandir (as of November 3, 2023)
- 10,000 **Janaushadhi Kendras** across the country, selling medicines at 50-90 per cent cheaper rates compared to market rates (as of November 30, 2023)
- 16 per cent decline in **TB incidence** between 2015 and 2022, with 18 per cent reduction in mortality.
- one crore beneficiaries of **Janani Suraksha Yojana** in FY22

▪ **Gender Equality in Higher Education:**

- The female **Gross Enrollment Ratio (GER)** in higher education has surpassed the male GER since FY18.
- This shift indicates progress towards gender equality in access to higher education, aligning with the goals of inclusive development.

▪ **Economic Inequality Reduction:**

- Fiscal transfers through welfare schemes play a crucial role in lowering economic inequality, as evidenced by a recent Collection of Essays by the Office of CEA.
- This demonstrates the broader impact of welfare policies on creating a more equitable society.

▪ **Expansion of Empowering Welfare Initiatives:**

- Over the last decade, the scope of "empowering welfare" has expanded significantly.
- The expansion signifies a comprehensive and inclusive approach to welfare, addressing diverse needs and demographics.

Social Security



- 51.4 crore accounts opened under **PM Jan Dhan Yojana** (as of January 3, 2024).
- 18.5 crore and 41.0 crore enrolments under **PM Jeevan Jyoti Yojana** and **PM Suraksha Beema Yojana**, respectively (as of November 15, 2023).
- **Atal Pension Yojana** (launched in 2015) total subscriber base has risen to 6.1 crore (as of December 31, 2023)
- Assured pension for 49.7 lakh unorganised workers enrolled under **PM Shram Yogi Maandhan Yojana** (as of December 31, 2023).

Women-Led Development

▪ **Empowerment through Political Representation:**

- The [women's reservation Bill \(Nari Shakti Vandan Adhiniyam \(NSVA\)\)](#) in 2023 aims to enhance women's participation in government, linked to improved institutions and integrity.
- Constitutionalizing one-third reservation for women in Panchayats in 1991 has resulted in 46% of elected representatives being women.
- Research indicates that such reservations lead to increased investment in public goods, especially related to women's concerns like drinking water and public roads.

▪ **Inclusive Growth and Basic Needs:**

- Actualizing women-led development requires fulfilling prerequisites of equal opportunity and basic needs.
- Initiatives have been launched to improve women's quality of life and enable their productive participation in the workforce.

▪ **Financial Inclusion:**

- Access to financial services, exemplified by the success of PM Jan Dhan Yojana, enhances women's control over household resources.
- The proportion of women with bank accounts has risen from 53% in 2015-16 to 78.6% in 2019-21.

▪ **Self-Help Groups (SHGs) and Economic Empowerment:**

- Women-led SHGs positively impact economic, social, and political empowerment, influencing financial decision-making and livelihood diversification.
- The [Deendayal Antyodaya Yojana-National Rural Livelihood Mission \(DAY-NRLM\)](#) empowers nearly nine crore women through 83 lakh SHGs.

▪ **Skill Development and Entrepreneurship:**

- Female participation in human capital formation is encouraged through initiatives like Skill India Mission, Start-up and Stand-Up India.
- Over 59 lakh women have been certified under PM Kaushal Vikas Yojana, with significant loans sanctioned to women entrepreneurs under PM Mudra Yojana.

▪ **Infrastructure Development:**

- Initiatives like 'Swachh Bharat Mission,' 'Ujjwala Yojana,' and '[Jal Jeevan Mission](#)' have transformed lives, reducing the drudgery and care burden on women.

▪ **Housing and Asset Ownership:**

- PM AWAS Yojana (Gramin) has led to 26.6% of completed houses solely in the name of women, enhancing their participation in decision-making.

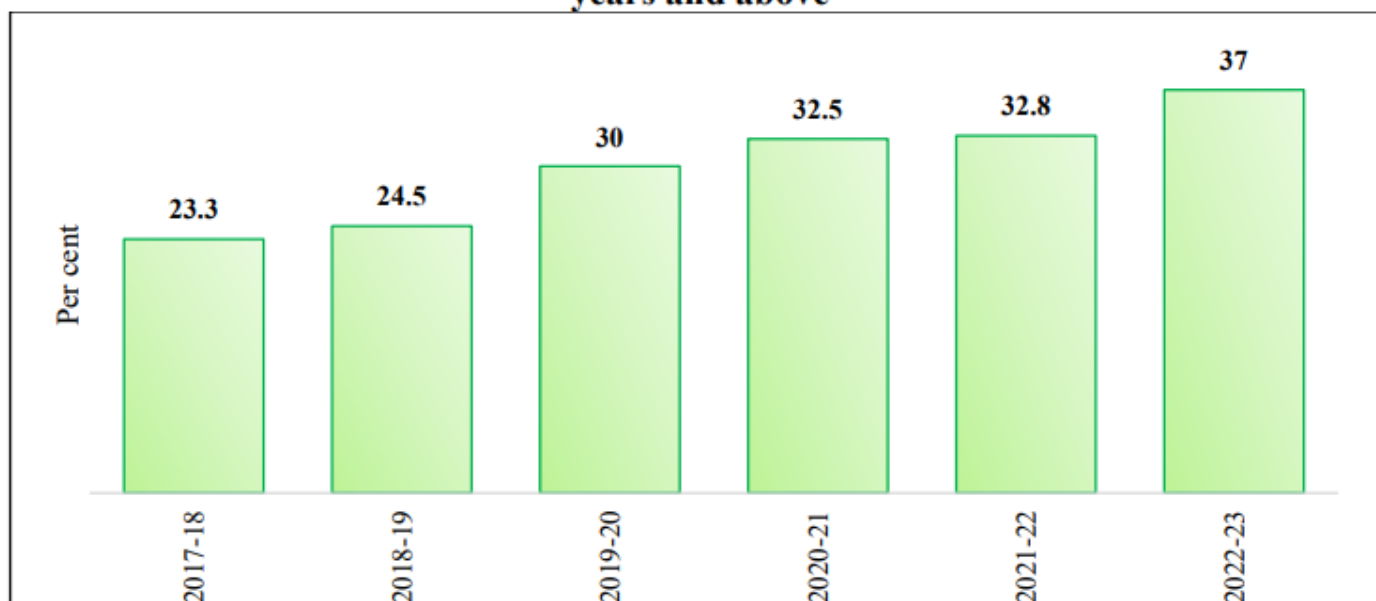
▪ **Health and Education of the Girl Child:**

- Initiatives like "Beti Bachao, Beti Padhao" and Sukanya Samridhi Yojana focus on saving, educating, and financial planning for the girl child.
- Increased Gross Enrollment Ratio (GER) of girls in secondary schools signifies progress.

▪ **Economic Impact and Progress:**

- The initiatives have contributed to a rise in the female labor force participation rate to 37% in 2022-23.
- Positive trends include an improved sex ratio at birth (933 in 2022-23) and a reduced maternal mortality rate (97/lakh live births in 2018-20).

Female Labour Force Participation Rate (rural+urban), usual status, 15 years and above



Focused on the Long-Term Perspective

- The document highlights the need for sustained and strategic efforts, adopting a comprehensive societal approach to address persistent challenges in human development. Two key areas of focus are outlined:
 - **Malnutrition and Public Health:**
 - Recognizing malnutrition as a barrier to realizing the demographic dividend, the approach to nutrition has been broadened to include sanitation, clean drinking water, basic medicines, housing, and a life cycle approach to **malnutrition** reduction.
 - Initiatives like Mission Saksham Anganwadi and Poshan 2.0 prioritize improved health, wellness, and immunity through micronutrient sufficiency, moving beyond a focus on calorific sufficiency alone.
 - Under the **POSHAN Abhiyaan**, cost-effective strategies such as technology-based monitoring via POSHAN Tracker, behavioral change, and program convergence are being implemented.
 - Positive outcomes are evident, with data from the National Family Health Survey showing a reduction in stunting from 38.4% to 35.5%, wasting from 21% to 19.3%, and underweight prevalence from 35.8% to 32.1% for children under five years from 2015-16 to 2019-21.
 - **Education and Human Capital Development:**
 - Having achieved universal access to elementary education, the focus has shifted towards enhancing learning outcomes to build a human capital pool suitable for a developed India@100.
 - The **National Education Policy** is identified as a silent revolution, addressing issues such as the impact of Covid-19 on learning, quality improvement in schools, and reforms in teacher training, community participation, and pedagogy.
 - The National Achievement Survey 2021 results highlight the need for upgrading the quality of education, emphasizing the importance of ongoing efforts outlined in the National Education Policy.

Employment situation in the Past Decade

- **Unemployment Trends and LFPR:**
 - The unemployment rate in India has significantly decreased from 6 percent in 2017-18 to 3.2 percent in 2022-23, as per the Periodic Labour Force Surveys (PLFS).

- This positive trend is observed across gender and rural-urban divides.
- The **Labor Force Participation Rate (LFPR)** has risen from 49.8 percent in 2017-18 to 57.9 percent in 2022-23, driven by an increase in rural female LFPR.

▪ **Organized Sector Job Market:**

- Payroll data for the Employees' Provident Fund Organisation (EPFO) indicates a consistent year-on-year increase in payroll additions since 2018-19.
- Net payroll additions to EPFO more than tripled from 61 lakh in 2018-19 to 139 lakh in 2022-23.
- **Aatmanirbhar Bharat Rojgar Yojana (ABRY)** played a significant role in the swift recovery of the organized sector job market post-pandemic.

▪ **Regular-Wage Jobs and Workforce Growth:**

- Despite a decline in the percentage of people with regular wages (from 22.8% in FY18 to 20.9% in FY23), the absolute number of workers in this category increased by almost 15 million during the same period.
- This challenges the misconception that a decline in the percentage implies a reduction in the total number of jobs.

▪ **Gig Economy and Job Creation:**

- The **gig economy** has witnessed significant growth, employing 77 lakh workers in FY21, according to a NITI Aayog report.
- Affordable internet access and smartphones have facilitated the rise of the gig economy, particularly in tier-2 and tier-3 cities.
- The gig economy serves as an entry point for job seekers, offering flexibility and acting as a potential pathway to better-paying jobs.

▪ **Overall Positive Transformation:**

- India has undergone a positive transformation in its employment situation over the past decade.
- Achievements include formalization, skill development, entrepreneurship, industry diversification, and inclusive growth.
- Commitment to technological advancement and infrastructure development positions India as a dynamic and resilient player in the global job market.

▪ **Persistent Challenges:**

- Despite positive trends, challenges remain, such as formalizing a growing workforce and creating jobs in sectors absorbing workers from agriculture.
- Ensuring social security benefits for those in regular wage/salaried employment is crucial, with 53 percent not eligible for any social security benefit, as per PLFS 2022-23.

▪ **Future Outlook:**

- As India navigates the challenges and opportunities of the 21st century, the positive aspects of its evolving employment scenario bode well for sustained economic growth and social progress.
- Ongoing commitment to addressing challenges will be essential for continued positive developments in the employment landscape.

Annual Labour Market Indicators (usual status, age 15 years and above)

(Values in per cent)

| | | Rural | | Urban | | Rural + Urban | |
|--------|------|---------|---------|---------|---------|---------------|---------|
| | | 2017-18 | 2022-23 | 2017-18 | 2022-23 | 2017-18 | 2022-23 |
| Male | LFPR | 76.4 | 80.2 | 74.5 | 74.5 | 75.8 | 78.5 |
| | WPR | 72.0 | 78.0 | 69.3 | 71.0 | 71.2 | 76.0 |
| | UR | 5.7 | 2.7 | 6.9 | 4.7 | 6.1 | 3.3 |
| | | | | | | | |
| Female | LFPR | 24.6 | 41.5 | 20.4 | 25.4 | 23.3 | 37.0 |
| | WPR | 23.7 | 40.7 | 18.2 | 23.5 | 22.0 | 35.9 |
| | UR | 3.8 | 1.8 | 10.8 | 7.5 | 5.6 | 2.9 |
| | | | | | | | |
| Person | LFPR | 50.7 | 60.8 | 47.6 | 50.4 | 49.8 | 57.9 |
| | WPR | 48.1 | 59.4 | 43.9 | 47.7 | 46.8 | 56.0 |
| | UR | 5.3 | 2.4 | 7.7 | 5.4 | 6.0 | 3.2 |

Rising Youth Employment

▪ Youth Unemployment Trends:

- **Overall Decline:** The youth unemployment rate in India has significantly decreased from 17.8 per cent in 2017-18 to 10 per cent in 2022-23.
- **Comparison with Overall Unemployment:** There are notable differences, with the 15-29 age group having a 10 per cent unemployment rate compared to the overall rate of 3.2 per cent, showcasing a sharp decline in youth unemployment.
- **Population Growth vs. Employment Growth:** Despite a population increase of 17 million in this age group, the **Working Population Ratio (WPR)** has risen from 31.4 per cent to 40.1 per cent, signifying an additional 35 million people finding employment.

▪ State-Level Impact:

- **Leadership of Youth-Populous States:** States like Uttar Pradesh, Bihar, and Madhya Pradesh, with a significant share of the young population, have been at the forefront of positive changes in youth employment.
- **State-wise Decline:** Uttar Pradesh, for instance, has seen its youth unemployment rate drop from 16.7% in 2017-18 to 7% in 2022-23.
- **Correlation with LFPR:** The decline in youth unemployment is accompanied by a rise in Youth Labor Force Participation Rate (LFPR) in these states, exemplified by Uttar Pradesh's increase from 33.7% to 41.4%.

▪ Impact on Employment Landscape:

- **Positive Narrative:** Contrary to concerns about a shrinking job market, the data reflects a positive narrative, showcasing the largest addition to the number of workers relative to the population in the 15-29 age group.
- **Population-Employment Dynamics:** The implied narrative challenges the perception of dwindling job opportunities for the youth, emphasizing a favorable trend in youth employment over the past decade.

▪ National Economic Implications:

- **Youth as Economic Contributors:** The rise in youth employment rates has broader implications for the economy, with a growing working-age population contributing positively to economic growth.
- **Demographic Transition Success:** The shift from a high youth unemployment rate to a decline and an increase in LFPR indicates success in managing the demographic transition, aligning with positive economic indicators.

The past decade has witnessed a significant improvement in youth employment in India, characterized by a decline in the unemployment rate, a rise in LFPR, and positive trends in populous states, challenging

concerns of a diminishing job market for the youth.

Rising Female Labour Force Participation Rate

The rising female labor force participation rate (FLFPR) in India is a significant trend, and several factors contribute to this positive shift.

- **Data and Statistics:**
 - **FLFPR Decline:** In the new millennium, India's FLFPR declined from 34.1% in 1999-00 to 23.3% in 2017-18.
 - **Recent Rise:** However, the trend has reversed in recent years, with FLFPR rising from 23.3% in 2017-18 to 37.0% in 2022-23, as per the "usual status" concept.
 - **Urban vs. Rural:** While urban FLFPR has also increased, the rural FLFPR has seen a sharper rise, from 24.6% in 2017-18 to 36.6% in 2022-23.
- **Factors Contributing to the Rise:**
 - **Improved Education:** While the initial decline in FLFPR coincided with increased female enrollment in education, this is expected to lead to higher future workforce participation as young cohorts complete their studies, aligning with Goldin's U-curve theory.
 - **Rural Employment Growth:** The recent rise in FLFPR is primarily driven by rural women entering the workforce, with an increase in self-employment and agricultural work among them.
 - **Contributing Factors:**
 - **Increased agricultural output:** This potentially creates more opportunities for women in agriculture.
 - **Improved access to basic amenities:** Reduced time spent on household chores might free up women's time for paid work.
 - **Shifting male workforce:** As men move towards non-agricultural jobs, women might be filling in for them in agricultural activities.
 - **Structural Shift within Rural Female Workforce:**
 - **Increased skilled agricultural labor:** The proportion of skilled female agricultural workers is rising (from 48% in 2018-19 to 59.4% in 2022-23), indicating a shift towards more productive and potentially remunerative work.
 - **Decreased reliance on manual labor:** The share of female workers engaged in physically demanding agricultural tasks is declining (from 23.4% to 16.6% over the same period), suggesting potential improvement in working conditions.
- **Points for Further Consideration:**
 - While the rising FLFPR is a positive trend, it's crucial to analyze the quality of these jobs, their impact on income and bargaining power within households, and the long-term sustainability of this trend.
 - The data suggests a potential feminization of agriculture, which requires further investigation regarding its implications for gender dynamics within the agricultural sector.

Overall, the rise in FLFPR, particularly in rural areas, presents a complex picture with both positive and potential challenges. Further research and analysis are necessary to understand the nuances of this phenomenon and ensure its sustainable and equitable contribution to India's economic and social development.

Skill Development and Entrepreneurship

- **Government Initiatives:** The government of India has recognized the importance of a skilled workforce in a rapidly changing global economy. In 2014, a Central Ministry was established, leading to the launch of the National Skill Development Mission and the National Policy on Skill Development and Entrepreneurship.
- **Educational Reforms:** The National Education Policy (NEP) 2020 emphasizes vocational education and skill development, aiming to integrate vocational education with general education and mainstream it. This is seen as a crucial reform in the country's education system.
- **Skill India Mission:** Launched in 2015, the Skill India Mission has been instrumental in youth

employment and skill development. The PM Kaushal Vikas Yojana has trained nearly 1.4 crore candidates since 2015. The recent introduction of the Skill India Digital platform further supports skill acquisition, education, employment, and entrepreneurship.

- **Skilling Progress:** The push for mass skilling has yielded positive results, reflected in India's rising position in WorldSkills Competitions. The employability of final-year and pre-final-year students has increased from 33.9% in 2014 to 51.3% in 2024, as per the [India Skills Report 2023](#).
- **Education-Skill Continuum:** The report highlights the need to mainstream skilling into the education curriculum, as outlined in the National Education Policy. Additionally, there is a call to upskill a significant portion of the existing workforce in future-relevant skills, considering a substantial percentage without formal/informal vocational/technical training.
- **Opportunities for Improvement:** Despite progress, there is room to improve the education-skill continuum, especially for individuals with ten or more years of schooling. The report suggests the establishment of finishing schools for employability to tap into the potential of the youth.
- **Future Impact:** The government's investment in human capital through skill development initiatives is expected to have a positive impact on various sectors, contributing to economic prosperity and social development.

India's External Sector: Safely Navigating Through Uncertainties

Merchandise Trade Depicted Resilience

- **Export Performance:**
 - India's merchandise exports have shown remarkable growth, exceeding 50% over the past decade, reaching a record high of USD 451.1 billion in FY23.
 - Services exports have also experienced significant growth, with a 120% increase over the same period, and software services consistently comprising almost half of the total service exports.
- **Trade Balance Improvement:**
 - Despite geopolitical tensions and weaker global demand affecting merchandise exports in FY24, India's merchandise trade balance improved significantly. The trade deficit decreased from USD 189.2 billion in April-November 2022 to USD 166.4 billion in the same period of 2023 due to a decline in imports.
- **Diversification Efforts:**
 - While the principal commodity classification of the Directorate General of Commercial Intelligence and Statistics (DGCI & S) has remained relatively stable, there is progressive diversification in India's export basket. There is potential for further diversification to add more quality and complexity to exports, leveraging existing capabilities.
- **Services Sector Resilience:**
 - India has established itself as a knowledge-based economy, with software services playing a crucial role in the service export sector.
 - Business services and financial services have witnessed double-digit growth since FY22, reflecting resilience in the aftermath of the pandemic.
- **Policy Measures for Export Promotion:**
 - The government is actively engaged in efforts to enhance production capacity and boost exports, with the aim of achieving a target of USD 2 trillion by 2030.
 - Deliberate policy measures and trade facilitation initiatives are in place to encourage export promotion. This includes setting export targets, monitoring, and course correction.
 - Measures such as export credit insurance services, affordable and adequate export credit for MSME exporters, and encouragement for exploring new markets and diversifying products competitively are being implemented.

Comfortable Balance on Current Account

- The comfortable balance on the current account of India has been attributed to several factors:
 - **Service Exports and Remittances Growth:**
 - Service exports experienced a Compound Annual Growth Rate (CAGR) of 7.1% from FY12 to FY23.
 - Remittances grew at a CAGR of 4.5% during the same period.

- The combined effect of these growth rates played a crucial role in maintaining a comfortable current account balance.
- **Current Account Deficit Improvement:**
 - The current account deficit (CAD) for the first half (H1) of FY24 decreased significantly, dropping to USD 17.5 billion from USD 48.8 billion in the same period of the previous year, reflecting a remarkable 64.1% decline.
 - This improvement was driven by broad-based enhancements in both merchandise trade and invisibles (services, transfers, etc.).
- **Remittances and High-Skilled Employment Shift:**
 - India is the largest recipient of worker remittances globally, receiving USD 125 billion in 2023.
 - A structural shift in the employment pattern of Indian migrants towards high-skilled jobs in high-income countries, such as the United States, the United Kingdom, and East Asia, contributed to the growth in remittances.
 - Approximately 36% of India's remittances are attributed to high-skilled migrants in these top high-income destinations.
- **Private Transfer Receipts:**
 - Private transfer receipts, mainly representing remittances, reached a record level of USD 112.5 billion in FY23, with a notable growth of 26.2% compared to the previous year.
 - During April-September 2023, private transfer receipts amounted to USD 55.2 billion, indicating a 4.1% increase from the corresponding period of the previous year.

Capital Account

- **Capital Account:**
 - Capital account witnessed an 88.2% YoY upsurge in H1 of FY24.
 - Mainly driven by higher inflows of foreign investment (direct and portfolio) into India.
- **Foreign Portfolio Investments (FPIs):**
 - Rupee stability and global factors triggered FPIs to increase exposure to Indian markets by USD 28.8 billion in H1 of FY24.
 - Contrastingly, there was a USD 7.8 billion outflow in H1 of FY23.
 - Measures like simplification of FPI regulatory regime contributed to this positive trend.
- **Foreign Direct Investment (FDI):**
 - India remains a preferred destination despite subdued global trends.
 - Factors include a young workforce, large middle-class population, and liberal measures like 100% FDI in most sectors.
 - Cumulative FDI inflows were USD 305.3 billion (2.2% of GDP) in FY05-FY14 and USD 596.5 billion (2.5% of GDP) in FY15-FY23.
- **Rupee Exchange Rate and External Debt:**
 - Macro stability and improved external position led to stability in the Indian rupee during FY24.
 - Foreign exchange reserves stood at USD 623.2 billion (covering more than ten months of imports) as of December 29, 2023.
 - External debt was USD 635.3 billion by end-September 2023, considered comfortable.
 - External debt to GDP ratio decreased from 22.4% (March 2013) to 18.6% (September 2023).

Way Forward for the External Sector

- **Export Diversification:** Acknowledge the anticipated decline in the share of exports in GDP for FY24 due to the global demand slowdown. Focus on diversifying the export portfolio to mitigate the impact of reduced demand in traditional markets.
- **FDI Reforms:** Recognize the positive trend in Foreign Direct Investments (FDI) as a result of continuous reforms in the FDI policy. Continue with policy reforms to attract foreign investments, aligning them with India's strengths.
- **Infrastructure and Logistics Improvement:** Strengthen efforts to improve infrastructure and logistics, as this is identified as a key factor for boosting exports and attracting investments.

Ensure timely implementation of projects to enhance supply chain efficiency.

- **FPI Confidence:** Acknowledge the increased confidence of Foreign Portfolio Investors (FPIs) in the prospects of the Indian economy and markets. Sustain this momentum by maintaining stability in foreign exchange reserves and the external debt position.
- **Remittances Growth:** Note the expected 8% growth in remittances, reaching USD 135 billion in 2024. Monitor and leverage this positive trend for economic stability and development.
- **Geopolitical Risk Management:** Recognize the potential risks from ongoing geopolitical tensions and the recent surge in shipping costs. Implement strategies to proactively manage and address these risks to minimize disruptions to trade.
- **Energy Cost Management:** Acknowledge the potential for triggering inflation, especially in energy costs, due to the recent surge in shipping costs. Develop strategies to manage and absorb increased energy costs, such as negotiating long-term contracts or exploring alternative transportation methods.

Climate Action

India's Climate Action Towards Building Resilience

- India's climate action towards building resilience is characterized by a comprehensive and ambitious approach. The key points include:
 - **High Resilient Growth and Inclusive Livelihood:**
 - The primary focus is on achieving high resilient growth while ensuring sustainable and inclusive livelihood options for all.
 - Access to energy is identified as vital for achieving development goals, including powering industry, enabling education and healthcare, and enhancing overall social and economic well-being.
 - **Global Responsibility Despite Low Historical Contribution:**
 - India acknowledges the need for collective action to address climate change within the framework of [UNFCCC](#) and the Paris Agreement.
 - Despite India's low historical contribution to global carbon stock, the country recognizes its responsibility and adopts a comprehensive approach addressing adaptation, resilience building, and mitigation actions.
 - **Nationally Determined Contributions (NDCs):**
 - India announced its first [NDCs](#) in 2015, including targets to reduce emission intensity, increase non-fossil fuel-based energy capacity, and create additional carbon sinks through afforestation.
 - Achievements include surpassing targets for non-fossil fuel-installed electricity capacity, emission intensity reduction, and carbon sink creation.
 - The NDCs were updated in 2022 with more ambitious targets, demonstrating India's commitment to climate action.
 - **National Action Plan on Climate Change (NAPCC):**
 - The strengthened NAPCC comprises nine missions focusing on specific areas such as solar energy, energy efficiency, water, sustainable agriculture, and others.
 - The [National Adaptation Fund for Climate Change \(NAFCC\)](#) supports adaptation actions, including projects in agriculture, water, forestry, livestock, and ecosystem restoration.
 - **Rapid Expansion of Non-Fossil Fuel Capacity:**
 - India's success in implementing climate targets is attributed to the ambitious expansion of non-fossil fuel capacity, which has more than doubled in the last nine years.
 - Installed solar energy capacity has increased significantly, contributing to the overall growth in non-fossil fuel capacity.
 - **Energy Efficiency Measures:**
 - Energy efficiency is recognized as a vital measure to reduce carbon emissions.
 - The Perform Achieve and Trade (PAT) scheme has resulted in substantial energy savings and avoided CO2 emissions.
 - The introduction of the Carbon Credit Trading Scheme (CCTS) further incentivizes energy-saving measures.
 - **Policy Incentives and Schemes:**

- Policy incentives, including schemes introduced post-2014, have played a critical role in boosting renewable energy and improving energy efficiency.
- Various schemes, such as solar parks, rooftop solar, and energy conservation programs, have contributed to the shift to non-fossil fuel energy.
- Major recent schemes include PM-KUSUM, UJALA, and PMUY, promoting energy efficiency through LPG connections, LED distribution, and street light installations.
- **LiFE Movement:**
 - The LiFE movement, launched in 2021, encourages individual and community actions for environmental preservation. Initiatives like [Green Credit Program \(GCP\)](#) and Ecomark incentivize environment-friendly behaviors.
- **Financial Sector Resilience:**
 - Regulatory measures, including sustainability reporting and green finance frameworks, highlight the integration of climate considerations into the financial sector.
- **Global Initiatives:**
 - India actively participates in international initiatives like [International Solar Alliance \(ISA\)](#), Coalition for Disaster Resilient Infrastructure (CDRI), Infrastructure for Resilient Island States or Infrastructure for Resilient Island States (IRIS), and LeadIT, showcasing leadership in addressing global climate challenges and fostering international cooperation.
- **Net Zero and Enhanced NDC Goals:**
 - The Indian government places the achievement of developmental priorities at the core of its efforts towards climate action.
 - Pursues the goal of reaching net zero by 2070 and enhanced NDC targets for 2030 through a diverse range of policy, regulatory measures, and incentives.
 - [Mission LiFE](#) is instrumental in aligning production and consumption patterns with mindful and deliberate utilization, moving away from mindless and destructive consumption practices.
- **India as a Climate Leader:**
 - India's significant climate actions, resulting in progress towards achieving its NDC well before 2030, have positioned the country as a climate leader.
 - India is recognized as the only G20 nation in alignment with limiting global warming to 2°C compared to its fair share contribution to climate action, showcasing its commitment to addressing climate change on a global scale.

Outlook

- **Economic Growth and Reforms:**
 - Over the past ten years, India has made significant strides in economic growth, moving from the 10th largest economy to the 5th largest, with a GDP of USD 3.7 trillion (estimated FY24).
 - The journey has been marked by substantive and incremental reforms that have contributed to economic progress and resilience.
 - The government anticipates becoming the third-largest economy in the world in the next three years, with a GDP of USD 5 trillion.
- **Reforms for Future Growth:**
 - Continued reforms are expected to help India achieve its goal of becoming a 'developed country' by 2047.
 - Full participation of state governments is crucial, and reforms should extend to governance at the district, block, and village levels, with a focus on citizen-friendly and small business-friendly measures.
 - Sustained growth in various sectors, such as health, education, land, and labor, is emphasized, with active involvement from the states.
- **Factors Contributing to Growth:**
 - Domestic demand, driven by private consumption and investment, has led to a 7 percent plus growth rate in the last three years.
 - Investments in physical and digital infrastructure, as well as measures to boost manufacturing, have strengthened the supply side of the economy.
- **Potential for Accelerated Growth:**

- The GDP growth rate has the potential to rise above 7 percent by 2030, supported by factors such as rapid infrastructure development, strengthened balance sheets, digital infrastructure expansion, technological progress, and favorable investment climate.
- **Structural Reforms and Global Context:**
 - The adoption of GST has unified domestic markets, incentivizing production on a larger scale and reducing logistics costs.
 - The credibility of the RBI in controlling inflation contributes to a stable interest rate environment.
 - Despite a sluggish global economic backdrop, the Indian economy has demonstrated internal strengths, with a compounded annual growth rate of 7.4 percent between 2014 and 2019.
- **Future Challenges and Reforms:**
 - Geopolitical conflicts pose a potential risk to growth.
 - Priority areas for future reforms include skilling, learning outcomes, health, energy security, reduction in compliance burden for MSMEs, and gender balancing in the labor force.
- **Aspirations for the Future:**
 - Under reasonable assumptions regarding inflation differentials and the exchange rate, India aims to become a USD 7 trillion economy by 2030, reflecting the aspiration to improve the quality of life and standard of living for its people.

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