



# VAJIRAO IAS ACADEMY

India's Premier Coaching Institute for Civil Services (IAS/PCS)



## MAINS HACKER

# SUMMARY OF ECONOMIC SURVEY 2021-22 & BUDGET 2022-23



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## DIRECTOR'S MESSAGE



“Civil Service is not just a job; it is an opportunity, to do your bit for society and to contribute to nation-building. It is an opportunity to realise your potential and make a meaningful contribution in the emancipation of masses.”

**Mr. Dilip Kumar**  
**Director, Vajirao IAS Academy**

Good Civil Servants ensure efficient and smooth governance. They are the backbone of the country and they have the power to make a difference in people's life.

We have set up extremely tough targets for ourselves. Now a day's, most of the students are well aware and focused about their aim. They just need a streak of guidance. We feel that we have done our bit in providing that blue streak of guidance and we are honoured to be a reason of smile on certain lips, proud to be your teacher, friend and guide.

## Preface

Economic Survey and Budget has an important role in the examinations conducted by the Union Public Service Commission and State Public Service Commissions. It is necessary for the aspirants to have knowledge of relevant and updated information on issues of national and international importance related to the analytical aspects. Mains Hacker Series is being presented to the students to fulfill this requirement to clear and secure the mains. Preparation of the civil services exam is only completed when the aspirants have holistic knowledge and analysis of the dynamic nature of the various angles of the subject. Keeping this vision and approach and understanding the multidimensional need of students at the content level, these magazines will present current affairs, its basic static portion with relevant issues of general studies. Keeping in mind the mains exam, current articles burning issues, Ethics Case Studies, Biographies of important and eminent personalities, coverage of most useful topics of various important sections of General Studies and the most important current affairs issues are being covered under this series.

**Khyati Khare**

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## 1. Introduction

Economic Survey 2021-22 was tabled in the house by the Finance Minister.

- The central theme of this presented Economic Survey is the “Agile approach”.
- This year’s survey uses various examples and themes to raise and highlight the use of satellite and geospatial data to reflect the infrastructural growth in India.

### What is the Economic Survey?



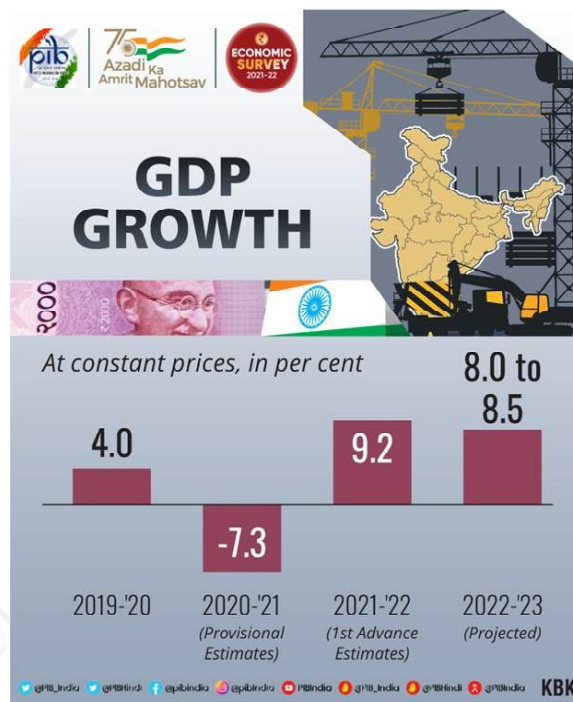
- The Economic Survey of India is an annual document presented by the Ministry of Finance every year in the parliament. It contains the most authoritative, reliable and updated source of data on India’s economy.
- It is a report published by the government of India presented on the state of the economy in the past one year, its key challenges it anticipates, and its possible solutions and outcomes.
- The document is made by the Economics Division of the Department of Economic Affairs (DEA) under the guidance given by the Chief Economic Advisor of India.
- It is usually put on the table a day before the Annual financial Statement is presented in the Parliament.
- The first Economic Survey in India was tabled in the year 1950-51.
- Up to the year 1964,
- It was presented along with the Annual Financial Statement. From 1964 onwards, it has been derailed from the Budget.

## 2. Key Points of the Economic Survey 2021-22

### a. State of the Economy (GDP Growth)

- The Indian economy is estimated to grow by 9.2% in real terms in 2021-22 following a contraction of 7.3% in 2020-21.

- ◆ The Gross Domestic Product (GDP) has been forecasted to grow by 8-8.5% in real terms in 2022-23.



- ◆ Projection comparable with World Bank and Asian Development Bank latest projection of real GDP growth of 8.7% and 7.5% respectively for the year 2022.
- ◆ According to the International Monetary Fund's report published in World Economic Outlook projections, India's real GDP is projected to grow at the rate of 9% in 2021-22 and 2022-23 and at 7.1% in 2023-24, which would make India the fastest and rapid growing major economy in the world for all 3 years.
- ◆ Combination of high Foreign Exchange Reserve sustained Foreign Direct Investment and rising export earnings will facilitate an adequate buffer against global liquidity tapering in 2022-23.

## b. Fiscal Developments

- Sustained revenue collection and a targeted expenditure policy has estimated the Fiscal Deficit for the month of April to November, 2021 at 46.2% of the total Budget Estimates.
- The revenue receipts from the Union Government (April to November, 2021) have risen by 67.2% Year on year as against an expected growth of 9.6% in the previous Estimates.
- Gross Tax Revenue has registered a growth of over 50% during the month of April to November, 2021 in Year on year terms.
- This performance is robust compared to pre covid levels of 2019-2020.
- Tax Revenue is forming part of the Receipt Budget, which in turn is a sub part of the Annual Financial Statement of the Union Budget.
- During the month of April-November 2021, Capex has risen by 13.5% year on year with focus on infrastructure-intensive core sectors.

- With the increased borrowings on account of the pandemic, the Central Government debt has risen up from 49.1% of GDP in 2019-20 to 59.3% of total GDP in 2020-21, but is anticipated to follow a declining trajectory with the recovery of the Indian economy.
- Buoyant tax revenues and government policies have made the “headroom for taking up additional fiscal policy interventions”.
- Focussing on the need to pursue the focus on capital expenditure, it has projected that the government is on course to achieve the fiscal deficit target of 6.8% of GDP for the year 2021-22.

### **c. External Sectors**

- India’s merchandise exports and imports recreated strongly and surpassed pre-Covid levels during the past financial year.
- There was a huge significant pickup in net services with both receipts and payments crossing the pre-pandemic levels, despite weak tourism revenues.
- Net capital flows were raised at USD 65.6 billion in the first half of 2021-22, on account of growing inflow of foreign investment, revival in net external commercial borrowing, higher banking capital and additional Special Drawing Rights designation.
- As of end-November 2021, India was anticipated as the fourth largest forex reserves holder in the world after China, Japan and Switzerland.

### **d. Monetary Management and Financial Intermediation**

- The liquidity in the country remained in surplus.
- Repo rate was sustained at 4% in 2021-22.
- Reserve Bank of India has taken various initiatives such as G- Sec Acquisition Programme and Special Long term Repo operation to provide further liquidity in the system.
- The economic shock of the pandemic has been forecasted well by the commercial banking system:
  1. Bank credit growth has been accelerated gradually in the year 2021-22 from 5.3% in April 2021 to 9.2% as on 31st December 2021.
  2. The Gross non performing ratio of Scheduled Commercial Banks (SCBs) declined from 11.2% at the end of 2017-18 to 6.9% at the end of the month of September, 2021.
  3. Net Non-Performing Advances ratio has declined from 6% to 2.2% during the same period.
  4. The Return on Assets and Return on Equity for Public Sector Banks sustained to be positive for the period ending in the month of September 2021.
  5. Exceptional year for the capital markets: Rs. 89,066 crore was raised with the issuing of 75 Initial Public Offer issues in April-November 2021, which is much higher comparative to the last decade.

### **e. Prices and Inflation**

- The average headline consumer Price Index combined Inflation moderated to 5.2% in 2021-22 April-December from 6.6% in the corresponding period of 2020-21.
- The decline in retail inflation (CPI) was led by simplifying food inflation. Food inflation was calculated at an average rate below 2.9% in 2021-22 (April to December) as against 9.1% in the corresponding period last year.
- Effective supply-side management is keeping the price of most essential commodities under control during the year of 2019-21. Proactive measures were taken to curb the price rise in pulses and edible oils.
- Reduction in central excise and at the same time to time cuts in Value Added Tax by most States helped ease petrol and diesel prices.
- Wholesale inflation based on the Wholesale Price Index rose to 12.5% during 2021-22 (April to December). This has been attributed to:
  - ◆ Low base in the predecessor year,
  - ◆ Pick-up in economic business.
  - ◆ Sharp rise in international prices of crude oil and further imported inputs, and
  - ◆ High consignments costs.
- Difference between CPI-C and WPI Inflation: The divergence peaked to 9.6% points in the month of May 2020. However in the year 2021 there was a rowback in divergence with retail inflation sinking below wholesale inflation by 8.0% points in December 2021. This divergence can be elucidated by factors such as:
  - ◆ Fluctuation due to base effect,
  - ◆ Difference in scope and compass of the two indices,
  - ◆ Price cluster,
  - ◆ Items to be covered
  - ◆ Difference in commodity burden, and
  - ◆ WPI being more sympathetic to cost-push inflation led by imported inputs.
  - ◆ With the gradual dwindle of base effect in WPI, the divergence in CPI-C and WPI is also expected to shrink down.

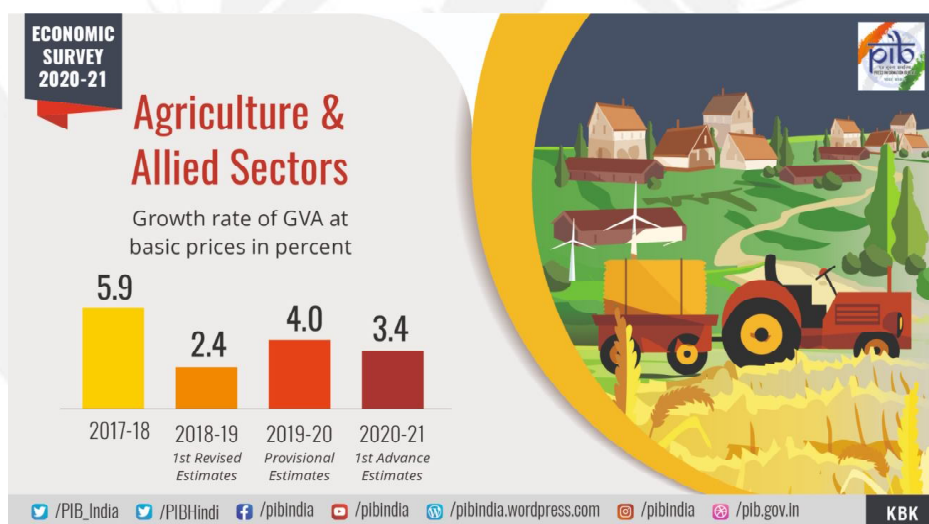
### **f. Sustainable Development and Climate Change**

- India's overall score on the NITI Ayog Sustainable Development Goals (SDG) India Index Forecast improved to 66 in 2020-21 from 60 in 2019-20 and 57 in 2018-19.
- India has the tenth largest forest covered area in the world. In 2020, India ranked third globally in enhancing its forest area during 2010 to 2020.
- In 2020, the forests covered 24% of India's total covered geographical area, accounting for 2% of the world's total forest cover.
- The Compliance status of Grossly Polluting Industries (GPIs) situated in the river Ganga main stem and its tributaries has improved from 39% in 2017 as a base year to 81% in 2020.
- The Prime Minister, as a part of the national statement delivered at the Glasgow Summit in November 2021, announced ambitious targets to be achieved by 2030 to enable further curtail in emissions.

- The need to start the one-word movement 'LIFE' (Lifestyle for Environment) urging mindful, constructive and deliberate utilization instead of mindless and destructive consumption was put forward.

### g. Agriculture and Food Management

- The Agriculture sector is witnessing buoyant growth from the past two years, accounting for a sizable 18.8% (2021-22) in Gross Value Added (GVA) of country's registering a growth of 3.6% in the year 2020-21 and 3.9% in 2021-22.
- Minimum Support Price (MSP) policy is being used to promote and cultivate crop diversification in the country.
- Net receipts from crop production are witnessing a sharp increase by 22.6% in the latest Situation Assessment Survey (SAS) compared to the SAS Report of 2014.
- Agriculture and Allied sectors including animal husbandry, dairying and fisheries are steadily emerging and enhancing to be high growth sectors and major drivers of overall growth in the agriculture sector.
- The Livestock sector has risen up at a CAGR of 8.15% over the last five years ending 2019-20.



- Government facilitates food processing through various measures, channels and policies of infrastructure development, subsidized transportation and support for formalization of micro food enterprises.
- India runs one of the largest food management and providing programmes in the world.
- Government has further extended the coverage of the food security network through schemes like PM Gareeb Kalyan Yojana (PMGKY) and others.

### h. Industry and Infrastructure

- The Index of Industrial Production (IIP) is growing at the rate of 17.4% during April-November 2021 as compared to (-)15.3% in April-November 2020.
- Capital expenditure for the Indian railways is increasing to Rs. 155,181 crores in 2020-21 from an average annual estimate of Rs. 45,980 crores during 2009-14 and it has been budgeted to further increment to Rs. 215,058 crores in 2021-22 – a five times increment in comparison to the 2014 level.

- Extent of road construction per day has increased by substantially in 2020-21 to 36.5 Kms per day from 28 Kms per day in 2019-20 – a rise of 30.4% in the year 2021-22
- As per the study of RBI Net profit to sales ratio of large corporations reached an all-time high of 10.6% in July-September quarter of 2021-22 despite the pandemic

#### **i. Services**

- Gross Value Added: GVA of services crossed pre-covid level in the month of July-September quarter of 2021-22; however, GVA of contact intensive sectors and organizations like trade, transport, etc. still remain below pre-pandemic level. Overall service Sector GVA is expected to grow by 8.2% in the year 2021-22.
- Foreign Direct Invest: During the first half of 2021-22, the service sector received over USD 16.7 billion Foreign Direct Invest – accounting for almost 54% of total FDI inflows in the country.
- Reforms: Major government reforms include, removing telecom regulations in IT-BPO sector and opening up of the space sector and organization to private players in the country.
- Exports: Services exports surpassed pre-covid level in January-March quarter of 2020-21 and grew by 21.6% in the first half of 2021-22 - strengthened by global demand for software and IT services exports in the country.

#### **j. Social Infrastructure and Employment**

- Employment: With revival of the economy, employment indicators come back to pre-covid levels during the last quarter of 2020-21. As per the quarterly Periodic Labor Force Survey (PFLS) data was set up to March 2021, employment in urban sectors worsened by covid has recovered almost to the pre-pandemic level.
- Increased allotment of funds to Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) to provide buffer stock for unorganized labor in rural areas during the pandemic zone.
- In addition to the National Health Mission, Union Budget 2021-22, announced Ayushman Bharat Health Infrastructure Mission, a new Centrally Sponsored Scheme to capacity building of primary, secondary and tertiary Health Care Systems, strengthen existing national institutions, and create new institutions to cater to detection and cure of new and emerging diseases and education infrastructure building.
- India is the country that produces Covid vaccines indigenously. The country started with two made in India Covid vaccines. In line with India's vision taken under the Atma Nirbhar Bharat.

### **3. Budget 2022-23**

#### **a. Budget and Constitutional Provisions**

- According to Article 112 of the Indian Constitution, the Union Budget of a year is to be known as the Annual Financial Statement (AFS).

- It is a statement of the estimated receipts and expenditure of the Government of India in a Financial Year (which begins on 1st April of the current year and sums up on 31st March of the following year).
- Overall, the Budget contains following angles:
  - ◆ Estimates of all revenue and capital receipts,
  - ◆ Ways and means to raise the revenue for the country,
  - ◆ Estimates of total expenditure for the year,
  - ◆ Details of the actual receipts and expenditure of the closing financial year and the reasons for any deficit or surplus if taken in that year, and
  - ◆ The economic and financial policy of the upcoming year, i.e., taxation proposals, prospects of revenue, spending programme and introduction of new schemes/projects/policy or other.
- In Parliament, the Budget goes through following six stages:
  - ◆ Presentation of Budget.
  - ◆ General discussion.
  - ◆ Scrutiny by departmental committees
  - ◆ Voting on Demands for Grants.
  - ◆ Passing an Appropriation Bill.
  - ◆ Passing of Finance Bill.
- The Budget Division of the Department of Economic Affairs in the Ministry of Finance is the nodal agency which is responsible for preparing the annual financial statement
- The first Budget of India was presented in 1947.

### **b. Key Highlights of Budget 2022**

- **Growth Rate:** India's economic growth in the running year (2021-22) is estimated to be 9.2% of GDP, the highest among all big economies.
  - ◆ The revised Fiscal Deficit in the coming year is estimated at 6.9% of GDP (Gross Domestic Product) as against 6.8% projected by the Budget Estimates committees.
  - ◆ The Fiscal Deficit in 2022-23 is estimated at 6.4% of GDP, which is very consistent with the broad path of fiscal consolidation announced previous year to reach a fiscal deficit level below 4.5% by the year 2025-26.
- **Amrit Kaal:** India has entered into Amrit Kaal, the 25-year-long leadup to India in. During this Amrit Kaal, the government of India is aiming to attain the following vision:
  - ◆ Promoting digital economy, virtual economy & fintech, technology enabled development, energy transition, and climate action.
  - ◆ Relying on a virtuous cycle starting from private investment and funding with public capital investment helping to crowd-in private investment in the nation.

- **Blueprint of Amrit Kaal: Four Priorities:**

1. **PM GatiShakti-** PM GatiShakti National Master Plan for Multi-Modal Connectivity in the country, launched in the month of October 2021, is an initiative aimed at coordinated planning and execution of infrastructure projects. The objective is to bring down logistics costs at minimum.
2. **Inclusive Development**
3. **Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition, and Climate Action:** 60 lakh new jobs have been announced to be created under the 14 sectors.
4. **Financing of Investments**

- **Other Major Announcements in Budget:**

- ◆ **Railways:** One Station One Product concept to help local businesses, local people & supply chains.
- ◆ **Parvatmala:** It is a National Ropeways Development Program, this initiative is to be taken up on PPP basis.
- ◆ **Kisan Drones:** For crop assessment, digitization of land records, land fertility improvement, spraying of insecticides and nutrients has been presented.
- ◆ **MSME:** Udyam, e-shram, NCS and ASEEM portals to be interlinked on a faster mode.
- ◆ **Skill Development:** Digital Ecosystem for Skilling and Livelihood (DESH-Stack e-portal) will be launched to empower citizens to skill, re-skill or upskill through on-line training programmes.
- ◆ **Education:** 'One class-One TV channel' programme of PM eVIDYA to be expanded and presented to 200 TV channels.
- ◆ **Health:** An open platform for the National Digital Health Ecosystem to be rolled out in the country.
- ◆ **Saksham Anganwadi (New Generation Anganwadi):** Integrated benefits to women and children has to be provided through Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0.
- ◆ **PM-DevINE:** New scheme Prime Minister's Development Initiative for North-East Region (PM-DevINE) has been launched to fund infrastructure and social development projects in the North-Eastern region.
- ◆ **Vibrant Villages Programme:** Vibrant Villages Programme for development of Border villages with sparse population, limited connectivity, limited education standard and infrastructure on the northern border.
- ◆ **Sunrise Opportunities:** Government contribution to be provided for R&D in Sunrise Opportunities of the country such as Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its ecosystem, Space Economy, Genomics and Pharmaceuticals, Green Energy, Net Neutrality and Clean Mobility Systems.
- ◆ **GIFT-IFSC:** World-class foreign universities and institutions of education to be allowed in the GIFT City.
- ◆ An International Arbitration Center to be set up for timely settlement of disputes and grievances under international.
- ◆ jurisprudence.
- ◆ **Digital Rupee:** Introduction of Digital Rupee by the Reserve Bank of India at the starting year of 2022-23.