



YOJANA



SPECIAL ISSUE

MARCH 2022

A DEVELOPMENT MONTHLY

₹ 30



VIDYA
VAHINI



**UNION
BUDGET
2022-23**



SPECIAL ARTICLES

Boosting Infrastructure

Nitin Gadgil

Strengthening Federalism

Dr Rajiv Kumar

LEAD ARTICLE

A 'Balanced Budget' for the Times

Dr T V Somanathan

FOCUS

Tax Proposals

Tarun Bora



Economic Survey 2021-22

State of the Economy

- Indian economy is estimated to grow by 9.2 per cent in real terms in 2021-22 (on per base advanced estimates) subsequent to a contraction of 7.3 per cent in 2020-21.
- GDP is projected to grow by 8-8.5 per cent in real terms in 2022-23.
- The year ahead is poised for a pickup in private sector investment with the financial system in a good position to provide support for the economy's revival.
- Projection is comparable with World Bank and Asian Development Bank's latest forecasts of real GDP growth of 8.7 per cent and 7.5 per cent respectively, for 2022-23.
- On the demand side, consumption is estimated to grow by 7.0 per cent, Gross Fixed Capital Formation (GFCF) by 15 per cent, exports by 16.5 per cent, and imports by 29.4 per cent in 2021-22.
- Macroeconomic stability indicators suggest that the Indian Economy is well placed to take on the challenges of 2022-23.
- A combination of high foreign exchange reserves, sustained foreign direct investment, and rising export earnings will provide an adequate buffer against possible global liquidity tapering in 2022-23.



cent of GDP in 2020-21 but is expected to follow a declining trajectory with the recovery of the economy.

External Sector

- India's merchandise exports and imports rebounded strongly and surpassed pre-Covid levels during the current financial year.
- There was a significant pickup in net services with both receipts and payments crossing the pre-pandemic levels, despite weak tourism revenues.
- Net capital flows were higher at USD 65.6 billion in the first half of 2021-22, on account of continued inflow of foreign investment, revival in net external commercial borrowings, higher banking capital, and additional Special Drawing Rights (SDR) allocation.
- India's external debt rose to USD 293.1 billion at the end-September 2021, from USD 556.8 billion a year earlier, reflecting additional SDR allocation by IMF, coupled with higher commercial borrowings.
- Foreign Exchange Reserves crossed USD 600 billion in the first half of 2021-22 and reached USD 673.8 billion as of 31 December 2021.

Prices and Inflation

- The average headline CPI-Combined (CPI-C) inflation moderated to 5.2 per cent in 2021-22 (April-December) from 6.6 per cent in the corresponding period of 2020-21.
- Food inflation averaged at a low of 2.9 per cent in 2021-22 (April to December) as against 9.1 per cent in the corresponding period last year.
- Wholesale inflation based on the Wholesale Price Index (WPI) rose to 12.5 per cent during 2021-22 (April to December).

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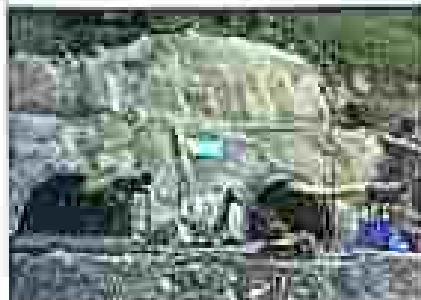
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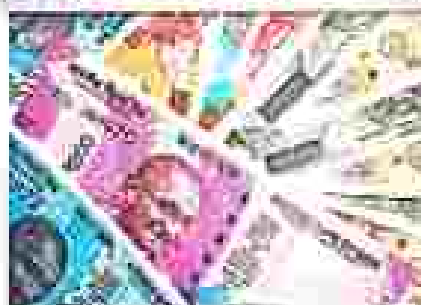
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India's Giant Leap

Dear Yojana team, I recently came across the magazine and I am really amazed to find such information about India. Yojana's special issue "Azadi Ka Amrit Mahotsav" brings such an intellectual expression from the people's responsibility to the Society and Development goals with Self-Reliance through Giant Leap. It's a great issue.

– M Harivanshkar
Bhubaneswar, Odisha

Contributing to Nation-building

Being a reader of Yojana for several years, it makes me wait for the next issue. Although each article is worth reading, the two that caught my immediate attention were "Global Agricultural Powerhouse" by Dr Sanyal who had very well highlighted India's progress in an exporter of agricultural produce from self-sufficiency. Secondly, "Role of Media" by Prof Dabrewi made an impact at a time when the general public is losing appetite for electronic media that carries information annotated with more rhetoric than reality, the way newspapers have made progress in India since 1780 before concluding with a challenge to Indian press to contribute to nation-building. Such articles make the magazine worth the money paid. My compliments to the entire editorial team.

– Rajiv Nagal
Karnataka

Insightful and Informative

I have been reading Yojana since 2018 and I will not every edition. I always read it to one go trying to get an insight of the articles. It always surprises me to know the information, occurrences in the country. It provides a new way of thinking about my country and its progress in all the fields. I love the articles and I always refer people in the reference that if you want to know the reality of our country, read it on a regular basis. It enhances my knowledge and my way of thinking towards the schemes which are ongoing in the country. Thank you, Yojana Team.

– Hijo Daman Verma
Ambikapur Nagar, UP

Growing Agricultural Sector

Thanks to Yojana and Dr Jagdeep Sanyal for writing an article about agriculture which is important for everyone. This article recollects all the struggles that our nation had faced in the developmental stage of agriculture and also about various policies and institutions which were involved in making India into a food-surplus nation from a food-scarce nation.

– Kanta Krishnamoorthy

Azadi Ka Amrit Mahotsav

Dear Editor, as an upcoming Civil Servant, I have been following the Yojana for almost a year now. Each month, a new topic is dealt with thoroughly which is quite helpful for my UPSC preparation. The January 2022 special issue was likewise an enlightening one, highlighting the various advances we as a nation have made in the past 75 years of 'Azadi', as well as such as space technology, military prowess, acute challenges, infrastructure, agriculture, industries, etc. The issue was full of important and exclusive images, both inside the articles and the archive sections.

– Santyadeep Paskar
Kolkata, West Bengal

National Education Policy 2020

Dear Sir/Madam, I am one of your regular readers. In February's edition, topics on education have been covered extensively that are thought-provoking and can provide guidelines for educators to improve the quality of education which is an urgent need of the hour. You are requested to give importance to issues on National Security regularly, as was done in January's edition which would help create awareness on national security issues and keep readers updated. Awareness and updated information on various aspects of our national security are needed. I would like to extend my best wishes for a successful journey as one of the most prestigious and widely read magazines nationwide.

– Ravi Bhushan
Karnalapur, Haryana

Budget in Challenging Times

The last two years have been difficult for the world economy as account of the pandemic. Repeated waves of infection, supply-chain disruptions, and more recently, global inflation have created particularly challenging times for policy-making. The Government of India, as mentioned in the Economic Survey 2021-22, opted for a strategy that provided a flower bed cushioning the impact on vulnerable sections of society and the business sector. It then pushed through a significant increase in capital expenditure on infrastructure to build back together demand, as well as aggressively implemented supply-side measures to prepare the economy for the sustained long-term expansion. This flexible and multi-layered approach is partly based on an "agile" framework that used feedback-loops, and the monitoring of real-time data.

According to the Survey, the year ahead is well poised for a boost in private sector investment with the financial system in a good position to provide support to the revival of economy. Agriculture and allied sectors have been the least impacted by the pandemic and are expected to grow by 3.9 per cent in 2021-22 after growing by 3.6 per cent in the previous year. The industrial sector went through a sharp rebound from a contraction of 7 per cent in 2020-21 to an expansion of 11.8 per cent in this financial year. The manufacturing, construction and mining sub-sectors were through the same swing, although the utilities segments experienced a more muted cycle as basic services such as electricity and water supply were maintained even at the height of the national lockdown. The Survey states that the services sector has been hit the hardest by the pandemic. This sector is estimated to grow by 8.2 per cent this financial year following last year's 8.4 per cent contraction. The Survey points out that the financial sector is always a possible area of stress during turbulent times. However, India's capital markets have done exceptionally well and have allowed record mobilisation of risk capital of Indian companies. An important theme that has been discussed through the course of the Economic Survey is that of "process reforms" that broadly relates to simplification and smoothing of the process for activities where the Government's presence as a facilitator or regulator is necessary.

The Union Budget 2022-23 focuses on the four pillars of PM GatiShakti, inclusive development, productivity enhancement and investment, sunrise opportunities, energy transition, and climate action financing of investments. PM GatiShakti is a transformative approach for economic growth and sustainable development driven by seven engines, namely, Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure. A new scheme, Prime Minister's Development Initiative for North East (PM-DevINE), will be implemented through the North-Eastern Council to fund infrastructure. In agriculture, modern techniques like Kisan Drones and chemical-free Natural Farming will be promoted throughout the country. To keep pace with the New Education Policy vision, One Class-One Channel programme of PM eVIDYA will be expanded from 17 to 200 TV channels and this will enable all States to provide supplementary education in regional languages for classes 7-12. Also, a Digital University will be established to provide access to students across the country for world-class quality universal education. In the health sector, under Ayushman Bharat Digital Mission, an open platform for the National Digital Health Ecosystem will be rolled out for universal access in health facilities. As the pandemic has accentuated mental health problems in people of all ages, a 'National Tele-Mental Health Programme' will be launched for better access to quality mental health counselling and care services.

To augment financial inclusion in 2022, all the 1.5 lakh post offices will come on the core banking system. To mark 75 years of independence, the Government has proposed to set up 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks. It has proposed to introduce Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23. For the taxation of virtual digital assets, the Budget provides that any income transfer of any virtual digital asset shall be taxed at the rate of 30 per cent.

This Budget aims to be all-inclusive and welfare-focused with the promotion of digital economy and Fresh, Technology enabled development, Energy Transition and Climate Action and reliance on private investment. □



Boosting Infrastructure

Nitin Gadkari

The keystone of governance is to create economic growth and spread the benefits of growth to all. The benefits of growth are well recognised, ultimately leading to well-being of citizens and meeting their aspirations. A better quality of life and "ease of living" results from policies that aim to create right conditions for new economic opportunities. Higher economic growth leads to more funds being available for social development, finally taking us to a virtuous cycle of growth and development. The USD 5 trillion target for our GDP is an ambitious one, and strategy to achieve the same revolves around creating an ecosystem for growth, with its foundations on creation of infrastructure, and Atmanirbhar Bharat. As we celebrate 75 years of independence, Azadi Ka Amrit Mahotsav, we have embarked upon an ambitious development journey.

Infrastucture development has been at the core of the government's efforts since 2014 to fuel economic growth. The focus has not only been on physical infrastructure but also digital infrastructure. The digital infrastructure created through the UPI initiative has been a singular success. The ease of payment achieved by UPI could not have been visualised, and today one can buy a cup of tea from a street food vendor and make the payment electronically, utilising the UPI platform. The strength of the banking sector was in having a large branch network, but the robust digital infrastructure has led to accessible financial services to citizens without having to visit a bank. Similar digital initiatives like Bharat Net—providing broadband access to 2.5 lakh Gram Panchayats; Aadhaar; Ayushman Bharat Digital Health Mission, etc., are important parts of the digital infrastructure that enables financial and social inclusion, and people-centric governance.

The creation of physical infrastructure is equally important with its multiplier effect on economic growth. Good quality infrastructure improves productivity and for economic growth to be sustained, the growth has to be based on improving productivity. The government is pushing for investments in infrastructure, as it creates jobs, boosts private investment in core sectors, reduces logistic costs for the economy, improves the competitiveness of the manufacturing industry in domestic and global markets, enhances government tax revenues, and improves ease of living for citizens.

Considering the massive investment required to build infrastructure, it was decided to lay down a clear roadmap of all infra development projects that were to be taken up.

PM GATISHAKTI

100% Budget Allocation

National Master Plan For World Class Modern Infrastructure

Road	Rail	Air
<ul style="list-style-type: none"> Completion of 2020 km Express Highway by 2022-23 Launched Lakshya Infrastructure Pallets Open Source Hybrid EPC 	<ul style="list-style-type: none"> Investment of Rs 60,000 crore in Railways One Billion One Project 400 New-generation Wide Street Trolleys 	<ul style="list-style-type: none"> Continuous Connectivity Expansion in 16 major & 16 other States High-end Terminal Operational PM Capacity Augmentation International Projects

The author is the Union Minister, Ministry of Road Transport and Highways, GoI, Email: nitin.gadkari@nic.in

Hence, the National Infrastructure Pipeline (NIP) came into being, with projects requiring an investment of Rs.111 lakh crore. This was clear guidance to the markets about the intention of the government, giving confidence to investors that a comprehensive approach had been adopted. To achieve the highest multiplier effect of investment in infrastructure, a practical approach to planning and delays in implementation are two factors to be avoided. The NIP aligned with the recently launched GatiShakti programme will ensure a complete approach and timely delivery based on better coordination and planning.

PM GatiShakti National Master Plan- launched by the Ministry of Commerce & Industry- is a programme that includes 16 Ministries (including Railways & Roadways) for integrated planning and coordinated implementation of infrastructure connectivity projects. It leverages a dynamic Geographic Information System (GIS) based ERP (Enterprise Resource Planning) platform planned in collaboration with Bharatuchay National Institute for Space Applications and Geo-informatics (BISAG-N), wherein data on specific action plans of all the concerned Ministries/Departments, will be incorporated within a comprehensive database.

Developing infrastructure in a diverse country like ours requires detailed planning and facilitation. The process starts with a plan for the country and details into the entire network of roads & highways. The Bharatmala Pariyojana gave us the blueprint for highway development in an integrated manner. This blueprint could be used to initiate the preparatory work of detailed project reports, finalising alignments, land surveys, etc. Bharatmala Pariyojana is an umbrella programme for highway development that was envisaged to bridge critical infrastructure gaps across the country. The programme visualised construction of 34,000 km of National Highways to be implemented by three different agencies of the Ministry, i.e., NHAI (90%), MoRTH PWD (6%), and NHIDCL (4%). The programme

The creation of physical infrastructure is equally important with its multiplier effect on economic growth. Good quality infrastructure improves productivity and for economic growth to be sustained, the growth has to be based on improving productivity.

will see a corridor-based National Highway development connecting 550+ districts of the country and catering to 75-80% of total freight on National Highways. Currently, out of the planned 34,000 km, projects of length 19,470 km representing a total capital cost of Rs 5.76 lakh crore have been awarded.

The programme represented a paradigm shift in terms of looking at the creation of expressways, as greenfield alignments, Brownfield expansion and improvement of highways serve

an important purpose, but the game-changer in terms of reducing logistic costs is building access controlled greenfield expressways connecting key large origin-destination centres. Consequently, 5 flagship expressways and 17 access-controlled corridors are being developed as part of Bharatmala Phase-1 at a total capital cost of Rs 2.6 lakh crore. The 5 expressway projects- namely Delhi-Mumbai, Ahmedabad-Dholera, Bengaluru-Chennai, Delhi-Amritsar-Katra, and Kavaratti-Leh-Ditroo- account for 2,495 km and a total capital cost of Rs 1.63 lakh crore. Additionally, the 17 access-controlled corridors of 3,926 kms (comprising of marquee projects such as Rajpur-Vidakhapatnam, Andhra-Kozhikode, Amritsar-Bhatinda-Jamnagar, etc.) are being developed at a total capital cost of Rs 1.97 lakh crore. About 5,000 km out of 8,400 km of these greenfield corridors have already been awarded and about 1,000 km will be completed and opened to traffic in the next few months.

For the government, spreading economic benefits to all is a keystone, and these expressways, passing through under-served and under-developed regions, open economic opportunities to the people of these regions, encourage private investment, and bring the fruits of development to the people. It is now time for us to launch Phase 2 of Bharatmala programme, and we have high levels of cohesion considering the expectations of people across the country.

For a better perspective, it is useful to look at data on expansion in the overall network length and expansion.

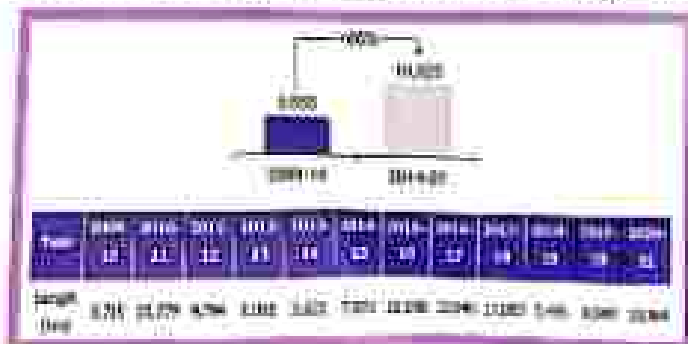


Figure 1: Trend of average annual award from FY 2009-10 till FY 2020-21



Figure 2: Trend of average annual contract award from FY 2009-10 till FY 2020-21

The pace of award of works for National Highways has almost doubled from an average of ~5,000 km per annum between FY 2009-10 till FY 2013-14 to ~11,000 km per annum since FY 2014-15, as shown in Figure 1.

Similarly, the pace of annual construction has increased by 1.8 times to ~9,000 km per annum since FY 2014-15, in comparison to ~4,900 km constructed per annum between FY 2009-10 till FY 2013-14, as shown in Figure 2.

Specifically, in the last financial year, the Ministry of Road Transport and Highways achieved a historical pace of National Highways construction of ~37 km/day (i.e., 13,317 km in the year).

Logistic costs must be reduced, and this happens to some extent by developing highways but that itself is not sufficient to maximize returns from the investment in highways. We need multi-modal logistic parks connected to highways, waterways, airports, and railways, to allow cargo to move seamlessly. Multi-Modal Logistics Parks (MMLPs) are critical enablers for ensuring integrated and efficient transportation as per the vision laid out in the TM GatiShakti National Master Plan. MMLPs enable seamless transfer of goods across modes and facilitate a hub and spoke model of freight movement with hub-to-hub line link on more efficient modes such as inland waterways or larger sized trucks and fast efficient mile movement on tracks. Ambitious plans to develop MMLPs have been drawn up. MMLPs shall also provide key services such as advanced storage infrastructure, fire and hazardous connectivity to key nodes in freight corridors, and value-added services such as customs clearance and provisions for late-stage processing activities. Therefore, MMLPs are expected to reduce logistics costs. MMLPs are being developed across the country in 35 strategic locations (such as Jodhpur, Nagpur, Chennai, Indira, Bapatnagar, etc.) to address inefficiencies in the logistics

sector. These 35 MMLPs will cater to over 50% of the nation's road freight movement.

The development of highways in left-wing extension impacted districts has also received special attention since 2014. For instance, a Greenfield corridor between Raipur and Vishakhapatnam is being developed passing through backward districts of Chhattisgarh, Odisha, and Andhra Pradesh. The corridor identified for development in Phase I of Bharatmala Pariyojana will improve connectivity in districts affected by Left Wing Extremism and in operational districts. Further, there has been a focus on border areas and North-Eastern States too in the 34,300 km planned under Bharatmala Pariyojana, as indicated in Figure 3.

State	Length under Bharatmala (km)
Jammu & Kashmir (incl. Ladakh)	398
Nagaland	193
Mizoram	361
Meghalaya	128
Assam	312
Manipur	607
Tripura	75
Total	1,274

Figure 3: Length planned under Bharatmala Pariyojana – North Eastern States + Border

At 14.96 km, the Zaski tunnel on the Srinagar-Leh road will be Asia's longest bi-directional tunnel. The tunnel will shorten the distance between Datal (Kashmir) and Miranpur in Ladakh from 40 km to 13 km, slashing travel time from three hours to 15 minutes.

The level of infrastructure development requires



Figure 4: Map of Zaski Tunnel on Srinagar-Leh Road



Construction Activities at Zojila Tunnel

investments at a mammoth scale. Giving advice/guidance to the market of investment needs is a starting point. NIP is a step in that direction. Focus on timely completion and willingness of the government to step in when needed, helps in building investor confidence. GatShakti is an initiative towards this end. Innovative methods of augmenting finance by understanding financial markets and offering diverse products is the other aspect of the solution. As part of the National Monetisation Pipeline (NMP), NHAI has launched its InvIT (Infrastructure Investment Trust) to monetise road projects. In view of the long-term nature of the assets, the units of InvIT were placed with international and domestic institutional investors. NHAI InvIT attracted two international pension funds, namely Canadian Pension Plan Investment Board and Ontario Teachers' Pension Plan Board, as anchor investors. The initial portfolio comprising of 5 roads raised Rs 8,000

crore with 50% of investment from foreign investors. Further, more roads are expected to be added to the InvIT later. NHAI has demonstrated its strong ability to attract a wide variety of sophisticated investors for NMP.

Lastly and most importantly, protecting the environment while developing infrastructure is an efficient balancing act. My approach is to look towards protecting the environment while faced with situations. Progress in the plantation of trees along highways is personally reviewed by me.

MORTH realised the need and importance of developing green corridor and promulgated Green Highways (Plantation, Transplantation, Beautification and Maintenance) Policy in September 2015 to develop green corridors along National Highways for sustainable environment growth. Consequently, NHAI has been undertaking plantation drives from time to time to develop eco-friendly National Highways and has consistently addressed ecological concerns by adopting environmental-friendly methods. In post-policy years from 2016-17 to 2020-21, more than 2 crore plants have been planted. Till November 2021, over 61 lakh new plants have been planted by NHAI with avenue plantation accounting for 17.5 lakh, while median plantation accounting for 35.6 lakh new plants. Further, the plantation is closely monitored using the latest technology of drone videography and geo-tagging, along with the traditional methods of field inspections.

NIP coupled with the recently launched GatShakti programme will ensure a complete approach and timely delivery based on better coordination and planning. PM GatShakti National Master Plan is a programme for integrated planning and coordinated implementation of infrastructure connectivity projects.

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Strengthening Federalism

*Dr Rajiv Kumar
Ravindra Pratap Singh
Ranveer Nagaria*

Central Government is committed to strengthening the hands of the States by enhancing their capital investment towards creating productive assets and generating remunerative employment. The Budget 2022-23 is a continuation of a series of reforms, policies and measures that have strengthened India's federal system. The increased capital expenditure on infrastructure will enhance economic activity across the nation.

India is a country with continental proportions and draws upon her diversity as a strength. Federalism was the model adopted that would best suit an independent India. In the wake of need for fast paced development of the nation as a whole, as well as the rising regional aspirations and quest for more share in the economy, the dynamics of Federalism in the country appear to be coming into attention more than ever before. To better serve the needs and aspirations of the people in the federal polity, as a major step moving away from centralised planning to a more decentralised and participative setup, the Planning Commission was replaced by the National Institution for Transforming India (NITI Aayog) on 1 January 2015. From a body like Planning Commission which imposed policies on States and tied allocation of funds with projects it approved, we moved to a think-tank which enables greater role for involvement of the States in policy making and offers expert guidance and policy advice through its state-of-the-art Resource Centre.

Cooperation and competition are the two sides of the same coin— 'Federalism'. Both are essential to take the 'New India' march forward economically and socially. While on the one hand the States need to be assisted with resources and sound policy advice, on the other they need to be encouraged to improve their performance. NITI Aayog since its inception has been able to balance the two and provide necessary support to the States.

Cooperative Federalism

NITI Aayog works towards a shared vision of national development priorities with the active involvement of States to foster cooperative federalism. NITI's



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Ravindra Pratap Singh is PS to Vice-Chairperson, NITI Aayog.
Ranveer Nagaria is Public Policy Consultant, NITI Aayog.

Governing Council, chaired by the Prime Minister, comprises of all the Chief Ministers and Lieutenant Governors of UTs in equal numbers and a selected Government of India ministers. The Governing Council meets annually to evolve a shared vision of country's economic development. In the 4th Governing Council Meeting held on 20 February 2011, a unique historic took place where extensive workshops were held between NITI Aayog, Ministers and State Governments to finalise the agenda for the Governing Council's deliberations.

One of NITI Aayog's major initiatives since its inception has been formulating the Strategy document (i.e. 2017 *Undangan* 23). Its preparation followed an extremely participative approach. Over 800 stakeholders from within the government—Central, State and District levels—and about 550 external experts were consulted during the preparation of the document. The overarching focus of the Strategy document was to further improve the policy environment in which private investors and other stakeholders can contribute their fullest towards achieving the goals set out for New India 2022 and propel India towards a USD 3 trillion economy.

A number of steps have been taken by NITI Aayog to foster cooperative federalism. These steps are showcased in the development blueprints prepared jointly with Governments of Uttar Pradesh, Jharkhand, and Madhya Pradesh. Regular sharing of best practices, policy support and capacity development of State/UT functionaries, etc., are other areas where NITI partners with State governments.

It has been observed that NITI's interaction with the States have resulted in many changes at the institutional level with many States reimagining the roles of their planning and finance departments. The 17 goals and 169 targets

The Aspirational Districts Programme (ADP) of NITI

Aayog launched in January 2018 focuses on 112 of India's most developmentally challenged districts across sectors such as health and nutrition; education; agriculture and water resources; basic infrastructure; and financial inclusion and skill development.

under the SDGs are interdependent and inter-connected, and require concerted and coordinated action within the various departments. This holistic nature of the goals has forced States to dismantle silo-based functioning prevalent in government institutions. Such collaboration paves the way for convergence of developmental schemes with programme or beneficiary overlapping, better utilisation of resources and greater achievement of outcomes. Thus, new structures are laid for novel and goal-driven partnerships at State and sub-State levels. States and

UTs have explored and innovated different ways for such institutional development.

Competitive Federalism

NITI Aayog attempts to promote competitive federalism by means of facilitating improved performance of States/UTs. It stimulates healthy competition among States through developing indicator frameworks and transparent rankings in various sectors, review mechanisms and capacity-building with a hand-holding approach. States are ranked through various indices measuring ease of doing business in Sustainable Development Goals. The ranking on social indicators based on quantitative objective criteria encourages States (and districts) to improve their performance.

As one of its major transformative initiatives, NITI Aayog also releases rankings in the monthly changes in the performance of Aspirational Districts. The Aspirational Districts Programme (ADP) of NITI Aayog launched in January 2018 focuses on 112 of India's most developmentally challenged districts across sectors such as health and nutrition, education, agriculture and water resources, basic infrastructure, and financial inclusion and skill development. The aim of these rankings is to promote immediate improvement through greater efficiency and convergence in governance and measuring progress by ranking districts on a monthly basis. Districts are challenged and encouraged first to catch up with the best district in their State, and then aspire to become one of the best in the nation, by competing and learning from others in the competitive and cooperative spirit of federalism. Pursuing the spirit of competitive and cooperative federalism, the districts are supplied supplementary funding from the Government of India to focus on key projects in their districts. Top ranked aspirational district gets Rs 10 crore, second best receives Rs 5 crore and sector wise best gets Rs 3 crore each.

Some of the indices launched by NITI Aayog are Composite Water Management Index, India Innovation Index, Export Competitiveness Index, School Education



Quality Index, State Health Index and Sustainable Development Goals Index

Fostering Localisation of SDGs

Starting in 2018, NITI defined the contours of the national progress monitoring on SDGs based on key national development priorities in its first ever framework for monitoring the country's progress on the SDGs – SDG India Index and Dashboard. Since then, this framework has been continuously revised with feedback from States/UTs and consultations with ministries to broaden the scope for the SDG-based monitoring framework. The latest version of the SDG India Index contains 100+ indicators. Now in its fourth year, it has been institutionalised and established as the country's principal and official policy tool on benchmarking national and sub-national progress and has simultaneously fostered competition among the States.

Most recently, as a part of its localisation efforts, NITI published the first regional index – The North-Eastern Region District SDG Index. The Index measures the performance of all the 100+ districts of the eight States of Assam, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura on the SDGs and their corresponding targets. Taking the successful SDG localisation model further to the level of urban areas, NITI Aayog developed and released the SDG Urban Index & Dashboard (2021-22) in November 2022. It ranked 56 sub-urban on 77 SDG indicators and highlighted the strengths and gaps in ULB-level data, monitoring, and reporting systems. This interactive tool is aimed at strengthening SDG localisation at the city level and fostering the creation of an ecosystem in which all stakeholders are equipped to adopt and implement data-driven decision making. The process of localisation involves more than a mere local application of high-level agendas. Rather, SDG localisation encompasses a host of factors such as local agenda setting, decision-making and process monitoring with locally adapted indicators, which together generate the ownership necessary for successful SDG implementation on a local scale. It is thus critical that the sponsors of sustainable development focuses on being more responsive and relevant to local needs and aspirations. NITI Aayog has created strong partnership with States to achieve SDG-oriented development agenda. This enables it to foster cooperative federalism with the convergence in the vision for development between States and the Union.

Strengthening Fiscal Federation

Fiscal federalism has also seen structural strengthening since 2014. The successive Finance Commissions have raised the share of States in tax revenues from 29.5% between 2009-05

to 42% currently. This has greatly expanded the fiscal space afforded to State governments to pursue their development priorities. This increase in devolution has been accompanied by the abolition of fiscal economic plans, and the dissolution of the Planning Commission. Centralised policy and decision making has now given way to a decentralised system, with more flexibility and financial autonomy for State Governments.

The State Governments have frequently raised the issue of getting more unconditional transfers relative to the conditional transfers. These conditional transfers are generally in the form of Centrally Sponsored Schemes (CSSs). The share of general-purpose transfers, which are unconditional in nature and come with no strings attached, in total central transfers increased from 64.8% in 2011-12 to 74.2% in 2019-20, while that of specific purpose transfers, which are conditional in nature, have declined from 35.2% to 25.7% during this period. Among the key fiscal support measures by Centre to States to fight Covid-19 and support economic growth, it is important to highlight that the Centre increased the borrowing limits of States from 2.0% of GDP to 3.0% for 2020-21, providing the States extra resources of Rs 4.5 lakh crore.

As highlighted in Budget 2022-23, GST has been "a landmark reform of independent India showcasing the spirit of cooperative federalism". Goods and Services Tax (GST) is governed by the GST Council, where States are equal partners. Despite the nationwide surge in Covid-19 cases, gross GST collections for the month of January 2023 were recorded at Rs 1,40,976 crore, which is the highest since the inception of GST. Total GST collections are estimated to grow 23% in 2021-22, as per revised estimates in the Budget. GST has played a major role in the stimulation of the Indian economy. The introduction of GST has eliminated transactions which were not recorded earlier in the books of accounts and were outside the tax net. The seamless flow of information facilitated by GST would eventually impact not only the indirect Tax collection but also Direct Tax collection. It has enabled to keep a check on the fiscal related to payment of tax (tax evading) through stricter tax compliances and transparency.

The Union Budget also stated that in 2022-23, in accordance with the recommendations of the 15th Finance Commission, States will be allowed a fiscal deficit of 4.0% of GDP of which 0.3% will be used to power sector reforms.

Reflecting the true spirit of cooperative federalism, the Central Government is committed to strengthening the bonds of the States by enhancing their capital investment awards creating productive assets and generating remunerative employment. In her Budget speech, the Finance Minister pointed out that the 'Scheme for Financial Assistance to States for Capital Investment' has been extremely well received by the States. In accordance

with the requests received during her meetings with Chief Ministers and State Finance Ministers, the outlay for this scheme was enhanced from Rs 10,000 crore to Rs 15,000 crore in 2021-22. For 2022-23, an allocation of Rs 1 lakh crore (10 times the total outlay of 2021-22) has been made to assist the States in catalysing overall investments in the economy. These 50-year interest free loans are over and above the normal borrowings allowed to the States. The Union Budget also stated that in 2022-23, in accordance with the recommendations of the 15th Finance Commission, States will be allowed a fiscal deficit of 4.0% of GDP of which 0.5% will be tied to power sector reforms.


The Budget seeks to provide an equal treatment to Central & State Government employees with an increased tax deduction limit from 10% to 14% on the employer's contribution to the NPS (National Pension System) account of the State Government employees. The Budget also focuses on providing urban planning support to States. For urban capacity building, the Central Government will support States in implementing Modernisation of building



bylaws, Town Planning Schemes (TPS), and Transit Oriented Development (TOD). The Central Government's financial support for mass transit projects and AMRUT scheme will be leveraged for formulation of action plans and their implementation for facilitating TOD and TPS by the States.


Among other key measures, a new scheme, the Prime Minister's Development Initiative for North East (PM-Dev(NE)) was announced to be launched with an initial allocation of Rs 1,500 crore. The Scheme will fund infrastructure, in the spirit of PM CareShakti, and social development projects based on felt needs of the northeast.

The Budget 2022-23 is a continuation of a series of reforms, policies and measures that have strengthened India's federal system. The increased capital expenditure on infrastructure will enhance economic activity across the nation. Fiscal federalism, combined with cooperative and competitive federalism will lead India into the post-pandemic era of rapid and equitable growth, improvement in the peoples' ease of living and environmental sustainability.



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A 'Balanced Budget' for the Times

Dr T V Somanathan

Budgets in a parliamentary democracy serve several purposes. Partly, they are an annual financial statement, a function which is routine but crucial; but they are also statements of policy intent. Unlike the private sector, governments cannot choose their customers—they must serve all. They have not the luxury of concentrating on “core competencies”—they have to do everything the Parliament expects. They provide many things free—so demand is much higher than any feasible supply or affordability. They extract taxes—which are as unpopular as they are inevitable. For all these reasons, budget-making is a hugely complex balancing act.

The Budget 2022-23 is a budget for these peculiar times. Its biggest theme is boosting growth and employment through a large increase in public investment for the second year running, while continuing support for agriculture, health, education, and welfare programmes. The budget for capital expenditure has been increased by over 35%. The PM GatiShakti programme aims at not merely quantitative expansion in infrastructure, but also a qualitative leap through meticulous planning. Too often, we have had poor coordination between road and rail, rail and metro, port and road, etc. Integrated planning and execution can considerably increase domestic productivity and export competitiveness.

Another priority is the generation of gainful employment. The capital expenditure boost in itself will generate millions of jobs directly and indirectly (through its multiplier effect on other sectors). A special feature is the unprecedented helping hand to States for their capital expenditure through a provision of Rs 1 lakh crores of interest-free 50-year loans, additional to their normal borrowing ceiling. The credit guarantee scheme for MSMEs is being revamped to provide a massive Rs 2 lakh crores of new lending. Additional credit to hospitality, tourism, and related (pandemic-affected) sectors is being provided through the highly successful Emergency Credit Line Guarantee Scheme (ECLGS). The outlay for the PM Gram Sadak Yojana has been increased by 27%. Moreover, supplemental funding will be provided to States to meet their share in respect of certain priority sections.

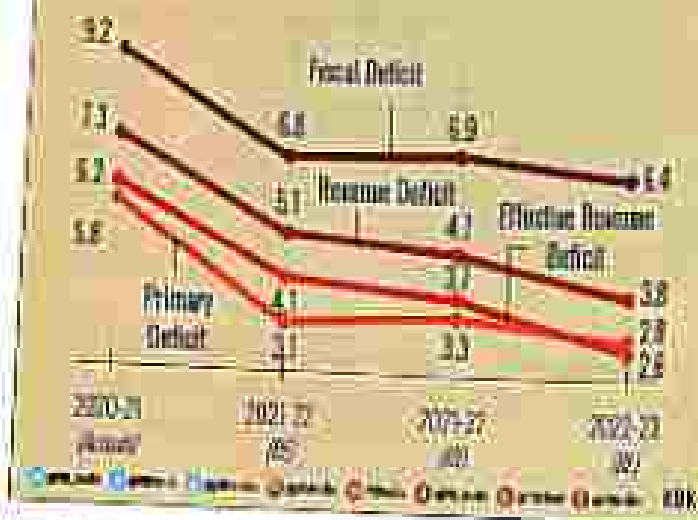
Adequate provisions have been made to support agriculture, including fertilizer subsidies, and grain procurement. Apart from the ongoing National Health Mission and AYUSH programmes, the new PM Amrit Bharat Health Infrastructure Mission will permanently upgrade India's health capacity. A new, flexible, need-based “PM's Development Initiative for the North-East” (PM DevINE) has been started for projects which may not fit into the parameters of standard schemes. In line with Finance Commission recommendations, 130 Centrally Sponsored Schemes



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TRENDS IN DEFICIT

(% of GDP)



ACCELERATING GROWTH OF MSME

- Revamping Udyam, E-Shram, NCS, ASEM Portal
- Expanding ECLGS with focus on Hospitality & Retail Enterprises
- Revamping CGIMSE with additional credit of 2 lakh crore
- Rolling out of RAMP Programme: Raising & Accelerating MSME Performance with outlay of 6000 crore over 5 years

have been revamped and restructured into 65, enabling greater flexibility and impact.

While handling the financial predicaments of today, the Budget lays a foundation for solving the policy problems of tomorrow. It contains a wide, carefully conceived, range of fund allocations, and policy initiatives for the India of 2047 including world-class indigenous railway technology, 'kisan drones' for agriculture, 'drones as a service', digital health information, telemedicine, electronic passports, digital currency, clean public transport, battery swapping, green hydrogen, coal gasification, and universal optical fibre access. A clarity in taxation of crypto-instruments, plugging of loopholes, and modernisation of Customs administration of SEZs are important features of the Budget.

In his poem "Bharat Densar", the visionary Subramania Bharathi dreamt of using the excess water flowing to Bengal to grow crops in central India. He passed away in 1921. A hundred years later, the first river-linking project is beginning, through the Ken-Betwa project.

All of this is combined with a careful fiscal policy to preserve macroeconomic stability. In spite of pandemic-related spending and disinvestment shortfalls, high revenue growth, and tight expenditure control have enabled the fiscal deficit for 2021-22 to remain at 6.9% of GDP, close to its budgeted level. This is the biggest ever single-year reduction in the fiscal deficit. Next year, the deficit is expected to be 6.4 % of GDP. It is noteworthy that the fiscal deficit is effectively only 6.0% excluding the special transfer to States for capital expenditure. The revenue deficit is estimated to decline even more sharply from 5.7 to 3.8%. Without levying new taxes, the Budget adheres to the consolidation trajectory announced in the last budget of reaching 4.2% of GDP by 2025-26, starting from the 2025-21 figure of 9.2%.

In economics, a balanced budget is one where expenditure is equal to revenue. The 2022-23 Budget is a balanced budget in a different sense: balancing action in the present with a vision for the future, ambition in attitude with prudence in practice.

Tax Proposals

Tarun Bajaj

In line with the broader vision of the Budget, the tax proposals for this year aim to make Indian Taxation System act as a facilitator and enabler in the country's march towards prosperity. It has been felt that the time available to a taxpayer to submit or further update his particulars of income in the form of a return for an assessment year was not adequate. The big data analytics is the way forward to ensure an effective and non-intrusive tax administration.

Bernard Russell had written once, "Those who passed through that valley of darkness emerge at last into a country of unearthly beauty...". The crippling shadow of the Covid pandemic is receding and India is back on the high-growth trajectory of estimated 9.2% growth in the current financial year, which is the highest among all the large economies. India will continue to be the fastest-growing economy amongst the world's major economies in the coming years.

In line with the broader vision of the Budget, the tax proposals for this year aim to make the Indian taxation system act as a facilitator and enabler in the country's march towards prosperity. Further, reforms have been introduced to establish a trustworthy tax regime by simplifying the tax system, promoting voluntary compliance by the taxpayers and reducing litigation. Some of the important proposals on direct taxes and their rationale is as detailed below.

DIRECT TAXES

Updated Return

Revenue collection is a sovereign function of the state which casts a responsibility on the taxpayer to file a return of income up to the due date as per the Income-tax Act, 1961, if their income is above a certain exemption limit. The Act further allows the taxpayers, who could not file their return within the due date, to file a belated return of income up to three months prior to the end of the relevant assessment year. The original return, filed within due date as well as the belated return of income can be revised any number of times up to three months prior to the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

It has been felt that the time available to a taxpayer to submit or further update his particulars of income in the form of a return for an assessment year was not adequate. This inadequacy of time for filing or correcting the return becomes a significant concern in the face of the robust data collection and data sharing mechanism of the department. The lesson learned is that big data analytics is the way forward to ensure an effective and non-intrusive tax administration, which has resulted in the proposal for an updated return over and above the existing return by a

Indirect Tax Proposals

- 1. IT-Driven Customs Administration to Enhance Revenue Collection
- 2. Making GST Concessional Provisions Digital to Streamline and Simplify Compliance
- 3. Unbundling GST to Increase Transparency and Reduce Litigation
- 4. Customs Duty Rates Consolidated to Promote Global Value Structure and Facilitate Domestic Exports/Imports

Customs | GST | Income Tax | Excise | Cess | Stamp Duty | Other

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Tax Proposals

- 1. Extending Period of Prosecution for previous year of Single Statute for Providing Tax Information
- 2. Better Litigation Management to Avoid Repetitive Appeals
- 3. Interest free Transfer of Asset Above or Below 20%
- 4. Stronger/Good Income & Profit Not Allowable as Business Expenses

taxpayer. This will enable the department to 'nudge' the taxpayer to "voluntarily" comply with tax laws.

In addition to the above, it has been felt that a taxpayer who failed to furnish a return of income within the due date or furnish a belated or revised return of income or furnished inaccurate particulars of income (due to an oversight, had to undergo the process of scrutiny assessment, a long, tedious and expensive appeal process as well as the possible threat of penalty and prosecution.

Hence, the Finance Bill, 2022 has proposed that such taxpayers can file an updated return of income from the last date of filing a revised return up to two years from the end of the relevant assessment year. As an example, as per the Act, the revised return for AY 2022-23 can be filed up to the 31 December 2022, and the updated return can be filed from 1 January 2023 to 31 March 2025. This is perhaps the most significant effort in voluntary compliance.

An updated return can also be filed by a taxpayer who has not filed a return within the due date or a belated or revised return. A taxpayer willing to furnish an updated return of income has to pay additional income tax on the part of income that has not been included in his earlier return for the assessment year. This additional tax shall be 25% of the total tax on such new income and interest if the updated return is filed

within 12 months from the end of the assessment year and 50% of the total of tax on such new income and interest if the updated return is furnished after 12 months. An updated return can be furnished only once for an assessment year and also provides immunity from prosecution under the Act on failure to file the return of income.

However, the intent of this provision is not to provide immunity to taxpayers who are involved in tax evasion practices. A person in whose case there has been a notice or requisition or survey carried furnish an updated return for such assessment year. Similarly, if there have been any assessment or reassessment proceedings in the case of a person for the relevant assessment year, an updated return for such assessment year cannot be furnished. The updated return also cannot be furnished by a person against whom there is information of serious offences under the Black Money Act, Prevention of Money-Laundering Act, 2002, etc. Other criteria of ineligibility have also been given in the provision.

It is expected that the proposal will advance the goal of voluntary tax compliances and create an atmosphere of transparency, trust, and understanding between the taxpayers and revenue.

Startups and New Manufacturing Units

In our quest towards Atmanirbharta by promoting the growth of startups and the establishment of new manufacturing industries, the Government has provided for certain income tax deductions and concessional tax rates to such entities. However, due to the pandemic, these entities could not start their operations to derive such benefits. In order to lend a supporting hand to them, the Government has extended the required time period for the establishment of these businesses to enable them to avail these benefits. The tax regime for such entities is extremely friendly and provides a rate of 15% corporate tax.

Concessions to IFSC

The Government is committed to making the International Financial Services Centre (IFSC) in GIFT City a globally competitive financial hub by providing a multitude of incentives. The principal logic of introducing the GIFT City is that we need to provide a tax-neutral avenue for provision of financial services from the other hubs across the globe. As a result, the GIFT City is fast becoming a hub of financial activity with a large number of entities and funds relocating to the IFSC.

Taking forward our efforts to further promote the IFSC, measures have been proposed in the Budget

Big data analytics is the way forward to ensure an effective and non-intrusive tax administration, which has resulted in the proposal for an updated return over and above the existing return by a taxpayer. Taxpayers can file an updated return of income from the last date of filing a revised return up to two years from the end of the relevant assessment year.

to allow the income of a non-resident from offshore derivative instruments or over the counter derivatives issued by an offshore banking unit, income from royalty, and interest on account of lease of ship and income received from portfolio management services in IFSC to be exempt from tax subject to specified conditions.

Taxation of Virtual Digital Assets

The digitisation of the country all over the world has posed several new challenges before the governing authorities in terms of their monitoring, regulation and their taxation. The phenomenal increase in transactions in virtual digital assets by investors, which are in the nature of speculative and risky investments and result in significant gains or losses has been noticed by the Government. The sheer magnitude and frequency of these transactions have made it imperative to provide for a specific tax regime to prevent any revenue leakage. Accordingly, for the taxation of virtual digital assets, it has been proposed that any income from the transfer of any virtual digital asset shall be taxed at the rate of 30%. A Tax Deduction at Source (TDS) at the rate of 1% on the payment made in relation to the sale of a virtual digital asset above a prescribed monetary threshold has also been provided. This taxation regime does not in any manner provide that legitimacy has been granted to crypto. For that, a separate exercise is underway. But during the interim period, the taxation certainty has been brought in.

Measures have been proposed in this Budget to allow the income of a non-resident from offshore derivative instruments or over the counter derivatives issued by an offshore banking unit, income from royalty, and interest on account of lease of ship and income received from portfolio management services in IFSC to be exempt from tax subject to specified conditions.

Provisions to Avoid Repeated Litigation

Over the past few years, it has been acknowledged that excessive litigation is a barrier to economic development. Revenue locked in tax litigation on the one hand reduces budgetary collections and on the other, tax litigation embankers the courts. Prolonged tax litigation often creates an atmosphere of uncertainty in the tax administration, rigors and discourages creation of a favourable economic climate.

With a view to managing the litigation and tax disputes in direct tax matters, a number of measures have already been taken up over the years which inter-alia include improving the monetary limit for appeal filing, creation of Dispute Resolution Panel (DRP) vide the Finance Act, 2016, resolution mechanisms provided through the Advance Pricing Agreements (APAs), Double Taxation Avoidance Agreement (DTAA) and Safe Harbour Rules, etc.

In this Finance Bill, to reduce repeated litigation, it has been provided that if an issue in the case of a taxpayer involves a serious question of interpretation of the law which is identical to any other similar issue, which is pending in appeal before the jurisdictional High Court or the Supreme Court in the case of any other assessee, the filing of further appeal in the case of that taxpayer shall be deferred till such issue is decided by the jurisdictional High Court or the Supreme Court.

Classification of Cost

The ambiguity in the interpretation of inclusion of 'Health and Education cost' as part of the income for the purpose of taxation has been a cause of a few litigations. A few courts have allowed 'Health and Education cost' as business expenditure, which is against the legislative intent. It cannot be a case that Income Tax cost in merchandise become an expenditure in the P&L account of the corporate. These court rulings have led in contradicted interpretations of the provisions. Also, assesses in some cases are trying to avail of this unintended benefit by filing additional grounds in appeal. Therefore, in order to reiterate the legislative intent, it has been clarified that any surcharge or cess on income and profits is not allowable as business expenditure and should be included in the income to be taxed.

Expansion of Bonus & Dividend Stripping Provisions

The Budget proposes to trace the provisions of Bonus stripping applicable to securities (including stocks and shares). Bonus stripping refers to a scenario where a

Indirect Tax Proposals

- Recognition of Exemptions on Investments & Loans for Agricultural Sector Manufacture
- Extension of Customs Duty Exemption to Steel Scrap
- Reduction of Duty on Certain Import Supplies for Green Automobile
- Relaxation of Customs Exemptions in Text Qualification

Customs Duty Exemption Green Automobile Text Qualification

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Expansion of Bonus & Dividend Stripping Provision

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Indirect Tax Proposals

- 1. Rationalization of Exemptions or Incentives & Tests for Agricultural Sector Manufacture
- 2. Extension of Customs Duty Concessions to Small Schemes
- 3. Reduction of Duty on Cotton Inputs Required for Sheep Agriculture
- 4. Review of Customs Exemptions & Tariff Simplification

taxpayer purchases securities prior to the record date, i.e., the date on which the company has announced to allot bonus securities. On the record date, the taxpayer is allotted bonus securities for no consideration. As a result of the allotment of bonus securities, there is a fall in the price of securities, both originally acquired and bonus securities. If the taxpayer transfers the original securities purchased within a short time after the allotment of bonus securities, he will incur a loss. Such loss may be set off against other taxable income. This may earlier being used as a tax planning tool.

Similarly, dividend stripping refers to a similar situation where a person buys securities shortly before the record date fixed for declaration of dividends and sells the same shortly after the record date. Since the non-dividend price at which the securities are purchased would normally be higher than the ex-dividend price at which they are sold, such transactions would result in a loss that could be set off against other income of the year. The net result would be the creation of a tax loss. The same applies in the case of interest stripping wherein interest on unit may be tax exempted and they also can be bought before the declaration of interest and sold after fall.

Provisions already exist to prevent bonus and dividend stripping in the case of units of mutual funds. This is now

The phenomenal increase in transactions in virtual digital assets by investors, which are in the nature of speculative and risky investments and result in inordinate gains or losses has been noticed by the Government. The sheer magnitude and frequency of these transactions have made it imperative to provide for a specific tax regime to prevent any revenue leakage.

proposed to be provided by the Budget 2022 to include a broader variety of units namely, units of Infrastructure Investment Trust (IIT), Real Estate Investment Trust (REIT) or Alternative Investment Funds (AIF) apart from securities, i.e., debt or equity.

Provisions Relating to Charitable Trusts

The social purpose served by the charitable trusts is noteworthy. Their contribution is acknowledged in the form of tax exemptions granted to them for their meaningful activities. However, a rise in litigation in this

area has been observed due to ambiguity in existing provisions. Amendments have been proposed in the Budget to bring certainty and clarity to the relevant provisions. Basically, the two sets of provisions in Section 10(23C) and Section 11A&12 which govern the exempt status related to trusts and charitable institutions have been broadly aligned.

'Benefits' being given in the course of business

A rising trend of receiving benefits/perquisites in the course of business and not reporting them while filing income tax returns has been noticed by the government. As a result, a new provision of TDS on payments of such benefits/perquisites above the value of Rs 20,000 has been introduced.

INDIRECT TAXES

Review of Customs Duty Exemptions

A comprehensive review of more than 400 existing customs duty exemptions was undertaken. Suggestions in this regard were also crowdsourced from the public using the digital MyGov platform. Consultations were also held with various Ministries and industry associations. Upon review, exemptions are being withdrawn for items for which sufficient domestic capacity exists, which require emission on merit eg- tin or very few sectors like film made in certain products in the past few years which have outlived their utility; and that have become redundant like floppy disks, papers, etc.

Simpler Customs Tariff Regime

Customs duty structure is prescribed through Customs Tariff Schedule, however, a lower rate could be prescribed through a notification. Numerous exemptions of various kinds have complicated the Tariff. Further, anyone studying the customs tariff of India is misled to conclude that the Indian customs tariff is high. To simplify the Customs Tariff structure, a tariff of

Tax Proposals

- Allowing Taxpayers to File Updated Returns within 2 Years for Correcting Errors
- Increasing Tax Deduction Limit on Employer's Contributions to NPS Account of Full-Time Employees
- Tax Relief to Persons with Disability
- Reducing Alternate Minimum Tax Rate & Surcharge for Corporates

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series operating through stand-alone notifications would now be operated from the tariff w.e.f 1 May 2022. It is anticipated that this would pave way for a further simple Customs Tariff Regime.

Customs Duty Rate Changes

The Basic Customs Duty (BCD) has been reduced in respect of some goods to decrease input costs, simplify the rate structure, correct the inverted duty structure, and promote ease of doing business so as to incentivise the domestic value addition in sectors like agriculture, textiles, gems & jewellery, metals, and capital goods.

BCD has been increased in respect of some goods in order to promote domestic value addition and create a level playing field for the benefit of the farmers, MSME sector, Renewable Energy sector, and the Electronics Sector.

Changes related to the Capital Goods Sector

Customs duty rates on capital goods and project imports have been calibrated. More than 42 Customs duty exemptions extended to Capital Goods and Project Imports are being phased out in a gradual manner in order to encourage domestic manufacturing and to achieve the objective of 'Atmanirbhar Bharat'. Post-rationalisation of exemptions, a moderate customs duty rate of 7.5% shall apply to most of the capital goods which in our view is not likely to raise the costs.

Duty-free Imports

Besides exporters of items like handicrafts, apparel, leather goods may be required to import certain items like embellishments, buttons, motifs, zipper, leather lining, fitting, etc., which at times are as per the specification of the exporter. Under a new mechanism, these exporters shall be allowed to import specified goods for use in export goods.

SECTIONAL HIGHLIGHTS

Electronics Sector

A graded import duty structure has been prescribed under Phased Manufacturing Programmes (PMPs), in order to promote domestic manufacturing of Wearable devices (Smartwatches), Hearable devices (wireless earbuds/headphones, portable Bluetooth speakers), and Smart meters.

In order to encourage domestic manufacturing and remove inversion in custom duty rates on key sub-parts of electronic items such as camera module of cellular

mobile and transformers for use in the manufacture of chargers/adapters, etc., has been reduced.

Textile Sector

There has been a significant tariff simplification in textiles. Duty rates in textiles shall now completely operate through customs tariff. Effortive tariff on upholstery and other than upholstery fabrics has been made equal. The customs duty structure in textile apparel has been simplified with specific rate being eliminated in a number of items.

Excise Duty Rate Change

To promote the blending of petrol with ethanol and diesel with biodiesel in the country, an additional excise duty of Rs 2 per litre on unblended petrol and diesel is being levied with effect from 1 October 2022.

As India marches on the path of progress, the Government is committed to give necessary support and encouragement to the taxpayers in their efforts to make India achieve a distinct position on the economic map of the world. The tax proposals in the Union Budget are a blueprint of this vision. Besides, it also expects our taxpayers to join hands with the Government towards its social commitments by coming forward voluntarily for tax compliance.

ANNEXURE

Detailed list of goods and other particulars about capital goods imported or imported to the Indian territory under the tariff level headings.

Sl. No.	Particulars	Rate (%)
1.	Parts of machinery	Zero (%)
2.	Machinery of iron or steel	Zero (%)
3.	Parts of tractors, harvesters & mixers	As per the rates specified in the Customs Tariff Schedule, 2017 (Chapter No. 84.85) (2017)
4.	Tractors (tractors, harvesters & mixers)	As per the rates specified in the Customs Tariff Schedule, 2017 (Chapter No. 87.08) (2017)
5.	Other tractors, harvesters & mixers	As per the rates specified in the Customs Tariff Schedule, 2017 (Chapter No. 87.09) (2017)
6.	Value and volume of materials with zero the exemption and value of materials with being from the date of commencement of PMP	Value and volume of materials with zero the exemption and value of materials with being from the date of commencement of PMP (Chapter No. 84.85) (2017)

1. Percentage figures, being rates, but the percentage given there are not to be taken as the rate of tax, wherever indicated.

Date: 28/1/22

(Signature)
Secretary, Customs

Harnessing Multiplier Effect

Dr. Sajjan Singh Yadav

In the Union Budget 2022-23, the Finance Minister Nirmala Sitharaman unveiled a transformative approach to invigorate demand and accelerate economic growth. The approach relies on boosting capital expenditure, both by the public and the private sector. Capital expenditure is non-recurring, long-term expenditure on creation and acquisition of capital assets. Why is capital expenditure so critical? Studies say that capital expenditure has a multiplier effect of 2.45 in the short run and 4.8 in the long term.¹ Simply put, this means that Rs 1 crore spent on capital is likely to add Rs 2.45 crore to the Gross Domestic Product (GDP) in the short term. Cumulative impact of this investment on GDP in the long term is likely to be Rs 4.8 crore. What is behind this multiplier effect?

Capital expenditure leads to income augmentation, creates employment opportunities, expands ancillary industries and services, enhances the future productive capacity of the economy, and stimulates demand. Public capital expenditure also kicks off a virtuous cycle by crowding in private investment. Moreover, it enhances confidence in the economy and attracts foreign investment.²

In the Union Budget 2022-23, the Finance Minister has proposed a sharp increase of 35.4 per cent in the centre's capital expenditure outlay from Rs 5.54 lakh crore in 2021-22 to Rs 7.50 lakh crore in 2022-23.³ The outlay proposed for 2022-23 is 2.2 times the outlay for capital expenditure in 2019-20. In addition, the States will also get grants for the creation of capital assets through various Centrally Sponsored Schemes. If this amount is added, the Central Government's effective capital expenditure in 2022-23 will jump to Rs 10.68 lakh crore.⁴

A massive capex support of Rs 1 lakh crore to States through the scheme of special assistance to States for capital investment is one of the key highlights of the Finance Minister's Budget Speech 2022-23.⁵

Dobbling Capital Expenditure in States

When the Covid-19 had struck in March 2020, both the Central and the State Governments faced a difficult fiscal environment due to a shortfall in tax revenues. Simultaneously, the demand for financial resources had soared, both on account of activities to fight the pandemic

and to provide relief to the affected people.

Many of the commitments of State Governments like salaries, pensions, and interest payments were fixed in nature and could not be reduced in the short



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rem. Consequently, there was a rising likelihood of insurmountable of capital expenditure. Therefore, despite immense pressure on the central finances, the Union Government decided to extend a special Scheme of assistance to the State Governments in respect of capital expenditure during the financial year 2020-21. The Scheme was named "Special Assistance to States for Capital Expenditure" and an amount of Rs 12,000 crore was set aside for this purpose.

Funds were provided under the Scheme in the form of a fifty-year interest-free loan. This loan was above the normal borrowing allowed to the States. The States could use the funds provided under the Scheme both for new and ongoing capital projects. They were also allowed to use the Scheme funds for settling pending bills in ongoing projects. The Scheme design was kept simple and the States were given full flexibility to choose projects. Moreover, the information on proposed projects was obtained in a simple format without insisting on the submission of Detailed Project Reports (DPRs).

The scheme was very well received by the States. All States except Tamil Nadu availed funds under the scheme. Considering repeated requests of the States, the second version of the scheme was launched in the Financial Year 2021-22 with an outlay of Rs 10,000 crore. This is proposed to be enhanced in the revised estimates by 50 per cent to Rs 15,000 crore. Tamil Nadu has also availed the scheme in 2021-22. Again, in the pre-Budget consultations for 2022-23, Chief Ministers and Finance Ministers of States requested the Union Finance Minister for continuation and enlargement of the scheme.¹

Considering the demand of the States, and embodying the true spirit of cooperative federalism, the Union

Finance Minister made a path-breaking announcement in her Budget Speech of 2022-23. She has not only declared that the Scheme for Financial Assistance to States for Capital Expenditure will continue in the financial year 2022-23, she also announced a twofold increase in the outlay of the scheme as compared to the Budget Estimates of 2021-22.² The proposed allocation of Rs 1 lakh crore will greatly bolster the hands of the States in catalysing overall investment in the economy.

The Finance Minister also announced in her Budget Speech 2022-23 that this allocation will be used for PM GatiShakti-related and other productive capital investment of the states.³ In addition, the allocation under the scheme is also proposed to be used for supplemental funding for priority segments of the Pradhan Mantri Geey Sadak Yojana (PMGSY), including support for the water issue. Moreover, the Scheme will also be leveraged to motivate States to undertake reforms in the areas like digitisation of the economy, including digital payments and completion of OPC network; and reforms related to town planning schemes, transit-oriented development, building bylaws, and transferable development rights.⁴

Scheme for Special Assistance to States for Capital Expenditure, Version-1.0

The inaugural version of the scheme had three parts. The first part covered the eight North Eastern and two Hill States. In this part, while Uttarakhand and Himachal Pradesh were allocated Rs 450 crore each, Assam was allocated Rs 400 crore. The remaining seven North Eastern States got Rs 200 crore each. Part-II of the scheme covered all other States who were assigned a total amount of Rs 7,500 crore. This kitty was divided amongst them in proportion to their share of Central Taxes as per the interim award of the 15th Finance Commission for



CENTRE'S SUPPORT TO THE STATES DURING 2021-22

- Enhanced limit of borrowing for the States
- Loan to States in lieu of GST Compensation shortfall
- Scheme for Special Assistance to States for Capital Expenditure

for year 2020-21. Under Part-III of the scheme, Rs 2,000 crore was set aside to provide an incentive to those States who complete the reforms stipulated by the Ministry of Finance in at least three out of the four identified citizen-centric areas.

Scheme for Special Assistance to States for Capital Expenditure, Version-2(a)

The second version of the scheme also has three Parts. Part-I focuses on the North Eastern and Hill States. The States, except Assam, were allocated Rs 200 crore each while outlay for Assam, Himachal Pradesh, and Uttarakhand was Rs 400 crore each. The rest of the States got Rs 7,400 crore, divided amongst them in proportion to their share of Central Taxes as per the award of the 15th Finance Commission. Part-III of the scheme focuses on providing incentives to States for privatisation/dismantlement of the State Public Sector Enterprises (SPSEs) and monetisation of government assets.

Stimulating Reforms in States

The Schemes for Special Assistance to States for Capital Expenditure 2020-21 and 2021-22 have not only focused on enhancing the capacity of states to increase capital expenditure but have also stimulated reforms in the States.

Reforms in Identified Citizen-Centric Areas

In view of the serious negative impact of Covid-19 on resources of the States, and seeing the requirement of States for additional resources to fight the pandemic and maintain the standard of service delivery to the public, the Ministry of Finance had decided to provide an additional borrowing limit of up to 2 per cent of Gross State Domestic Product (GSDP) to the States in the year 2020-21. Detailed guidelines in this regard were issued by the Department of Expenditure on 17 May 2020. However, to ensure long-term debt sustainability, and to increase future GSDP growth, future revenue augmentation, and reduce unproductive future expenditure, half of the additional borrowing was linked to the States completing reforms in five citizen-centric areas. The areas identified for reforms were implementation of One Nation One Ration Card System; Ease of Doing Business reforms; Urban Local Body/Utility reforms; and Power Sector reforms.

Table-1: Allocation and Release of Funds Under SASCE

Table-1: Allocation and Release of Funds Under SASCE					
Rs in Crore					
Sl. No.	Name of State	2021-22		2020-21	
		Allocation	Release	Allocation	Release
1	Andhra Pradesh	335.00	0.00	688	688
2	Assam	200.00	0.00	232.97	232.97
3	Bihar	400.00	200.00	450	450
4	Chhattisgarh	212.00	212.00	286	286
5	Goa	11.00	11.00	97.66	97.66
6	Gujarat	288.00	144.00	285	285
7	Haryana	90.00	45.00	91	91
8	Himachal Pradesh	400.00	200.00	533	533
9	Jharkhand	273.00	109.50	277	277
10	Karnataka	301.00	150.50	305	305
11	Kerala	159.00	0.00	163	163
12	Madhya Pradesh	640.00	908.00	1320	1320
13	Maharashtra	521.00	249.73	514	514
14	Mizoram	200.00	18.62	317.16	317.16
15	Nagaland	200.00	81.20	200	200
16	Namibia	200.00	100.00	200	200
17	Nepal	200.00	05.00	200	200
18	Odisha	374.00	143.12	471.5	471.5
19	Punjab	140.00	71.00	296.5	296.5
20	Rajasthan	488.00	443.41	1050	1050
21	Sikkim	300.00	100.00	200	200
22	Tamil Nadu	237.00	0.00	0.00	0.00
23	Telangana	174.00	40.00	358	358
24	Tripura	200.00	0.00	200	200
25	Uttar Pradesh	1413.00	141.30	676	676
26	Uttarakhand	400.00	0.00	400	400
27	West Bengal	672.00	311.00	678	678

One Nation-One Ration Card system was aimed at enabling people, especially migrant workers to draw their quota of food grains under the National Food Security Act from any fair price shop in the country. Ease of Doing Business reforms was aimed at promoting a business-friendly climate in the country to enable future growth of the economy. Reforms to strengthen local bodies were aimed at augmenting the financial resources of urban local bodies to enable them to provide good civic infrastructure and services to people. Power sector reforms targeted reduction of Aggregate Technical

Table-2: Reforms in Citizen-Centric Areas by States

Citizen-centric area	Number of States that completed stipulated reforms
One Nation One Ration Card System	17
Ease of Doing Business Reforms	20
Urban Local Body/Utility Reforms	11
Power Sector Reforms (fully or partially)	17
Reduction in AT&C Losses	5
Reduction in ACS-ARR Gap	7
DOT of power subsidy to farmers	15

and Commercial (AT&C) losses, reduction in the gap between Average Cost of Supply and Average Revenue Realized (ACS-ARR gap), and introduction of Direct Benefit Transfer to farmers in lieu of free electricity.

It was decided to give a further push to these reforms by providing incentives of upto Rs 2,000 crore under the Scheme for Special Assistance to States for Capital Expenditure, 2020-21 for carrying out reforms in at least three out of the four identified citizen-centric areas by 31 December 2020.

Disinvestment and Monetisation

In the financial year 2021-22, the Scheme for Special Assistance to States for Capital Expenditure focused on improving efficiency and mobilising financial resources by firms through privatisation/disinvestment of State Public Sector Enterprises (SPSEs) and monetisation/recycling of States' assets. An amount of Rs 5,000 crore was set apart by the States on a "First-come First-served" basis.

In the case of disinvestment of a minority stake in SPSEs, financial incentive equivalent to 50% of the amount realised from disinvestment was available. However, in the case of strategic disinvestment of SPSEs, the States are entitled to get additional allocation equivalent to 100% of the amount realised. Strategic disinvestment means the sale of 50% or more Government shareholding in SPSEs along with the transfer of management control.

Asset monetisation/recycling of government assets was another focus area. Monetisation of assets unlocks their value, eliminates their holding cost, and enables scarce public funds to be deployed to new projects. The incentive for State Governments to monetise assets was additional allocation under the scheme equivalent to 33 per cent of the realised value of assets. It was also stipulated that the amount realised due to asset monetisation/recycling by the State will be utilised only for capital expenditure.

Performance of the Scheme

The Scheme for Special Assistance to States for Capital Expenditure has been a success. In the Financial Year 2020-21, against a total allocation of

Rs 12,000 crore, approvals were granted to States for capital projects costing Rs 11,912 crore and an amount of Rs 11,830 crore was released to the States. In the financial year 2021-22, against the Budget Estimate of Rs 10,000 crore, capital projects costing Rs 9,115 crore were approved till 3 February 2022, and a total amount of Rs 3,201 crore was released to the States. This provided a major relief to the States to achieve progress in a large number of capital projects which would have otherwise stopped due to financial constraints. State-wise allocation and release of funds under the Scheme is depicted in Table-1.

The Scheme has been successful not only in boosting capital investment and completion of capital projects, it has also stimulated reforms. The first version of the scheme led to reforms in various citizen-centric areas as depicted in Table-2. While 17 States completed One Nation One Ration Card reforms, 20 States completed Ease of Doing Business reforms. Local Body Reforms were completed by 11 States and Power Sector Reforms were partially or fully completed by 17 States. Completion of the reform process by the States was certified by the Ministries concerned.

Twenty-three States carried out reforms in at least one of the four identified areas. Two States, Kerala and Uttarakhand completed reforms in all the four identified areas. Eleven states (Andhra Pradesh, Goa, Madhya Pradesh, Punjab, Rajasthan, Tripura, Himachal Pradesh, Karnataka, Manipur, Odisha, and Telangana) completed reforms in three or more areas.

The Scheme for Special Assistance to States for Capital Expenditure, 2021-22 also enticed States to take up the stipulated reforms. An amount of Rs 514.17 crore was approved under this part of the Scheme for disinvestment of SPSEs and monetisation of assets by Madhya Pradesh.

It is expected that with a massive allocation of Rs 1 lakh crore, the third and drastically improved version of the Scheme for Special Assistance to States for Capital Expenditure 2022-23, will not only spur capital investment and economic growth but will also accelerate the movement of States on the reform path initiated by the Finance Minister in her budget speech.

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Bridging India Inc's Credit Gap

*Avinash Mishra
Priyanka Anand*

The Indian financial markets have grown substantially over the years in terms of trading volumes, market capitalisation, turnover, and number of listed stocks. The phenomenal growth can be attributed to a number of reforms introduced in the 1990s, such as, establishment of the capital markets regulator, anonymous electronic trading system, clearing corporation for efficient risk management, derivatives trading, and setting up of depositories. These have enhanced transparency and efficiency in financial markets and led to significant decline in transaction costs. A diversified pool of financial instruments has also broadened investors' base and helped corporates mobilise capital for large-scale investments and employment generation in the country.



Apart from equity markets, commercial banks play an important role in ensuring the availability of adequate credit to Indian corporates. However, there has been a gradual shift towards market sources of debt like corporate bonds, debentures, and commercial paper in recent years. Corporate bonds and Commercial Papers worth Rs 31.5 lakh crores and Rs 3.4 lakh crores, respectively, were outstanding at the end of the Financial Year 2019-20¹. Trading volumes have also gone up significantly over the years with corporate bonds worth Rs 19 lakh crores traded in Bombay Stock Exchange and National Stock Exchange in 2020-21². Also, companies raised Rs 7.8 lakh crores through the corporate bond market in 2020-21³ on account of lower interest rates and lower spreads.

The uptick in the corporate bond market can be attributed to several measures taken by the government like enhancement in Foreign Portfolio Investment (FPI) limit in corporate bonds from 9% to 15%, setting up of corporate bond reporting, and trading platforms for corporate debt transactions executed on stock exchanges in the country, provision of clearing & settlement facilities for corporate bonds, the introduction of repos on corporate bonds and the launch of 'Tri-Party Repo Market' platforms in debt segments of BSE and NSE to facilitate the repurchase of corporate debt securities. Further, to enhance transparency in the private placement of corporate debt, an Electronic Book Mechanism (EBM) was operationalised by stock exchanges to facilitate all private placements of debt securities in the primary market with an issue size of Rs 100 crores and above. Several other initiatives like simplification of the debt listing agreement, mandating 25% borrowing via corporate bonds for large companies, lowering of minimum credit rating requirements for investment by pension funds, the introduction of RPQ platform by stock exchanges for transparency in secondary market trading in corporate bonds, provision of a legal framework for bilateral netting of qualified financial contracts, and reduction in minimum lot size for retail investment have been taken.

Despite a number of enabling provisions, the corporate bond market accounts for a minuscule percentage of the entire Indian financial system. The corporate debt market penetration in India is only 1.7% as compared to 12% in the United States, 74% in South Korea, and 54% in Singapore. A number of structural impediments have hampered the growth of a vibrant bond market in the country. Private placement of debt currently dominates corporate bond issuance due to minimum disclosures, low cost of issuance, and availability of customised contracts. Annual 94% of funds were mobilised through the private placement in 2019-20, while only a minuscule amount was raised through public issue⁴. Also, high-rated bonds attract a significant amount of funds than low-rated bonds. AAA, AA, and A-rated bonds accounted for 74%, 13%, and 2.5%

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FINANCING OF INVESTMENT

PRIORITISING CAPITAL EXPENDITURE!

KEY INITIATIVES FOR DEVALUATION OF ASSETS AND RISK MITIGATION

- Central Public Investment to pump prime private investment demand
- Introduction of Digital Rupee by RBI
- Green Bonds to Finance Clean Energy
- Infrastructure Bonds for Data Centers & Energy Storage Systems
- Measures to Aid Investment by Venture Capital & Private Equity Investors
- Diversified Finance for Startup Ecosystem

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MONETARY MANAGEMENT AND FINANCIAL INTERMEDIATION

- YOI Bank credit growth increased 8.2% (April 2021) to 52% (Dec 2021)
- Gross NPA of SCBs: 31.2% (level of 2017-18) to 8.9% (March 2021)
- Net NPA of SCBs: 4% (level of 2017-18) to 2.2% (March 2021)
- Capital to Risk weighted asset ratio of SCBs: CRAR (2017-18) to 16.54% (March 2021)
- Liquidity in the system remained in surplus
- Credit to agriculture sector registered robust growth

Central Bank of India | Ministry of Finance | Reserve Bank of India

respectively, of the total insurance in 2019-20⁹.

Banks are also reluctant to invest in corporate bonds as the latter are marked to market. Bonds purchased for the purpose of investment are classified into either 'Available for Sale (AFS)', 'Held Till Maturity', or 'Trading' categories. In case of AFS and Trading categories, loss in gain in corporate bond holdings has to be booked by banks, which affects their profitability. Also, bond contracts are standardised as compared to loan contracts, wherein banks can add clauses to ensure some protection against loss of credit quality of the client. In case of a credit downgrade also, bonds lose value much faster, which is not the case with corporate loans.

Prudential norms restrict investments by financial institutions as their respective regulators mandate only a specific level of investment in corporate bonds. The methodology for valuation of corporate bonds in the country is also not uniform which affects secondary market trading. In addition, issuance of corporate bonds has also not picked up due to levy of stamp duty on re-issuance and bunching of repayment liabilities on maturity dates.

However, well-developed debt markets offer a plethora of advantages to a developing country like India. The National Infrastructure Pipeline

(NIP) has envisaged Rs 111 lakh crore of investments between fiscals 2020 and 2025, an amount more than twice the infrastructure investments of Rs 51 lakh crore seen between fiscals 2014 and 2019⁹. Given the high level of non-performing assets, excessive dependence on banks for infrastructure finance is not feasible in the long run. Robust bond markets can fill the much-needed investment gap for the infrastructure sector and reduce the burden on the banking system.

Interbank Commercial Borrowings (ICBs) also continue a significant source of finance for companies; however, these can become a source of external shocks for the country as witnessed by the decline in ICBs post the subprime crisis in 2007 and depreciation of the Indian

currency against the US Dollar in 2013. Hence, it is crucial that a number of policy measures are taken to develop a full-fledged corporate bond market in India.

Most importantly, attempts should be made to reduce time and cost for public issuance of debt. Disclosure and listing requirements for listed companies should be substantially reduced and they may be required to make only incremental disclosures for excessive debt issues. However, the amount of corporate debt raised through public issue is now increasing with an

Well-developed debt markets offer a plethora of advantages to a developing economy like India.

The National Infrastructure Pipeline (NIP) has envisaged Rs 111 lakh crore of investments between fiscals 2020 and 2025, an amount more than twice the infrastructure investments of Rs 51 lakh crore seen between fiscals 2014 and 2019.

amount of Rs 9,000 crore raised in Apr-Nov 2021 as compared to Rs 4,500 crore in Apr-Nov 2020. To generate accurate public announcements about defaults, bond issuers should pay interest and redemption amounts to the concerned depositories who can then pass them on to investors. Credit rating agencies should publish the credit rating transition matrix more frequently so that market participants are aware of the credit risk in the instruments they are trading. Credit Information Companies (Regulation) Act also may be amended to enable credit rating companies to take up membership of credit information companies so that the former can access the relevant credit database.

A well-functioning credit default swap market is also one of the pre-requisites for a vibrant corporate bond market. The recently introduced 'Reserve Bank of India (Credit Derivatives) Directions (CDS), 2021' allows banks, NBFCs, insurers, pension funds, mutual funds, alternate investment funds, and foreign portfolio investors to write credit default swaps. CDS reduce fire-sale risk and provide liquidity in the bond market. These will also enable retail users to hedge their credit risk and encourage investors to put money in low-rated bonds. Any new issue should preferably be a recourse to create secondary market liquidity for the already issued bonds.

Retail investors currently account for only 3% of the total outstanding corporate bond issuances¹ in the country. Capital gains tax on debt products should be reduced and

The recently introduced 'Reserve Bank of India (Credit Derivatives) Directions (CDS), 2021' allows banks, NBFCs, insurers, pension funds, mutual funds, alternate investment funds, and foreign portfolio investors to write credit default swaps.

brought at par with equity products to increase retail investments in debt schemes. Tax incentives may also be extended to Foreign Portfolio Investment in only 20% of the existing investment limit has been utilized² by them. Regulatory restrictions on investment by pension funds and insurance companies in corporate bonds should also be eased.

Currently, India Infrastructure Finance Company Limited provides

a partial credit guarantee to infrastructure bonds with a minimum rating of AA to the extent of 20 per cent of total project cost³. However, the credit guarantee limit needs to be increased and extended to lower-rated bonds to improve credit rating. RBI may also accept corporate bonds as collateral under its Liquidity Adjustment Facility. Attempts may also be made to develop a market for securitised bonds and interest rate derivatives to boost liquidity in corporate bond markets.

RBI and SEBI have come up with a number of suggestions to create a well-developed debt market in the country. SEBI is proposing to create a set of market makers for strengthening the corporate bond market. These entities will provide both buy and sell quotes in the market, help absorb temporary supply and demand mismatch, and reduce the impact of shocks on market volatility. The capital market regulator is also looking to create a platform that automatically does order matching similar to stocks and government securities to ensure guaranteed settlement of trades. Consultations on designing a suitable debt market index are also going on with various stakeholders. RBI has also suggested that corporate bonds be included as 'Hold To Maturity', wherein bond holdings are not marked to market.

A well-developed corporate bond market can pave the way for a sustainable green bond market in India. As per the 'India Energy Outlook 2021' Report, India would need a whopping USD 1.4 trillion for investments in clean energy technologies over the next two decades. The number of green bond issuances by Indian companies has increased significantly over the years with an amount of USD 16.3 billion⁴ outstanding in sustainable bonds. However, green bond issuance as a percentage of total corporate bond issuances in the country is minimal and hence, a number of enabling measures are required to increase green investments.

Mechanisms for certification and standardisation of green bonds should be established to prevent greenwashing and ensure transparency in rating funds. The Climate Bonds Initiative has developed the 'Climate Bonds Standard' for certification of climate bonds, while the International

MONETARY MANAGEMENT AND FINANCIAL INTERMEDIATION

In April-Nov 2021

- Rs 99546 cr was raised via 75 IPO issues
- India's markets outperformed their peers

Economic survey points to the need for the standardised framework for cross-border insolvency for increased access, recognition, cooperation & coordination

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Capital Market Association has introduced the 'Green Bond Principles', which comprise a set of voluntary guidelines for issuance of green bonds. Adherence to green bonds' standards and principles can boost the confidence of investors. Availability of adequate hedging products can also help minimize exchange rate risk in green bonds. Also, Environmental, Social & Governance (ESG) profiling of Indian companies would go a long way in providing thrust to green finance in the country.

A vibrant corporate debt market plays an important role in maintaining systemic financial stability in an economy. It is estimated that outstanding corporate bond issuances could more than double from 33 lakh crores to Rs 65-70 lakh crores while demand would lag at Rs 60-65 lakh crores by the end of fiscal 2023¹¹. In view of this, it is imperative that necessary policy and regulatory measures are implemented to bridge this gap to ensure provision of timely and adequate credit to the industry. Also, coordination and co-operation among different regulators, that is, SEBI, RBI, and Ministry of Corporate Affairs, is of paramount significance for smooth functioning of a well-developed bond market. In addition, efficient public debt management can contribute significantly towards creating a robust corporate debt market in India. Foreign investment in India's bond market is also projected to increase significantly post inclusion of Indian bonds in the

Emerging Markets Bond Index (EMBI)

Against this backdrop, efforts to develop the Indian corporate bond market should be stepped up, especially in the wake of the pandemic when the production and supply chains across the world have been disrupted. This is an opportune moment for Indian companies to increase their manufacturing capabilities and enhance their scale of investment provided cheaper and adequate credit is made available. Efficient bond markets can effectively fulfil this objective.

Views expressed are personal.

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Banking and Digital Currency

Shishir Sinha

The Finance Minister made a provision of a Special Incentive Scheme in the General Budget for the Financial Year 2021-22 with a view of boosting up digital transactions. It was felt that the virtual digital assets need to be regulated. India is one of the most efficient payment markets in the world. An efficient digital transaction ecosystem will give a boost to research, development, and innovation in Fintech space.

Before the General Budget, the Reserve Bank of India informed that the Digital Payment Index (DPI-DPI) touched 300.06 in September 2021 which was at 270.59 in March 2021 and was at 173.49 in September 2019. Calculation of this index is done keeping in mind the five parameters, namely: Payment Enablers, Payment- demand-side factors, Payment Infrastructure- supply-side factors, Payment Performance, and Consumer Clarity. The current level of this index shows a massive increase in transactions made through digital platforms and also reflects that the bank system to enable digital transactions has also improved.

The Finance Minister made five major announcements in the General Budget for the FY 2022-23:

1. Continuous financial support to digital payments
2. Digital Banking Unit
3. Core Banking System in Post Offices
4. New Taxation System for Virtual Digital Assets like Cryptocurrency
5. Central Bank Digital Currency

Continuous Financial Support to Digital Payments

The Finance Minister made a provision of a Special Incentive Scheme in the General Budget for the Financial Year 2021-22 with the view of boosting up digital transactions. It has now been pointed out in the current Budget that this scheme would continue during the Financial Year 2022-23 as well.

Under this Scheme, transactions through RuPay Debit Card and of lower amount (up to Rs 2000) through BHIM UPI (Bharat Interface to Management or B2M) will be encouraged.

This Scheme was approved by the Union Cabinet in December 2021 under which certain banks will be given incentives in form of a percentage of the amount transacted through RuPay Debit Cards and lower value transactions by BHIM UPI. A provision of Rs 1300 crore has been made to meet the expenditure under this scheme which was launched on 1 April 2021. But it has not yet been decided as to how much amount will be spent in FY 2022-23.

According to the Finance Ministry, this Scheme would provide help to the banks in building a strong digital payment ecosystem and in promoting RuPay Debit Card and BHIM UPI digital transactions in all towns and

CENTRAL BANK DIGITAL CURRENCY

- ₹ RBI to introduce Digital Rupee using Blockchain and other technologies starting 2022-23
- ₹ This will lead to more efficient and cheaper currency management system
- ₹ It will also give boost to digital economy

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KEY HIGHLIGHTS IN DIRECT TAXES

Measures for Revenue Mobilisation (Contd)

Scheme for taxation of virtual digital assets proposed to be introduced.

- TDS on payment made in relation to transfer of virtual digital asset @1%
- Gift of virtual digital asset also proposed to be taxed in the hands of recipient.

#AatmaNirbharBharatKaBudget#Budget2022

in further strengthening the digital transactions across the country. Besides, this Scheme will help in building simple modes of making payments for those who are not covered under formal banking and those who are marginalised.

India is one of the most efficient payment markets in the world. This has been made possible because of innovation in the field of digital payment ecosystem. This will give a trigger boost to research, development, and innovation in the FinTech space.

Digital Banking Unit

There is no doubt that transactions through mobile applications or net banking have increased manifold but a large number of people still have to visit the bank branch, stand in a queue to get their work done. Not only this, there are some people who despite having a knowledge of internet do not feel comfortable using an app or net banking facility. On the other hand, a need is felt to make use of technology and to provide efficient banking facilities in rural and semi-urban areas. Hopefully, Digital Banking Unit (DBU) will be an important step in this direction.

The broad shape of DBU has not yet come in the form, yet it can be assumed that this will transform the traditional banking format. Banks will no more require brick and mortar to be able to offer services. They would be able to provide better and personalised banking services through technology. Those associated with FinTech viz, DBU will provide an opportunity to offer newer services in rural areas

DBU will provide an opportunity to offer newer services in rural areas and will boost transactions through digital platforms. It will help in starting online e-billing service. This will be a paperless and end-to-end encrypted service enabling businesses to make transactions instantly.

and will boost transactions through digital platform. It will help in starting online e-billing service. This will be a paperless and end-to-end encrypted service enabling businesses to make transactions instantly without incurring extra expenses. Often, doubts are raised regarding the security in digital transactions. Experts are keeping hope in this system and with better measures, DBU can be a game-changer.

Besides, DBU can prove effective in financial inclusion. It is reported to note that under the Pradhan Mantri Jan-Dhan Yojna, 44.58 crore bank accounts have been opened whereas an amount of more than Rs 1.57 lakh crore has been deposited. Life insurance cover and accident insurance security cover are also being provided through Jan Dhan at a very low premium. This financial inclusion can be taken to next level through DBU.

Core Banking Solution in Post Offices

The concept of financial inclusion, financial literacy, and financial diversity would be incomplete without the post offices. But, this is also true that the post offices are not lag behind any financial institutions during the rapidly changing times. Keeping that in mind, the Finance Minister announced the facility of "Savings in Post Office at any time and at any place".

In 2022, core banking system will get started in all 1.5 lakh post offices which will enable financial inclusion and one would be able to open an account through internet, mobile banking facility, ATM facility, and online money transfer from a post office account to a bank account. This will help in providing interoperability and financial inclusion facility to farmers and senior citizens residing in rural areas.

CBS is a facility wherein all branches of a bank, a financial institution or any similar organisation get connected through the internet. The customer is thus not required to make transactions from any defined point or at fixed working hours. Besides, the customer can get connected with other facilities of the financial system. Let us take an example of a PSB Bank or a private bank. Today, one can withdraw or deposit money from any place and one can look at his/her account details through internet banking at one's place. Money can easily be transferred from other banks as well. Making payments has also become hands-free. New, similar facilities are proposed to be provided through post offices as well.

The Government stated in the Lok Sabha that there are a total of 1,56,434 post offices in the country out of which 1,41,095 are located in rural areas. The Government also informed that every

efforts in the country now is covered under a post office. CBS facility has been made available to 25,006 post offices of the country and 25,101 departmental post offices fully computerised. Besides, 1,29,338 branch post offices have been functioning with "Handheld Point of Sales Machine" based on Subscriber Identity Module (SIM).

Thus, it is quite clear that modernisation has been done at a massive scale yet there is a need to take it to the next stage. Bringing all post offices under CBS cover in 2022 is a big step in that direction. This will result in removing the gap between the post offices in rural areas and the bank branches located in cities.

This will also facilitate withdrawal and deposit facilities in schemes like National Savings Certificate (NSC), Public Provident Fund (PPF), Kisan Vikas Patra (KVP), Sukanya Samriddhi Yojana, and Post Office Monthly Income Scheme (MIS).

Taxation of Virtual Digital Assets

While providing all sorts of facilities for financial management, it is also necessary to protect people from platforms that have a high-risk factor, do not have any accountability, do not have any basic assets, and less is known about their source of origin. Despite repeated clear messages from the Government and the RBI during recent years, people have invested large amounts in cryptocurrency however there is no system to regulate such investments in all.

Although it is called Cryptocurrency, it cannot be termed a "currency" because each nation of the world has its unique currency and despite being in different forms,

CBS is a facility wherein all branches of a bank, a financial institution or any similar organisation gets connected through the internet. The customer is thus not required to make transactions from any defined point or at fixed working hours.

these currencies are valid and acceptable and are issued by the Central Bank of the respective country. They have legal support and promise from the government of that country. The Finance Minister termed Cryptocurrency as a "Virtual Digital Asset (VDA)" and made three proposals:

- Income on all VDA will be taxed at the rate of 30%. There will be no permission for loss adjustment.
- TDS (Tax Deducted at Source) at the rate of 1% on VDA transactions will apply as or to business such transactions.
- If VDA is received as a gift, then the one receiving the gift will be taxed at market value.

The Finance Ministry has clarified that buying a toy does not actually make VDA valid or legal. Discussions on declaring VDA as legal or illegal or for making regulations in this regard are going on and a law will be framed after these discussions are completed.

Central Bank Digital Currency

VDAs like Cryptocurrency are based on blockchain. The Government

has said on many occasions that it does not have any objections to blockchain technology and it supports its meaningful use. This is the very basis of Central Bank Digital Currency. In this regard, the Finance Minister said, "Introduction of Central Bank Digital Currency (CBDC) will give a big boost to digital economy. Digital currency will also lead to a more efficient and cheaper currency management system. It is, therefore, proposed to introduce Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23".

The CBDC, a provision to bring an amendment to the Reserve Bank Act, 1934 by introducing a Finance Bill has been made. Once this Act is passed, RBI will issue bitcoins in any form — physical or digital. Digital ones issued by the RBI will be acceptable as a fiat currency just like paper notes or metal coins and these will have legal support. It is worth noting that CBDC is just merely another form of legal currency and not a new currency.

CBDC is presently valid in Nigeria and eight Caribbean countries. On the other hand, 87 countries (that account for 90% of the world's GDP) are in the process of exploring possibilities of launching CBDC. Pilot projects are underway in 14 countries including China and South Korea.

According to the Finance Ministry, CBDC in India will be in two forms - CBDC-W and CBDC-R. The first form will be for wholesale trade and bigger transactions, while the other will be used for retail purposes. There are indications that the CBDC-W will be issued first. □

KEY HIGHLIGHTS IN DIRECT TAXES

Measures for Revenue Mobilisation.

Scheme for taxation of virtual digital assets proposed to be introduced.

- Transfer of virtual digital asset shall be taxed at the rate of 30% without any reduction (other than cost of acquisition), allowance or set off of losses.
- Loss from transfer of virtual digital asset not to be set off from any other income and not be carried forward to subsequent years.

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Global Perspective

Pennam Gupta
Abhinav Tyagi

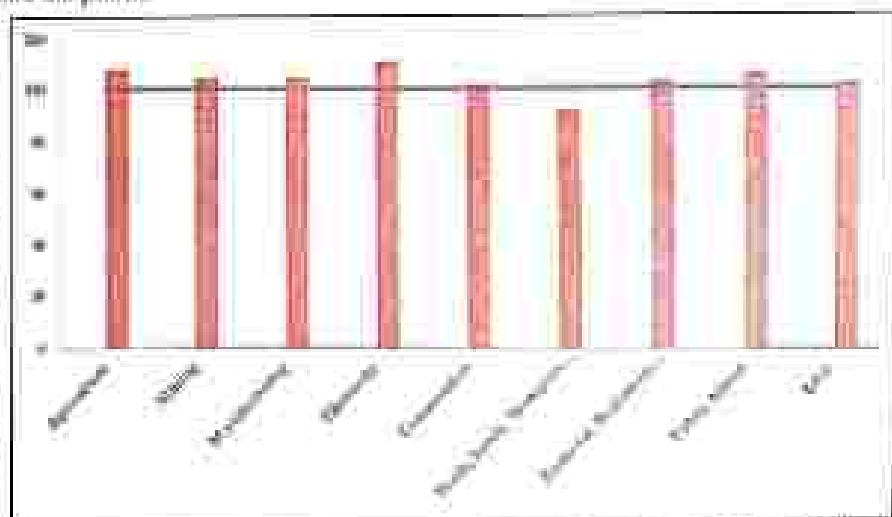
India is the world's sixth-largest economy. It often also boasts of being the fastest-growing large economy. However, given its per capita income level of about USD 2000 a year, it is still considered a low middle-income country. Hence, economic growth remains an utmost priority for the country. The measures announced in the Budget and the direction in which they steer the nation should help India become much more competitive globally.

The Union Budget for 2022-23 is focused on strengthening the economic foundations of the country to help it attain India's growth potential. It provides continuity in terms of adhering to the policy pathway that has been laid out in the last few years. This pathway consists of an accelerated build-up of infrastructure, improvement in logistics to ensure competitiveness in Indian manufacturing, and leapfrogging development by leveraging digital opportunities. All these priorities have been taken into account through both the fiscal support as well as the broader policy framework in the Budget.

The overarching ambition seems to be to set the country on a virtuous path of enhanced competitiveness, and the public sector facilitating growth in the private sector both through the provision of public goods such as infrastructure and an enabling framework, leading to a higher, real, and nominal GDP growth and buoyant tax revenues. It seems to be the expectation that these actions would generate a sufficient growth dividend and resources to make the fiscal measures undertaken in the Budget viable.

India's Union Budget for 2023 has sought to balance two different imperatives. First, it has been prepared against a challenging backdrop wherein the Covid-19 has shaken the global economy like never before for almost two years now, and the third wave of

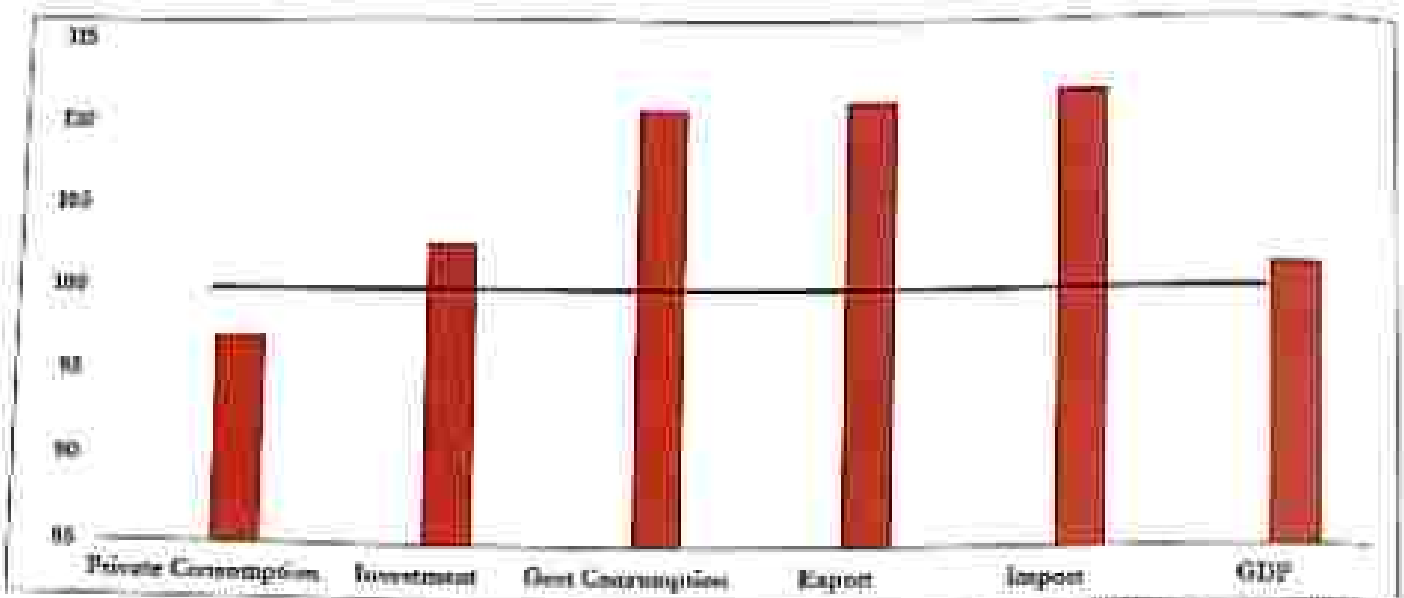
infections, which was more contagious than the other waves before it, even if less virulent, continued to cause disruptions. This means that the Covid-related challenges could not have been ignored as the vulnerable populations needed to be supported. For India, particularly, consumption is still 3 per cent below the level seen in 2019-20 and specific sectors have not yet revived fully. The contact-intensive trade, hotel, transport, and communication sector is still nearly 10 per cent below the level seen in 2019-20 (Figure 1). On the other hand, most of the demand-side and supply-side components have rebounded and crossed the 2019-20 levels (Figures 1 and 2). For instance, exports and government consumption are almost 11 per cent above the level achieved in 2019-20.



Source: CEI/NVPI, Base India 2019-20=100

Figure 1: Gross Value Added (Supply-side Components)

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Source: CGPI&PI, New Delhi 2019-20

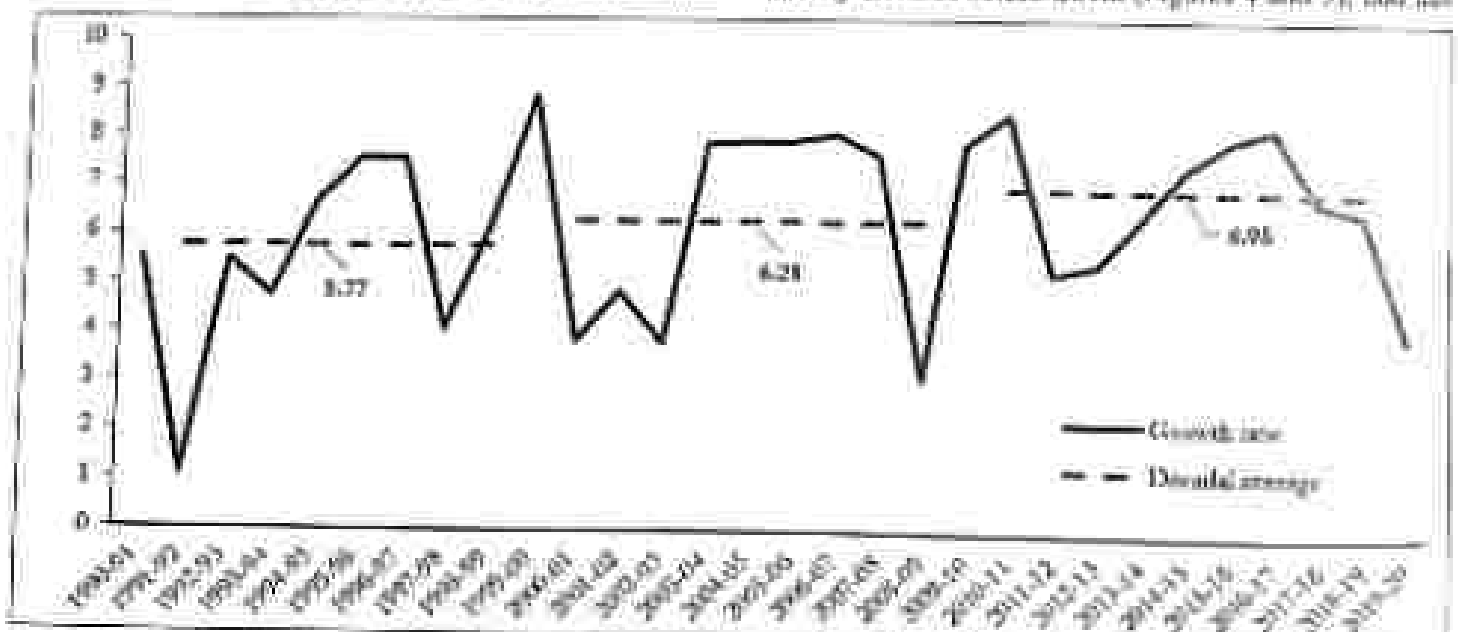
Figure 2: Gross Domestic Product Demand-side Components

A second imperative is to put the economy firmly back on a sustained growth path of 7 per cent and subsequently a higher level. Despite it being one of the fastest-growing large economies, India's growth had slowed down even prior to Covid, to 4 per cent in 2019-20, and in general, it has been unable to break out of a 7 per cent average growth rate in recent years (Figure 3).

The Budget has given a large push to the manufacturing sector through its focus on public investments to modernise infrastructure by adopting a multi-modal approach. Further, in order to utilise inter-ministerial synergies in infrastructure projects, the Government has launched the 'PM GatiShakti Master Plan'. The Budget has also announced other measures in this area, including an additional allocation of Rs 19,500 crore for Production

Linked Incentives (PLI) for solar manufacturing, digital integration of post offices with the core banking system to further deepen the financial inclusion process, extension of the Emergency Credit Line Guarantee Scheme (ECLGS) to Micro, Small and Medium Enterprises (MSME) by one year, and provision of an additional cover of Rs 50,000 crore to hospitality and related enterprises. Further, the creation of a Digital Ecosystem for Skilling and Livelihood (DESH-Stack 3-portal) has been flagged in the Budget to promote skill development.

The Budget has also balanced the need to revive the economy against the prevalent fiscal constraints, primarily by focusing on the quality of spending. The fiscal deficit of the federal government and the State governments was already elevated before Covid (Figures 4 and 5), and has



Source: Reserve Bank of India Quarterly Statement from the CGPI website. Note: Decadal averages shown for every fifth year period for the periods 2004-2009, 2010-2014, and 2015-2019.

Figure 3: Real GDP Growth

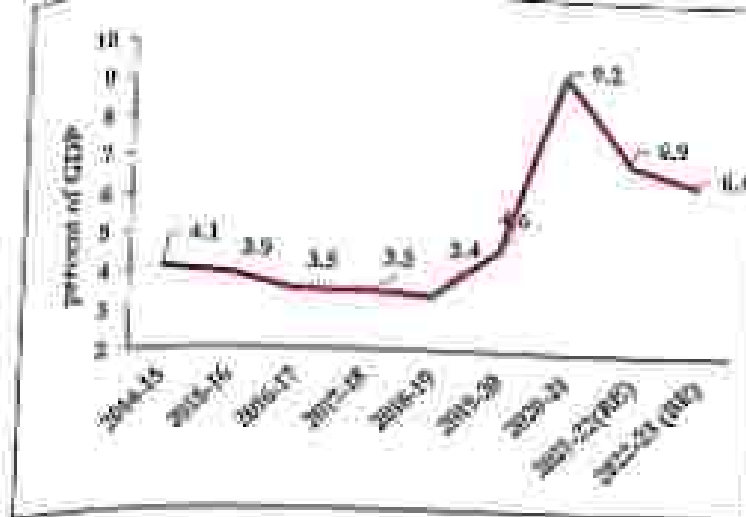


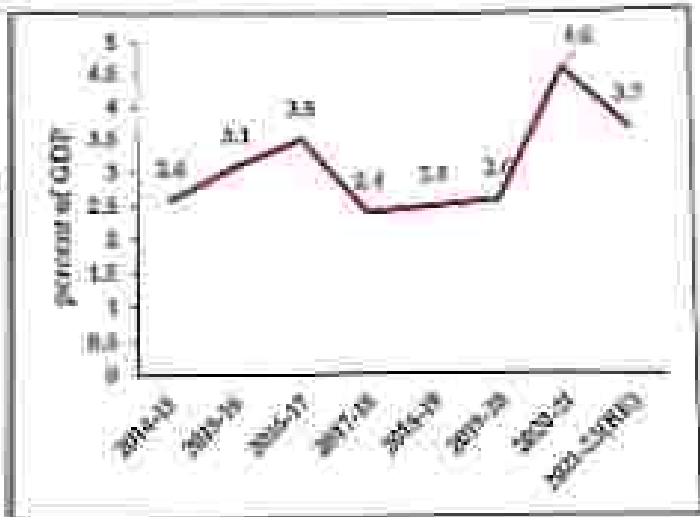
Figure 4: Central Government's Fiscal Deficit

increased further during the pandemic.

Keeping the twin objectives of a broad-based recovery from the pandemic and fiscal consolidation in mind, the Government has revised its fiscal deficit from 6.8 per cent budgeted to 6.9 per cent for the current fiscal year and made a small reduction to 6.4 per cent for the next fiscal, with a gradual reduction thereafter to 4.5 per cent by the fiscal year 2026 (Figure 4).

The Budget has created incentives for State governments to increase capital expenditure by allowing a higher fiscal deficit of 4 per cent of the Gross State Domestic Product (GSDP) instead of the 3 per cent mandated by the Fiscal Responsibility and Budget Management Act (FRBM). It has also provided assistance to States to fund capex by keeping a provision for disbursing long-term interest-free loans.

Overall, the Budget has incorporated fiscal retrenchment. It has budgeted for only a modest increase in the nominal



Source: Union Budget Documents

Figure 5: State Govt. Gross Fiscal Deficit

expenditure of the Government (a proposed increase of only 4.5 per cent in 2022-23 over the Revised Estimate for 2021-22); a flat revenue expenditure; and a sharp increase in capital expenditure (Figures 6 and 7), reflecting an increase of 24 per cent over the Revised Estimate for 2021-22. Politically tricky subsidies are stated to decline significantly, while the revenue projections seem highly conservative, i.e., a 9.5 per cent increase in tax revenue and a 14 per cent decline in non-tax revenue.

In the years ahead, the following three issues will need further articulation as a part of the broader policy framework of the country:

First, though a sharp fiscal consolidation is not warranted at this time, it would be useful to envision the fiscal roadmap that the Government would adhere to in the medium term. Even if the Government's tolerance and the philosophy around the fiscal paradigm may have shifted, as some of the recent Economic Surveys have hinted, it

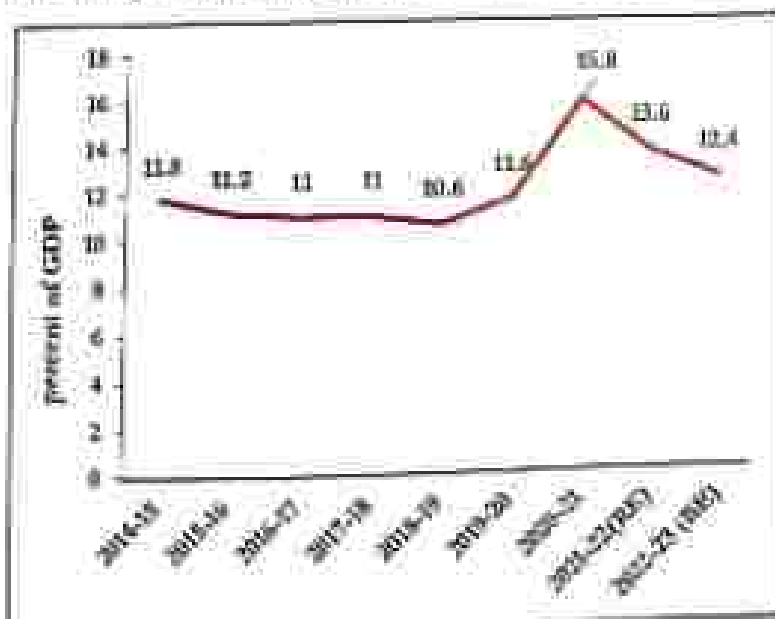
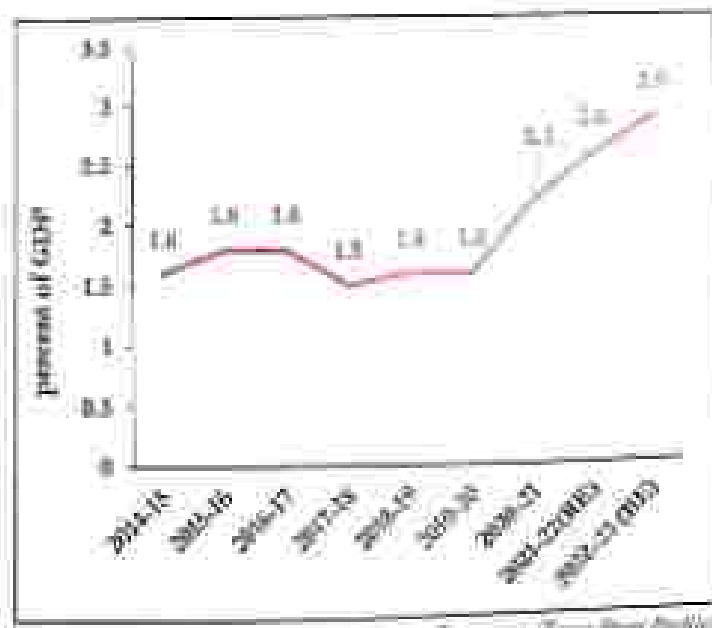


Figure 6: Current Expenditure



Source: Union Budget Documents (Expenditure Profile)

Figure 7: Capital Expenditure

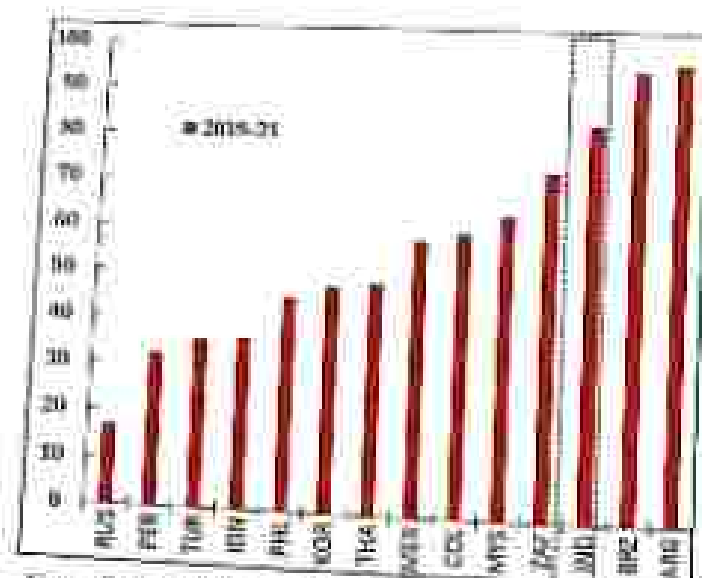


Figure 8: General Government Debt (Total), per cent of GDP

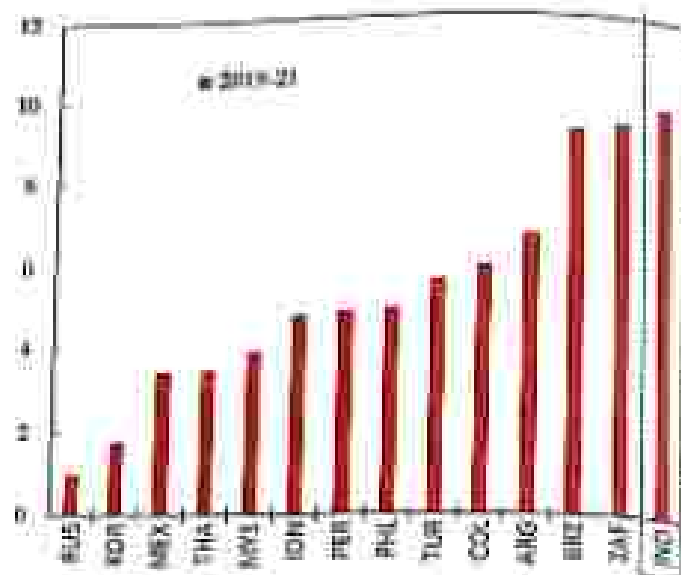


Figure 9: General Government Budget Deficit, per cent of GDP

would have been helpful to provide some details of this roadmap in the Budget.

Even as India's economic fundamentals are strong, its debt situation paints a mixed picture when compared to other countries. The general government debt and deficit as shares of GDP are high by international standards. The country's debt-to-GDP ratio in the last decade (averaging 68 per cent) and fiscal deficit-to-GDP ratio (averaging around 7 per cent) were high among comparators. Tax revenues as a share of GDP have been stagnant or have risen only slowly. The tax effort so measured has been below the corresponding average figures of other countries at similar income levels; direct tax collection has been particularly low. Recurrent expenditure (committed, non-discretionary, or revenue expenditure) accounts for a majority of the general government expenditure, while capital spending on infrastructure is only about 5.5 per cent of GDP in the past. Covid-19 has further widened the budget deficit and increased the debt. Even though the government debt is held mainly at home and denominated in rupees, its level ought to be brought down in due course.

Second, in order to foster growth at rates much higher than in the past, we need the vision to integrate India into global value chains. The global market is collectively 30 times the size of the Indian economy. Albeit India has grown, on average, at 7 per cent a year in the last decade, based on the strength of its domestic markets, when the global trade volumes were highly subdued. However, to take the economy to the next level by achieving a growth rate of 8-10 per cent or higher would depend crucially on the ability and opportunity to tap into global markets. While India has done well this fiscal year in leveraging the momentum seen in global markets, it is still an incremental change compared to what is feasible. We currently account for only 1.5 per cent of the goods supplied to the global market and 3.5 per cent of the global market for services.

The aim should be to head forward, doubling these market shares.

A 2005 report by the United Nations Conference on Trade and Development (UNCTAD), drawing from the successful experiences of the Asian economies, suggests that both foreign market access and the domestic supply capacity matter for attaining faster exports growth. Countries that have exported successfully have more diverse and differentiated portfolios of goods on offer while indulging in intra-firm and intra-industry trade. The domestic capacity, in turn, is determined by the transport infrastructure, macroeconomic and institutional environments, and the FDI received. The other factors that matter include businesses having the flexibility and the means to adjust capacity and reallocate resources as required by the global demand dynamics, a competitive exchange rate, and the availability of working capital, which is determined by the pace of tax refunds, trade credit flows, and a competitive exchange rate.

The aim should be to head forward, doubling these market shares. The measures announced in the Budget and the direction in which they steer the nation should help India become much more competitive globally.

Reference

Dr. Ravi Radhakrishnan, Finance Expert, and Richard Cloutier (2021) "The Trade-Deficit Trap", NCAER Working Paper No. 107/21, November.

Footnote for Figure 8 & 9

2019-21 is average over 2019, 2020 and 2021. General government budget deficit is net borrowing (as mentioned in IMF WEO). A 5.5 ratio denotes net borrowing with a 1% ratio denotes net lending. 2021 are IMF WEO April 2021 estimates while for ARG, COL, MEX, PER, PHL, KOR estimates start after 2018. 2019-21 is average over 2019, 2020 and 2021. A&T average is over 2020 as 2021 data is not available. Acronyms are Argentina (ARG), Colombia (COL), Malaysia (MYS), Peru (PER), Russia (RUS), Korea (KOR), Thailand (THA), Brazil (BRC), Turkey (TUR), South Africa (ZAF), Philippines (PHL), Indonesia (IND), Mexico (MEX) and India (IND).

Demographic Dividend

Jatinder Singh

Youth has a potential and power to change the world for the better. Harnessing the potential of youth for burgeoning economic opportunities is the role of key stakeholders. At the same time, instilling values of integrity and humility is significant in this journey. Youth is often associated with innovative spirit, entrepreneurship, technological prowess, and sports that bring laurels to the nation. Unleashing their latent potential and innovativeness can bring the desired change and prosperity for all. Indian youth is known for resilience and innovation. India has the largest youth population in the world; it becomes a dire need to focus on their development in this 75th year of India's independence. It is imperative to create an ecosystem to make them partners in growth and development of nation.

India's 1.38 billion people with a median age of 28 are one of the youngest populations in the world. China and the US that are much more developed and economically stable, are growing older faster than India. Currently, our country is home to a fifth of the world's youth population advantage. We are in the midst of a demographic dividend. United Nations Population Fund defines this phase as economic growth that results from a shift in population's age structure—the phase when the working age population is more than the number of dependents. Our young population is a valuable asset to economic growth; they will play a critical role in achieving the ambitious target to become a global powerhouse and achieve the target of USD 5 trillion economy by 2024-25. India does not have a lot of time. We have only 20 years left for reaping the advantage of demographic dividend.

Enabling Entrepreneurial Potential

The national income of any country increases if the workforce is educated and has employable skills. Access to the internet and social media has created a digitally savvy population. Our youth are digital natives with high literacy rate. Our nation has opportunities for job creation with a novel entrepreneurial culture. Disruptive technologies have developed startup ecosystem that is providing services in areas like healthcare, education, e-commerce, agrivusiness and many more. Fuelled by aspirations and quality of life, our youth is at the forefront

of new age technologies such as artificial intelligence, machine learning, data science and Industry 4.0. Our youth is a rising consumer class, companies are making products and services with pricing models targeted towards them. Digital payments, e-wallets, low interest loans and credit facilities further fuel the entrepreneurial aspirations of young population. As their spending power



The graphic features a central blue shield with a yellow sun and the text "UNION BUDGET 2021-22 HIGHLIGHTS". To the left is the Government of India logo, and to the right is the Finance Minister's logo. Below the shield is an illustration of a laptop with a purple leaf on top. The text below the illustration reads: "A Digital University to be set up to provide world class quality universal education to students with personalised learning experience at their doorsteps".

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University to be build on networked hub and spoke model

is increasing, the market is set to grow, resulting in higher economic activity. Our young population is also an attractive proposition for investments, locally as well as globally. India has become an investment hub for its entrepreneurial young population.

Many private and public sector interventions are imparting skills to the country's youth. National Skill Development Mission is a game changer that is empowering youth with employable skill sets across multiple sectors and also improving productivity and efficiency. The Government of India initiatives such as Startup India, Digital India and Pradhan Mantri MUDRA Yojana (PMMY) have further enabled entrepreneurship and increased employment opportunities. Inclusive growth can only be realised if there is a focus on women empowerment. The Government's stress on the importance of Hari Shakti is one of the key pillars of inclusive growth. This will also make attempts to grow and strengthen the women-led enterprises.

Budgetary Outlay

The Budget 2023-23 provides impetus for growth as it lays a blueprint for the Aamir Kaal, which is futuristic and inclusive, and it builds a promising future ahead for education, up-skilling and employment. The Budget has profoundly increased the outlay for the education sector by 11.86%, which signals the intentions towards uplifting and empowering the youth. The

The Budget has profoundly increased the outlay for the education sector by 11.86%, which signals the intentions towards uplifting and empowering the youth. In the post-Covid era, education has taken a new track, which is technology-based blended learning. The budget opens vistas to make educational tools available and accessible aiming at inclusive education opportunities.

budgetary outlay will have positive cascading effect on our youth, women and farmers.

The GatiShakti is a progressive model for economic growth and sustainable development; this will result in productivity enhancement and investments. This model is driven by seven engines, viz. roads, railways, airports, ports, mass transport, waterways and logistics infrastructure. This will spur economic growth by furthering the efforts of the public and private sector, leading to enormous job and entrepreneurial opportunities for the youth. This is a big push for public investment for infrastructure, readying India for a 100% educated population.

In the post-Covid era, education has taken a new track, which is technology-based blended learning. The budget opens vistas to make educational tools available and accessible, thus aiming at inclusive education opportunities. There is a proposal of developing high quality e-content in all spoken languages which will be delivered via internet, mobile phone, TV and radio through digital teachers. This will democratise access to education and empower youth in rural areas with access to education, facilitating continuous learning. The strategy is to make education more accessible and affordable, furthering entrepreneurship and skill development of burgeoning youth population. Another significant highlight of the budget is permitting foreign universities and institutions under GIFT IFSC (International Financial Services) Centre to offer courses on FinTech and STEM (Science, Technology, Engineering and Mathematics). This move is projected to bring foreign institutions to India, who are exploring to have synergies with Indian institutions, but were not able to do so in the past due to regulatory challenges. This step will have a large multiplier effect on the country's economic growth. PM's Development Initiative for North East (PM-DevINE) with allocation

of Rs 1,500 crore for development initiatives in the North Eastern Region (NER) will enable livelihood activities of youth in NER.

Startups

The Budget 2023-23 has provided significant impetus to the startup and digital ecosystem for a thriving innovation. There is an explicit thrust on artificial intelligence, geospatial systems, quantum semiconductor ecosystem, green hydrogen energy, clean mobility systems and pharmaceuticals. This will be the engine of economic and social growth for the youth-led New India. Apart from creating employment opportunities for youth, this will also make

industry efficient and competitive. For harnessing the power of youth, the Government's commitment to technology and innovation is laudable. Pioneering technology such as the introduction of digital currency, rollout of 5G, e-services using embedded chips are steps to make our nation futuristic and modern.

The launch of Digital Ecosystem for Skill and Livelihood—(DESL)-Skill portal will motivate young population to learn and sharpen their abilities apart from creating intragenerational opportunities. This will enable them to skill, re-skill and up-skill through online training. With the quest to promote critical thinking skills and instil creative thinking, 150 virtual labs in science and mathematics along with 75 digital e-labs for simulated learning will also be set up. The extension of PM eVIDYA programme from 12 to 200 TV channels will improve learning outcomes of young students.

The major challenge of our youth is the lack of employability skills, this needs to be in sync with the changing industrial demands. The launch of digital university will increase the reach of quality education even in remote areas with the public universities and institutions working in hybrid and open format.

The Budget also recommended the creation of an AVDC (Animation, Visual effects, Gaming and Comics) task force that will suggest ways to realise potential of

The Budget lays down decent initiatives on the tax front, with extension of tax benefits for one more year and promoting ease of doing business. Meeting working capital requirements during initial years of operations is tough for startups. Thus, tax exemption extended by one more year is a strategic move to support young entrepreneurs.

the sector and build domestic capacity serving national as well as global demands. This will act as a stimulus in our rich, very young population for gaining skills in this field.

Youth Entrepreneurship

India has a strong startup ecosystem. As on 7 February 2022, there were 63,103 startups registered by Department for Promotion of Industry and Internal Trade (DPIIT). Indian youth are the torchbearers for creating world class startups. The unicorns soared in 2021-22 despite Covid-19, showing the strength of our youth. More than 50 unicorns were

formed during the pandemic. With proactive policies for startups as announced in the Budget, India has the potential to drive innovation and entrepreneurial temper to create numerous employment opportunities. The Budget lays down decent initiatives on the tax front, with extension of tax benefits for one more year and promoting ease of Doing Business. Meeting working capital requirements during initial years of operations is tough for startups. Thus, tax exemption extended by one more year is a strategic move to support young entrepreneurs. This will also be additional support to the startups to reboot from the hardships faced during the pandemic. Ease of Doing Business 2.0 will boost entrepreneurs and foster entrepreneurship significantly. The productivity-linked incentive scheme in 14 sectors with the potential to create 60 lakh new jobs will be a fountainhead for Indian youth which is a much-needed requirement for the growth of these sectors.

The Budget outcomes will support young entrepreneurs who are brimming with innovative and creative ideas. The surge in the young working population presents unique possibilities for India's future with respect to socio-economic growth. If given right opportunity at right time, our nation will be able to harness the potential of youth. Undoubtedly, the Government is rolling out best possible policies and schemes for holistic development of the youth, but more can be done in the upcoming years. Innovative and radical systems need to be developed in the field of education and skill development so that the youth grows academically and cognitively to gain competency for running our nation as future leaders.

Sriam Vivekananda said, "Arise, awake and sleep not till the goal is achieved." This is a wake-up call for all the stakeholders to create an enabling ecosystem paving way for ample of opportunities for our youth to innovate, create and transcend the shores of their power for economic and social well-being of our country.

UNION BUDGET 2022

Curriculum to be available in different Indian languages and ICT formats

Employment and Human Resource

Arun Chawla

The Covid-19 pandemic has severely impacted the population globally in their economic well-being and long-term livelihoods. While the crisis has taken a toll on all socio-economic sections, the disadvantaged sections stand more vulnerable due to the augmented risk of informal sector jobs, uncertain incomes, meagre savings, and low accessibility to resources, including technology. Skill development is a crucial sector relevant to economic growth and reaping India's demographic dividend. While most developed nations are experiencing an ageing population, India has the opportunity to produce skilled human resources and become the world's skill capital.

The pandemic has accelerated the adoption of technology, demanded constant innovation, and has changed work environments. Modern technologies like AI, Big Data, IoT, Block Chain, 3D Printing & Design, AR/VR, Robotics, Data Sciences, Quantum Computing, and Cyber Security are a few transforming existing businesses. This has led to the creation of jobs that did not exist in the past and would create numerous tailwreath job roles in times to come. Now, more than ever, existing and new workforce would have to be more agile, adaptable, and would need to constantly upskill their knowledge and skills. The concept of education has transformed from university degrees to life-long learning.

Even before the pandemic, in many G20 countries, the composition of employment had started shifting towards jobs that required high-level cognitive and socio-emotional skills or were characterised by non-standardised tasks, while jobs with a high routine content were being automated or off-shored to varying degrees. The trend is expected to continue post-Covid as well. As per FICCI Future Skills Report 2020, the five key skills required in the post-Covid era for the manufacturing sector are 'Data Literacy', 'Digital and Coding', 'Critical thinking', 'Creativity & innovation', and 'Technology knowhow'.

The dynamic needs of the industry have been recognised in this Budget, and initiatives are being taken to strengthen our potential workforce with 21st-century skills. The Union Budget 2022-23 announced skilling programmes and partnerships with the industry to be reoriented to promote continuous skilling avenues, sustainability, and employability. It also highlights the alignment of the National Skill Qualifications Framework (NSQF) with dynamic industry needs. This is a vital step towards enhancing employability that remains sustainable over a period of time. Some of the new-age skills where the efforts are bound to be focused on are geospatial technologies, drones (UAV/UAS/RPAS) pilot, clean mobility, green



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strategies, guidelines, etc., as it aligns with the industry needs. These various sectors will offer tremendous employment opportunities to the skilled workforce in relevant areas.

NSQF was developed before the pandemic, and it is an imperative time to upgrade it as per the industry's requirements. Industry participation may extend beyond designing curriculum and giving their inputs on the National Occupational Standards of the NSQF. This can include preparing the trainees with the industry experience by partnering with IIT/IIM/R institutions to run periodic training capacity enhancement programmes, especially in trades and technology or relevance and interest to the employees. The youth will also get opportunities to skill themselves in industry 4.0 relevant skills and find the right employment opportunities.

The goal of the hour is to understand the big picture with regards to the evolution of technology and what the upsurge could mean for the 'world of work'. With the rapidly changing industry environment, learners today need to be equipped with employability skills that are transferable

The Union Budget 2021-22 announced skilling programmes and partnerships with the industry to be reoriented to promote continuous skilling avenues, sustainability, and employability. It also highlights the alignment of the National Skill Qualifications Framework (NSQF) with dynamic industry needs.

across a broad range of job opportunities and help them modify their approach to solving business problems in dynamic industry environments. Learners should plan for an automated world and acquire the right skills beyond mere technical competencies. Emotional intelligence, learning agility, creativity, relationship building, and leadership skills will be much in demand in the times to come to keep pace with the disruption impacting all aspects of our lives.

Employment

It is estimated that 62 per cent of India's population falls in the working-age group and roughly 10 million new job seekers are added each year. The country's current labour force participation rate is around 49 per cent, meaning that only about half the people of working age engage in paid work. To keep up with the growing global pace, India needs to create almost 90 million new firm jobs between 2020 and 2030.

Technology is making rapid strides, decreasing the dependence on manual labour. However, the 'employment landscape' is also witnessing a growing dearth of skilled workforce. Technology and automation will result in massive reclassification and retraining of work. Those workers who perform tasks that cannot be automated will be highly valued, and that means creativity, innovation, imagination, and design skills will figure high up on the employers' priority agenda. While automation and smart machines are said to replace over 20 million jobs globally by 2030, it is estimated that more than 133 million new jobs will be created as early as 2022.

An important phenomenon witnessed amidst pandemic is the increase in demand for remote work that will have a significant long-term impact on the labour market. Globally, one is witnessing four times the number of jobs for offer remote work since March 2020. This trend is also seen from job seekers: the volume of job searches using the "Remote" filter on LinkedIn has increased 60% since the beginning of March 2020. The advent of remote work and an increasingly virtual world seems to have reduced barriers for people to connect and build their networks.

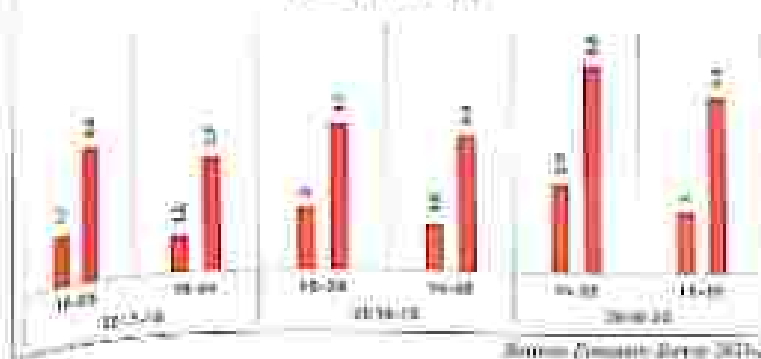
With the rise of remote work, one of the most exciting trends that one is going to see is a democratisation of opportunity and movement of skills all around the globe. Companies may be able to source diverse talent more easily, especially from groups that are underrepresented in their own, or for skills that are locally less available, through remote-work options.

The 'Digital India' initiative announced in 2015 was a big move to push forward the agenda of getting the workforce 'digitally' skilled and through information technology, empowering citizens, bridging the rural-urban



PERSONS RECEIVED FORMAL VOCATIONAL/TECHNICAL TRAINING (%)

(Source: Ministry)



(Source: Ministry, Survey 2019-22)

skills, like improving the government services. As a next step in this direction, the Union Budget 2023-25, has proposed the launch of the Digital Ecosystem for Skilling and Livelihood – the DESH-Skill e-portal. This portal shall aim to empower citizens to skill, reskill or upskill through online training. It will also provide API-based trained skill certificate, payment, and discovery layers to find relevant jobs and entrepreneurial opportunities. Harnessing the digital revolution could be the key to reducing India's skill gap and actualising the government's vision of a high-growth, high-productivity, and middle-income nation.

The interlinking of Udyam (a self-declaration portal for enterprises created by MSME), e-SHRAM (a centralised Archive of organized workers created by MoLE), NCS (a portal to connect job seekers, job providers, skill providers, credit controllers created by MoLE), and ASSEM (a portal to facilitate the supply of skilled workforce with the market demand created by MSME) has come at an opportune time. They will now perform as portals with live, organic features, providing G2C, B2C, and B2B services. These services will reduce to credit facilitation, skilling, and maintenance to formalise the economy further and enhance entrepreneurial opportunities for all.

Human Resource Development

Human resource acts as the driving force in the growth of a nation. The skills, competencies, knowledge, and attitude are some of the key attributes that help find affordable solutions to complex socio-economic problems. According to the "OECD Future of Education and Skills Project 2030", "We need to replace old education standards with a foundational framework that emphasises knowledge with the 21st century skills of creativity, critical thinking, communication and collaboration." This won't be achieved by simply moving classes from the chalkboard to the virtual mode, but by radically transforming the way we teach and learn science and technology skills, from one-way content dissemination and memorisation to personalised, self-directed learning.

India's vision of becoming a USD 5-trillion economy is intricately linked with developing the human capital and

managing it most efficiently. The urban human resource, through its effective contribution to industrial growth, would play a pivotal role in ensuring the quantum leap in our GDP. It is estimated that by 2047 when India celebrates 100 years of its independence, nearly half of its population will live in urban areas. To facilitate this transition, we have to face two challenges: i) orderly planning of our cities, and ii) developing our human resources to harness the demographic dividend by engaging our youth towards societal, economic growth.

Though literacy rate is higher in urban India (close to 85%), however formal vocational/technical training amongs youth (15-29 years) and working-age population (15-59 years) is found to be low as shown in the graph.

There is a need to involve employers in the delivery of education and designing the Education, Skilling, Employment, and Entrepreneurship (ESEE) ecosystem. This approach needs to be applied to the entire life cycle of the learner, right from the elementary stage to the higher education level and going up till the employment stage. We have to enhance our ESEE system further so that our youth are equipped with a multi-disciplinary approach to pave the socio-economic progress of the cities as well as the sprawling rural settlements.

The National Education Policy (NEP) 2020 has highlighted its focus on creating framework that helps in going away with "rote-learning" and facilitates assimilation of an employ-based, project-led ecosystem of education that not only ensures the learning outcomes but also helps in rendering a more rounded and holistic development of individuals. The NEP while highlighting the need for a multidisciplinary approach, has focused on the significance of liberalised education that helps in developing all capacities of human beings in an integrated manner, viz. intellectual, artistic, moral, physical, emotional, and social.

In the current situation, there are a few fundamental questions before the education community with regards to human resource development. How can we make students more employable? How can we prepare them for jobs that have not yet been created? How can we equip them to thrive in an environment where their social intelligence and appreciate different perspectives and worldviews, interact respectfully with others, and take responsible actions towards sustainability and collective well-being? The future, by definition is unpredictable, but by being invested in some of the trends now sweeping across the world, we can learn and help students learn to adapt to, thrive in, and even shape whatever the future holds.

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Modern and Profitable Agriculture

Dr Jagdeep Saxena

In India, agriculture is the foremost sector that remained positive and robust amid an unprecedented crisis of the pandemic. It maintained a seamless supply chain of essential food items across the country and also successfully met the increased global food demands. Backed by good monsoon and timely interventions by the Government, the agriculture sector registered a growth of 3.6 per cent in 2020-21, which improved to 3.9 per cent in 2021-22. As the largest employer of workforce, this sector contributed a sizeable 16.8 per cent in (2021-22) in Gross Value Added (GVA) of the country. Simultaneous buoyant growth in allied sectors, namely animal husbandry, dairying, and fisheries also helped the agriculture sector perform well.

Post-pandemic, agriculture has emerged as the lead player in the recovery process of the national economy. In the Union Budget (2022-23), the agriculture sector has been given a major boost to make it more profitable, sustainable, and modern with the welfare of farmers at the core. Presenting the Budget, the Finance Minister underlined the importance of agriculture by announcing a series of new provisions under the broad category of 'Inclusive Development.'

Stepping-up Allocations

The budget allocation for the Ministry of Agriculture and Farmers Welfare has been raised by 4.5 per cent to Rs 1,32,413 crore for 2022-23 fiscal. If we look into budget allocation for major schemes, Rashtriya Krishi Vikas Yojana (RKVY) got the steepest hike to Rs 10,433 crore (2022-23) from previous Rs 2,000 crore (2021-22, RE). The Government has reintroduced Krishi Ujwal Yojana (KUY) this year with a different set of 10 schemes and a budgetary allocation of Rs 7,183 crore. About 26 per cent of these funds are for the development horticulture sector, whereas 21 per cent of KUY funds are allocated to palm, edible oil, and silage. The ambitious welfare Scheme PM-KISAN continues with an allocation of Rs 6,75,000 crore, whereas PM-Fasal Bima Yojana (PMFBY) has been allocated Rs 15,500 crore. The Government has renewed its thrust on providing better prices to farmers for their produce by allocating 1,500 crore for Market Intervention Scheme.

Recognising the pivotal role of allied sectors in doubling farmers' income, the Government has increased budget allocation for the Ministry of Fisheries, Animal Husbandry and Dairying by 44 per cent. In the mid

AGRICULTURE AND FOOD MANAGEMENT 1/2

RECOMMENDATIONS:-

- 1. Increase in agriculture R&D needed to improve productivity in crop and allied sectors
- 2. Promote use of alternative fertilizers like neem, cow and organic fertilizers
- 3. Focus on new technology including drones and AI-based decision support system
- 4. Support start-ups for innovations

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AGRICULTURE AND FOOD MANAGEMENT

RECOMMENDATIONS:

- Shift focus towards harnessing potential of allied activities like animal husbandry, dairying and fisheries.
- Develop and implement small holding farm technologies to improve productivity of small and marginal farmers.
- Prioritize crop diversification towards oilseeds, pulses and horticulture.
- Coordinated action from State Governments needed to facilitate shift to high value and less water consuming crops.

allocation of Rs. 6407.31 crore, the budget for livestock has been increased by 40 per cent and for oceanic sector schemes have been increased by 48 per cent. An increase of 20 per cent in the budget for Rashtriya Gokul Mission and National Programme for Dairy Development will increase the productivity of the indigenous bovine population and quality milk production, benefiting more than eight crore dairy farmers. Almost 60 per cent enhancement in fund allocation for Livestock Health and Disease Control will ensure healthier livestock and healthier India.

Food processing is another sunrise sector holding promise to increase farmers' income substantially. Hence, the Finance Minister announced the provision of a comprehensive package to help farmers select suitable varieties of fruits and vegetables and to use appropriate production and harvesting techniques. The Budget also proposed an allocation of Rs 241.99 crore, which is 2.25 times or 126 per cent higher than last year. The Government has earlier released the draft National Food Processing Policy to increase investment in this sector and ensure international competitiveness.

In Budget proposals, the Government has reiterated its commitment to continue with the MSP

(Minimum Support Price) scheme for procurement of crops. The Finance Minister announced, "the procurement of wheat in July (2021-22) and the extension of procurement of paddy in March (2021-22) will cover 1000 lakh tonnes of wheat and paddy from 162 lakh farmers to their accounts", she added. Through MSP, the Government ensures remunerative prices to farmers by procuring produce directly from growers at a guaranteed price. Since 2015-19, the Government has kept MSP at the level of one and half times the cost of production. Currently, MSPs are fixed and announced for 22 mandated crops that include 14 kharif crops, two crops and two commercial crops. The Food Corporation of India (FCI) and designated state agencies procure the grains from farmers and manage storage and distribution for supply to more than 80 crore beneficiaries in a highly subsidised way. Such agencies also maintain buffer stock of food grains for dealing with exigencies.

In the budget proposals, the Government has directed the firms credit target to Rs. 18 lakh crore for 2022-23 from Rs. 16.50 lakh crore during the last fiscal. Under Atmanirbhar Bharat Abhiyan, 2.70 crore eligible farmers have been loaned Kisan Credit Cards (KCC) to avail concessional credit, and in addition, over 14 lakh fresh KCCs have been sanctioned for animal husbandry and dairying farmers.

Towards High-tech Revolution

Aiming high-tech revolution to increase efficiency and productivity, the Finance Minister announced lots of measures for promoting technology usage in farm systems. Regarding the use of drones (UAV/Unmanned Aerial Vehicle), she said, "use of 'Kisan Drones' will be promoted for crop assessment, digitisation of land area, spraying of insecticides, and nutrients. Various field experiments have shown that agricultural drones empower farmers to adapt to the specific environment and make judicious choices accordingly. The field step is green helps regulate crop health, crop biomass, crop water utilization, soil analysis, and crop damage assessment.

The ultimate outcome of drone application is higher crop yield with minimization of time, cost and expenses. The Government's 'DigitalSky Platform' is facilitating use of drones in various sectors, including agriculture, by providing step-by-step online clearances for the operation of drones. Recently, the Ministry of Agriculture and Farmers Welfare initiated finding guidelines to make drone technology affordable by covering the purchase, hiring, and demonstration of agricultural drones. Under a Crop

Food processing is another sunrise sector holding promise to increase farmers' income substantially. Hence, the Finance Minister announced the provision of a comprehensive package to help farmers select suitable varieties of fruits and vegetables and to use appropriate production and harvesting techniques.

Specialized Scheme, there is a provision of Rs 10 lakh or up to 100 per cent or Rs 10 lakh as subsidy for the purchase of drones by ICAR (Indian Council of Agricultural Research) Institutions, KVAFSU (Kerala Veterinary, Animal and Fisheries Sciences University) and State Agricultural Universities. The Scheme also provisions 75 per cent funding for drone purchase to FPOs (Farmer Producer Organisations); and 90 per cent or up to Rs 4 lakh for specified Custom Hiring Centres. Considering constraints in the proliferation of technologies at the ground level, the Government has proposed to launch a new scheme in PPP mode under which farmers will be provided with digital and hi-tech services. At the implementation level, public sector research and extension institutions will be engaged along with private agri-tech players and stakeholders of the agricultural value chain. Further, to promote startup ecosystems in agriculture, a fund with blended capital will be facilitated through NABARD under the co-investment model. This is to

The Government has also raised the farm credit target to Rs 18 lakh crore for 2022-23 from Rs 16.50 lakh crore during the last fiscal. Under Atmanirbhar Bharat Abhiyaan, 2.70 crore eligible farmers have already been issued Kisan Credit Cards (KCC) to avail concessional credit, and in addition, over 14 lakh fresh KCCs have been sanctioned for animal husbandry and dairying farmers.

finance startups for agriculture and rural enterprises relevant for the farm produce value chain. Elaborating on the role of startups, the Finance Minister said that, "the activities for these startups will include, inter alia, support for FPOs, machinery for farmers on rental basis at farm level, and technology including IT-based support." This will strengthen the ongoing startup development programmes of the Government being implemented through Ministry of Agriculture, Fisheries, Animal Husbandry and Dairying, and Science and Technology.

Along with technology push, the Government is also keen to develop competent human resources to meet the future needs of technology-driven agriculture. As per the Budget Statement, "there will be encouragement to revise syllabus of agricultural universities to meet the needs of organic, zero budget and organic agriculture, resident-day agriculture, value-addition, and management." Meanwhile, ICAR has taken the lead by initiating the process to develop a curriculum to include zero-budget natural farming in the syllabus at both undergraduate and post-graduate levels. The Agriculture Staff Council of India is also helping transform Indian agriculture through developing the skills of country manpower in finance and emerging areas of agriculture and allied sectors.

The Government is promoting natural farming for quite some time now to make agriculture free from chemical fertilisers and pesticides usage. In the budget proposal, the Finance Minister made a big announcement, "chemical-free natural farming will be promoted throughout the country, with a focus on farmer's fields in 5 km wide corridors along major Corridors at the first stage." Natural farming systems reduce soil fertility and soil organic matter which makes agricultural production sustainable, climate-friendly, and cost-effective. The Government is supporting and promoting natural farming through a dedicated scheme of "Healthy, Pesticide Free, Kisan, Profitable Programme" (HPKPP) which calls for non-chemical processes in farms. The scheme also provides financial assistance of Rs 1.25 lakh per hectare for three years for labour remuneration, capacity building, and continuous landholding by trained personnel, revitalisation, and residue management.

Country is second producer of foodgrains (over 250 million tonnes). 4th advance estimator in 2002-23, vegetable oil production in the country is lagging behind in its consumption. The situation has necessitated the import of edible oils to meet increasing domestic demand. It is an area of major concern for the Government due to heavy import bills. "To reduce our dependence on import of edible

AGRICULTURE AND FOOD PROCESSING
RESILIENT GROWTH RESULTS
INDICATOR

JAN BUDGET 2022-23

- Boost Foodgrains Production and Enhanced procurement
- 2.27 lakh crore direct payment of MSP to 1.83 lakh farmers
- Promoting chemical free natural farming
- Promoting post harvest value addition, consumption and branding of millet products
- Delivery of Digital and Hi-Tech services to farmers in PPP mode
- Use of Mission Drones to aid farmers
- Launching fund with blended capital to finance agriculture start-ups
- San Betwa Link Project to benefit 83 lakh hectares farm land

Central Board of Secondary Education, Government of India

Initiatives for Rural Women

Charanjit Singh

"Women are also being linked with Self-Help Groups and rural organisations across the country through the Deendayal Antyodaya Yojana. I consider the sisters of women's Self-Help Groups to be the champions of the Atmanirbhar Bharat campaign. These Self-Help Groups are actually national help groups. Therefore, the assistance given under the National Rural Livelihoods Mission has increased by almost 13 times in the last seven years in contrast to five years before 2014. Where earlier every Self-Help Group used to get loans upto Rs 10 lakh without guarantee, now this limit has also been doubled to Rs 20 lakh." – The Prime Minister, 21 December 2021

Deendayal Antyodaya Yojana: National Rural Livelihoods Mission (DAY-NRLM) is centrally sponsored programme that aims at eliminating rural poverty through promotion of multiple livelihoods for each rural poor household, is proving to be the game-changer. Launched in 2011, DAY-NRLM aims to reach out to 9-10 crore rural poor households by 2023-24. The Mission provides long-term support to the community institutions and its members in such a way that they diversify their livelihoods improving their incomes and quality of life.

Key Principles

The Mission believes that organising poor rural women into their institutions, supporting a basket of livelihood activities and facilitating access to credit can bring remarkable transformation in their lives.

The design of DAY-NRLM is based on the following key principles:

- i. Poor have a strong desire to come out of poverty, and they have innate capabilities to do so. Social mobilisation and building strong institutions of the poor is critical for giving voice to the voiceless;
- ii. Long-term and continuous financial and livelihood support is required for the rural poor households to

come out of poverty;

- iii. Capacity building and nurturing of the poor is most effective and sustainable when it is done by the poor themselves, and
- iv. Sustainable development of the poor requires promotion of multiple livelihoods - asset as well as skill-based livelihoods in farm as well as non-farm sectors.

Components

Institution Building and Capacity Building: Promotion of community institutions and their capacity building is one of the core components of DAY-NRLM. The Mission aims to mobilise one woman member from

Government's Initiatives to promote Women Empowerment

- 1. Rs. 6500 crore extended to SHGs in 2021-22
- 2. Mission ToKISS to promote entrepreneurship and skill of women.

Disclaimer: It is for Secretary (Rural Livelihood), Ministry of Rural Development. Email: jsr@nrlm.gov.in



Banking interventions from Nidhiya, Jharkhand

each rural poor household into Self-Help Group (SHG). There are 10 to 15 members in each Group. These Groups are federated into Village Organizations (VOs) at the village level. Further, 10 to 15 VOs are federated into Cluster Level Forum (CLF). These community institutions provide a collective platform for the rural poor to overcome poverty through access of financial, technical and marketing resources. These institutions require continuous and intensive capacity building and training. The Mission provides funds to these community institutions in the form of Revolving Fund (RF) and Community Investment Fund (CIF) etc., to strengthen their financial base and help them leverage additional funds. The Mission has, cumulatively, provided Rs 16,189 crore as Community Investment Support (Revolving Fund + Community Investment Fund) so far.

DAY-NRLM is currently being implemented in 6,782 blocks and 706 districts across all States and Union Territories (except Delhi and Chandigarh). The Mission has so far mobilised 8.09 crore rural women into 73.93 lakh SHGs. These SHGs have

been federated into 4.28 lakh VOs and 32,899 CLFs. This shows the widespread reach of the programme across the country.

As an integral approach to capacity building, the Mission is ensuring training of the persons from the community itself, so that they provide 24x7 hand holding support to the SHG members. Accordingly, the Mission has trained and deployed more than 3.5 lakh Community Resource Persons (CRPs) in various fields, viz. Banking, agriculture, livestock, fisheries and forest sectors, etc.

It works on both demand and supply sides of financial inclusion by promoting financial literacy among the poor and providing catalytic capital to the SHGs and their federations on the demand side and coordinating with the financial sector and encouraging use of digital financial technologies, business correspondents and community facilitators on the supply side.

Financial Inclusion: DAY-NRLM facilitates universal access to the affordable, cost-effective, reliable financial services to the poor. It works on both demand and supply sides of financial inclusion by promoting financial literacy among the poor and providing catalytic capital to the SHGs and their federations on the demand side and coordinating with the financial sector and encouraging use of digital financial technologies, business correspondents and community facilitators on the supply side. Financial inclusion is primarily being facilitated by enabling SHGs to

be linked to Banks and to access all financial services including loans.

In terms of SHG-Bank credit linkage, more than 32 lakh SHGs have been credited with more than Rs 82,092 crores in the ongoing FY 21-22, whereas cumulatively, the volume of Bank credit leveraged by the SHGs amounts to Rs 4.61 lakh crore as of December 2021. In addition to this humongous credit linkage, the power of the working of the SHGs is reflected in the incredible figure of Non-Performing Asset (NPA) which stands at 2.34%. Further, all efforts are being made by SHGs to reduce this further. Considering the stellar performance of SHGs, the Government has doubled the limit for guarantee free loan for every Self-Help Group from Rs 10 lakh to Rs 20 lakh.

DAY-NRLM has also been instrumental in providing last mile delivery of financial services in remote rural areas where people do not have much access to Banking services. This is being facilitated through promotion of digital finance and deployment of SHG Women as Business Correspondent Sakhi with the support of Banks and Common Service Centres. Presently, more than 68000 women members of SHGs have been identified, trained and deployed as BC Sakhis. The BC Sakhis (Business Correspondent/BC Point) provide last-mile financial services including deposits, credit, remittance, disbursement of pensions & scholarships, MGNREGA wages and enrollment under insurance and pension schemes. These BC Sakhis have recorded 215 lakh transactions of worth Rs 10,001 crores till December 2021 during the FY 21-22. Their contribution in providing financial services

DAY-NRLM has also been instrumental in providing last mile delivery of financial services in remote rural areas where people do not have much access to Banking services. This is being facilitated through promotion of digital finance and deployment of SHG Women as Business Correspondent Sakhi with the support of Banks and Common Service Centres.

during the current pandemic has been appreciated widely.

Interest Subvention

In order to reduce the effective cost of Bank credit to women SHGs, DAY-NRLM provides interest subvention and additional interest subvention to SHGs. All women SHGs whose members are from the DAY-NRLM target group, are eligible for receiving interest subvention equal to the difference between the borrowing rate of interest and 7%. In addition, in 250 districts, all women SHGs can avail loans up to Rs 3.0 lakh each at 7% rate of interest per annum, with an additional interest subvention of 3% on repayment of loans in time, reducing the effective interest rate to 4%.

Livelihoods Promotion: In addition to facilitating loans for various activities through financial inclusion as detailed above, the specific initiatives in farm and non-farm sectors are being taken up for the SHG members under DAY-NRLM.

Mahila Kisan Sashaktikaran Pariyojana (MKSP)

As part of the livelihood intervention, MKSP was initiated as a sub-component of DAY-NRLM in 2011. The primary objective of the MKSP is to empower women by making systematic investments to enhance their participation and productivity, as also create sustainable livelihoods of rural women. The programme is implemented in project mode. The key objectives of the sub-scheme are-

- To enhance the productive participation of women in agriculture;
- To create sustainable agricultural livelihood opportunities for women in agriculture;
- To improve the skills and capabilities of women in agriculture to support farm and non-farm-based activities;
- To ensure food and nutrition security at the household and the community level;
- To enable women to have better access to inputs and services of the government and other agencies; and
- To enhance the managerial capacities of women in agriculture for better management of biodiversity.

In the unfolding scenario of climate change, MKSP is poised to play a critical role in ensuring sustainable agriculture



The Scheme supports development of a pool of community resource persons to enable the community institutions to manage their activities. Three broad farm programme areas of MKSP are (i) Sustainable Agriculture (ii) Non-Timber Forest Product (NTFP) and (iii) Value Chain Development. Livestock interventions are integrated with both Sustainable Agriculture and NTFP projects. About 1.47 crore women farmers have been covered under this approach so far.

To make available various agricultural equipments to women farmers at reasonable rates, the Custom Hiring Centres (CHCs) are also being established. This not only reduces drudgery of women farmers but also ensures easy access of equipments to small and marginal farmers. More than 22,800 CHCs have been established so far.

Establishment of Agri Netai gardens in SHG households is another critical activity which is ensuring nutritious food all round the year to SHG members. Further, the members are also able to earn extra income for the household with some sale of these produce. So far, 80.44 lakh Agri Netai gardens have been established in SHG Households.

This strengthening of livelihoods by interventions in agro-ecological practices logically leads to next steps, i.e., natural farming and organic farming. However, formation of Local Groups and organic certification is spread over a longer period. Even then, 2.41.961 farmers have been covered under organic certification so far.

It has been observed that the collectives have better resources to leverage the markets properly. Accordingly, the Ministry of Rural Development under DAY-NRLM facilitates promotion of women owned Producer Collectives, i.e., Producer Enterprises/Farmer Producer Organisations and Producers Groups to support women members to access better market for their produce through interventions like aggregation, value addition and marketing. The idea is to develop a complete business model to provide primary producers with end-to-end solutions from creating producer organisations to building marketing linkages.

In addition, to build the technical expertise, as well as support development of projects for promotion of large size Producer Enterprises, "Foundation for Development of Rural Value Chain (FDRVC)" has been established with the support of TATA Trusts. It supports the State units of DAY-NRLM to develop and implement value chain projects through promotion of large sized Producer Enterprises.

The SarasCollection covering an exclusive exquisitely handcrafted collection has been launched on Government e-Marketplace (GeM). This unique initiative between GeM and NRLM showcases daily utility products made by rural SHGs and aims to provide SHGs in rural areas with market access to Government buyers.

So far, 183 Producer Enterprises with 3.86 lakh women members and 1.22 lakh Producer Groups with 14.06 lakh women members have been supported under DAY-NRLM.

Start-up Village Entrepreneurship Programme (SVEP)

SVEP, the sub-scheme under DAY-NRLM develops an ecosystem for supporting small businesses in rural areas. The eco-system has components for providing business support services, mentorship, seed support, training & capacity building, capital, marketing & marketing support.

as business and technical aspects and marketing support. SVEP supports a block with these services for supporting small business. A total of 1,86,574 enterprises across 23 States/UTs have been supported so far.

Anjanyta Gramon Express Yojana (AGEY)

AGEY is a sub-scheme under DAY-NRLM to provide safe, affordable and community-monitored transport services to rural areas. The vehicles are owned and operated by members of SHG networks. It connects remote villages with services and amenities including access to markets, education and health besides providing livelihood opportunities to SHG members. The Scheme was launched in the year 2017 and till December 2021, a total of 1811 vehicles were operational in 23 States.

E-Marketing

Considering increasing footprints of e-marketing in the country, various steps are being taken to extend benefits of this to the SHG members. The Saras Collection covering an exclusive exquisitely handcrafted collection has been launched on Government e-Marketplace (GeM). This unique initiative between GeM and NRLM showcases daily utility products made by rural SHGs and aims to provide SHGs in rural areas with market access to Government buyers.

Many States, e.g., Assam, Bihar, Madhya Pradesh, Sikkim and Kerala, etc., have also taken steps in e-marketing of their SHG products. The Ministry is also taking steps to develop its own portal where products from various SHGs across the country will be displayed.

Partnership/Convergence for Livelihood promotion

DAY-NRLM recognises that an enormous effort is required to extend the benefits to all the members of the SHGs. Accordingly, it places a very high emphasis on convergence with other programmes of the Ministry of Rural Development and other Central Ministries and programmes of State Governments for developing synergies directly and through the institutions of the past.

Convergence between following Departments/Ministries and DAY-NRLM has been ensured -

- Department of Agriculture & Farmers Welfare, Ministry of Agriculture & Farmers Welfare.
 - Department of Rural Development regarding Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
 - Department of Animal Husbandry & Dairying (DAHD) and Fisheries
 - TRIFED, Ministry of Tribal Affairs
 - Ministry of Food Processing Industries (MoFPI)
 - Ministry of Micro, Small and Medium Enterprises (MSME)
 - Ministry of Social Justice and Empowerment (MoSJE), and
 - Ministry of Health and Family Welfare (MHFW)
- To give single instance of the way this convergence creates win-win situation for both the Ministries is the Seed Capital distribution under the Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME) of the MoFPI by the State Rural Livelihood Missions of the Rural Development Department of the States. A total of 86,000 beneficiaries have been mobilised for an assistance of over Rs 256 crores within a short span of six months in this financial

year. In fact, DAY-NRLM has made available a strong platform for various Ministries to deepen their scheme's implementation.

Response to Covid-19 pandemic: The SHG members have been actively involved in every scenario faced by the country. As the pandemic struck the country, these SHGs have been involved in promoting awareness on Covid-19 preventive measures and vaccination among rural households through the SHG networks.

The contributions made by SHG members in supporting communities during Covid-19 pandemic have been much appreciated across the country. They have produced 16,89,27,834 masks, 5,29,741 Protective Equipment, 5,13,059 Litres of Sanitizer and managed 1,22,682 Community Kitchens for providing food to Covid-19-affected community members and migrants. Further, the cascading patterns of trainings were organised by developing standardised models. Accordingly, more than 5.5 crore SHG members were trained on Covid-19 prevention & adoption of Covid-19 appropriate behaviour and mobilisation for vaccination in a structured way.

In the 75th year of India's Independence which is also being celebrated as 'Azadi Ka Amrit Mahotsav', India has taken a number of steps through DAY-NRLM programme to empower women in the rural areas of the country. However, there are miles to go before we can rest.

3



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Green Economy

Dr S C Lahiry

The Finance Minister in her Budget 2022-23 speech, stressed that Climate Change was being one of the highest external negativities facing the country and the Government was committed to a strategy of low carbon footprint. Implementation of clean air policy was undertaken considering the challenge posed due to growing air pollution reported in the large cities.

This year's budget announcements underlined the importance accorded to sustainability and decarbonisation goals by the Government. Implementation of clean air policy was undertaken considering the challenge posed due to growing air pollution reported in the large cities. This would enable emission levels under check through an effective monitoring mechanism in place. However, despite three years into the launch of NCAP in 2019, analysis of pollution levels shows that there has been a marginal decrease in pollution levels in targeted cities. It also shows an insufficient expenditure of funds by the States to ensure air pollution reduction. The institutions engaged in regulatory functioning both at the Central Govt and States' level need to be strengthened in maintaining environmental-regulation standards in large cities/urban centres. To a large extent, an effective regulation system will reduce pollution at various levels.

Budgetary Allocation

Apart from estimates of expenditure and revenue, the annual budget exercise provides directions to the economic policy makers and articulates major initiatives of the incumbent government. In 2022-23, the Ministry of Environment, Forests and Climate Change (MoEFCC) has been allocated Rs 3030 crore, which is an annual increase of 3.0% over the budget allocation in 2021-22. In 2021-22, the Ministry was allocated Rs 2869 crore, which is decreased by Rs 349 crore (12%) at the revised estimates stage. This includes a reduction in the budget towards (i) Environment, Forestry, and Wildlife (reduced by Rs 96 crore), (ii) Establishment Expenditure of the Centre (reduced by Rs 71.5 crore), and (iii) Control of Pollution (reduced by Rs 80 crore), among others. This may be due to a change in the spending priorities of the government over

the year considering the pandemic situation. For Climate Change Action Plan, an outlay of Rs 30 crore has been made, which is the same as in the current fiscal whereas Rs 460 crore was allocated to Control of Pollution as against Rs 470 crore in the last budget. The Scheme-Control of Pollution has been conceptualised to provide financial assistance to Pollution control Boards/Committees and financing to National Clean Air Programme (NCAP). There is no mention of budget allocation earmarked for NCAP in the expenditure budget. However, the budget allocation for 'Hazardous Substances Management' reduced to Rs 4.5 crore from already a meagre Rs 6 crore while R&D for conservation and development scheme also reduced to Rs 4.75 crore. Allocation for the Central Pollution



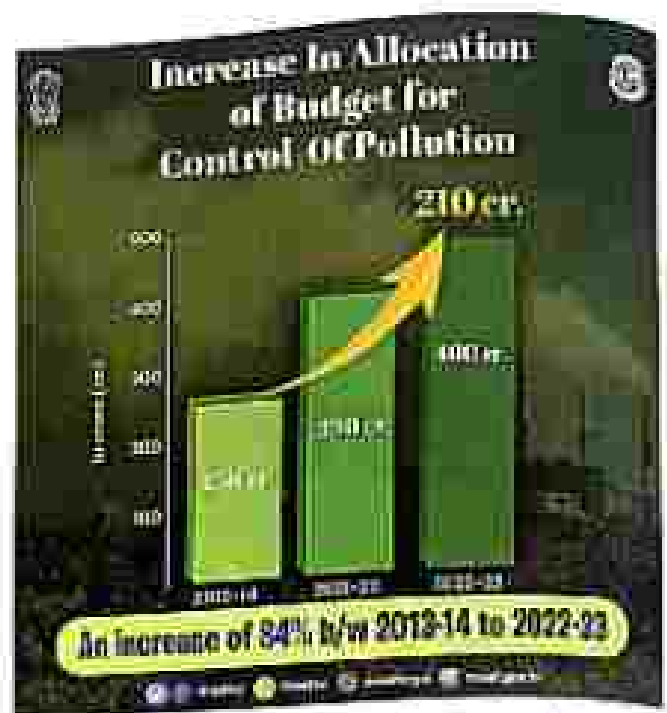
The author is associated with the erstwhile Planning Commission for over 23 years and served in different capacities in sections III Industries & Minerals, Agriculture & Animal Husbandry. Email: sc Lahiry@gmail.com



Control Board (CPCB), responsible for tackling pollution around the country, remained static at Rs 100 crore. The allocation for National Mission for a Green India, a Centrally Sponsored Scheme (CSS), has been raised from Rs 290 crore (in this fiscal) to Rs 361 crore. In the wildlife arena, the government-initiated projects — Project Tiger and Project Elephant saw some changes with the former getting reduced by Rs 30 crore and the latter being reduced by Rs 1 crore. The allocation in this fiscal of Rs 250 crore for Project Tiger, an initiative for conserving the wildcat (reduced to Rs 220 crore) is enhanced to Rs 300 crore in 2022-23. Allocation of Rs 23 crore for Project Elephant has been made (in 2021-22), which was launched to conserve elephants across the country, is raised to Rs 25 crore. The budget allocation for the National Tiger Conservation Authority (NTCA), a statutory body under the Ministry of MoEFCC responsible for tiger census and conservation of wild cats, is Rs 10 crore which remains the same as in the current fiscal. The allocation for the National Coastal Mission has been made Rs 195 crore in the year 2022-23 compared to Rs 200 crore in the current fiscal. Under the National Coastal Mission, MoEFCC is responsible to ensure livelihood security of coastal communities including fisher folks to conserve, protect the coastal stretches, and to promote sustainable development based on scientific principles.

Policy Initiatives

The Finance Minister allocated Rs 1950 crore for Production Link Initiative for the manufacture of high-efficiency modules with primary to



fully integrated manufacturing units from polysilicon to solar PV modules. Cuffing the green economy a 'storage economy', she said 'the circular economy transition will help productivity enhancement and job creation.' She announced that the Government would introduce a policy for battery swapping. This would give a boost to the domestic EV industry especially on the public transport front as it would provide an affordable solution to the issue of charging anxiety. Having more EVs on the road is an important part of the Government's plan to reduce carbon emissions from transport. It is pointed out that infrastructure is needed to make EVs mainstream and improve their use case especially in the public transport and goods delivery segments.

The FM further announced that unleaded petrol will attract an additional differential excise duty of Rs 2 per litre. Petrol not blended with ethanol will be coarser from October 2022. The blending of fuel is a priority of the

Govt. The average blending ratio for petrol sold by State-run companies is currently 8% and is targeted to rise to 20% by 2025. However, it is clarified that ethanol availability is not uniform and States far away from production centers are likely to have lower ethanol blending ratios.

Other initiatives in the Budget announced include: 5% to 7% bonus pellets will be co-fired in thermal power plants resulting in CO₂ saving of 38 MMT annually. This will also help avoid stubble burning in the northern States. Additionally, emp efficiency and savings amount to

The Finance Minister allocated Rs 1950 crore for Production Link Initiative for the manufacture of high-efficiency modules with primary to fully integrated manufacturing units from polysilicon to solar PV modules that infrastructure is needed to make EVs mainstream and improve their use case especially in the public transport and goods delivery segments.

be promoted. This will be done in large commercial buildings through the business model. Four pilot projects for coal gasification and conversion of coal into chemicals will be established, and agroforestry and private forestry will be implemented. Financial support will be provided to farmers belonging to Scheduled Caste and Scheduled Tribes who want to take up agroforestry under the scheme.

It may be stated that the circular economy transition is expected to help in productivity enhancement in a sustainable manner. The action plans for ten sectors such as electronic waste, end-of-life vehicles, used-oil waste, and toxic and hazardous industrial waste are in pipeline. Further, pushing for a circular economy and expanded producer responsibility for ten sectors will provide opportunities for sustainability startups and ultimately help reduce India's carbon footprint. Experts, big and large, have welcomed the PM's announcements on the transition to a low carbon economy. However, according to Centre for Science and Environment (CSE)'s assessment, coal gasification actually produces more carbon dioxide than a conventional coal-powered thermal power plant. Also, coal gasification plants are costlier than conventional power plants.

Taking up R&D, recruitment of professionals having domain knowledge, and provisioning of infrastructure is

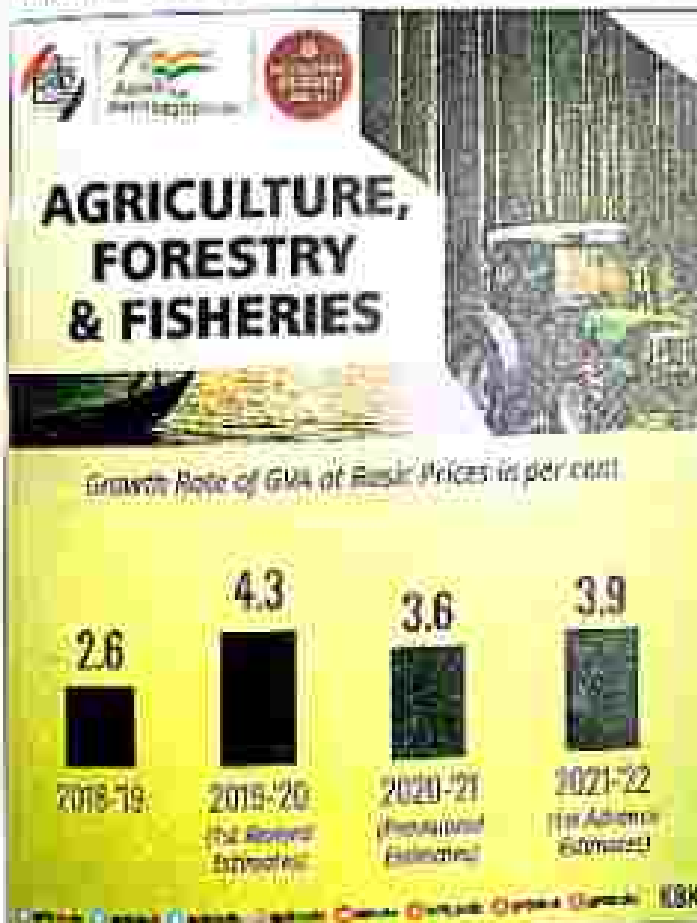
That the circular economy transition is expected to help in productivity enhancement in a sustainable manner. The action plans for ten sectors such as electronic waste, end-of-life vehicles, used-oil waste, and toxic and hazardous industrial waste are in pipeline.

necessary where budget provisions need to be stepped up. (For instance, the budgetary allocations for CPCB have stagnated at Rs. 100 crore for the last 4 years. CPCB is assigned the task of monitoring air and water quality and also checking polluting industrial or commercial units besides supporting SPCEs which carry out monitoring, permitting, and enforcing functions at the state level). Closing down of coal-fired power plants not meeting

prescribed standards was earlier announced by the PM, but Budget 2022-2023 didn't mention anything on the closure of inefficient fossil fuel plants. India pledged in Paris to generate 40% of India's power capacity from non-fossil fuel sources and create an additional 'carbon sink' of 2.5-3 billion tonnes of carbon dioxide equivalent by 2030. According to Central Electricity Authority (CEA), as of 31 December 2021, the share of non-fossil sources in the installed capacity of electricity generation was 40-20%. The report of ISFR 2021, points out that forest cover has been increasing in India. However, the country has lost more than 1600 sq km of natural forests in this period. The some of the loss has been compensated by an improvement of the health in some of the protected areas and reserve forests while a large part of the increase is due to more areas coming from under the plantation which experts argue are no substitute for natural forests when it comes to providing critical ecological services. The reported loss of 1000 sq km of natural forests in the northeastern States should cause concern. GSM has to be aggressively and effectively implemented throughout the States with quality planting materials. The research activities into restoring biodiversity, conserving landscapes, and preserving the natural balance biodiversity pan India will have to be encouraged.

Endnotes

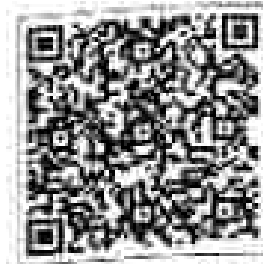
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LOOKING FOR GANDHI IN OUR TIMES

by Varsha Das



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Looking for Gandhi in Our Times by Varsha Das, who is a prominent Gandhian, throws light upon how Mahatma Gandhi guided the masses to inculcate their belief systems into their lifestyles. He motivated humans to live and apply the change as they wish to see in the world, and this is aptly conveyed. The book engages in making us believe that 'Gandhiji is timeless', and does so, successfully.

The book acknowledges the importance of Gandhiji's *Hind Swaraj*, which carries 'his dream and vision of a liberated India.' It delves deep into answering whether we really know Gandhiji in his absoluteness. His idea of collective struggle, and process of creative metamorphosis, led to his philosophy of Satyagraha, which required immense willpower.

It analyses the humanistic aspects of Gandhiji, how the Father of our Nation was not devoid of making mistakes. By talking about his eleven vows, it illustrates Gandhiji's journey of continuous inner change. He saw godliness in every human being, which represents his acceptance and adherence towards people from diverse cultures. His keen perception of society allowed him to comprehend the economic motive behind most human actions, ultimately leading to violence and corruption.

He also revered teachings in *Srimad Bhagwad Gita*, which emphasised a solitary way of life by practicing self-reliance, without an expectation for companionship.

The latter part of the book talks about the first group of women Satyagrahis, how Gandhiji grasped these women's 'indomitable will' defining their actual strength. He also appreciated the spirit of non-violence or Ahimsa in women, as he believed that they have an infinite capacity to love, even while suffering.

Gandhiji propagated spirituality as fundamental, requiring 'un-measurable strength.' He believed in experiential learning being a positive influence on education, and considered material wealth as transient, vulnerable, and relative happiness. The

Looking for Gandhi
in Our Times



Varsha Das

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