

Member Country

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through Construction Industry”**

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COUNTRY REPORT INDIA

Prepared By



Construction Industry Development Council

**(A body established by the Planning Commission
(Now NITI Aayog) Govt. of India)**

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1.PREAMBLE

Construction Industry Development Council (CIDC), as the apex body of construction in India was formed by Govt. of India together with Industry (now reporting to NITI Aayog), to introduce structural reforms and to take up necessary initiatives needed for development of the Industry. Please see (www.cidc.in) for details. Since its inception in 1996, CIDC has taken up several important projects related to the issues vital to the Construction Industry including:

- *Advice the Government on policy formulation related to construction industry.*
- *Standardizing the Contract Conditions for Domestic Bidding.*
- *Computation and publication of Construction Cost Indices*
- *Human Resource Development at all levels of construction industry ranging from construction workers to management level.*
- *Setting up the first Arbitration & Dispute Resolution Centre for Construction Contracts.*
- *Development and application of systems for Construction Financing, Banking and Taxation.*
- *Development & Implementation of Grading System.*
- *Networking with National and International construction bodies.*
- *Establishing a Construction Equipment Bank.*
- *Development of Insurance cover/ Investments for construction sector Projects.*
- *Development of RBI approved Harmonized Eligibility Criteria for Lending to Construction Entities*
- *Formation of Draft Chapter on Construction, as Convener of Steering Committee on Construction for the Tenth, Eleventh & Twelfth Five Year Plan constituted by Planning Commission.*
- *Initiating and setting up of institutions to meet the challenges and opportunities through up in the area of Globalization and WTO. Initiatives taken for mutual recognition of work experience and qualification of Indian Engineers under Washington Accord through establishment of Engineering Council of India.*
- *CIDC Comprehensive Green Rating (CCGR) program.*
- *Independent Quality Assurance Consultancy*
- *Project Management Consultancy*

- *System for monitoring, quality checking and evaluation of work done*
- *Interaction and networking with international organizations to promote emerging technologies and best practices.*

2.EXECUTIVE SUMMARY

This report presents the overview of the Indian Economy & the Indian Construction Industry. Macro economic parameters pertaining to the Indian Economy & the Construction Industry are also presented. Long term agenda for the Indian Construction Industry is highlighted through the 11th & 12th Five Year Plans. Further short term policy issues related to Construction Industry are highlighted through the Union Budgets. This report also highlights the administration & regulation of the Indian Construction Industry one of the fastest growing construction industry internationally. Key areas of construction opportunity are discussed.

The infrastructure sector is a crucial driver of the Indian economy. The industry is highly responsible for propelling India's overall development and enjoys intense focus from the Government for initiating policies that would ensure the country's time-bound creation of world-class infrastructure. The infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development.

3.Economic Overview

With a population of more than 1.3 billion, India is the world's largest democracy and the world's third-largest economy in purchasing power parity terms. Over the past decade with the country's integration into the global economy, accompanied by steady economic growth, India has now emerged as one of the important global player and the fastest growing major economy in the world.

India's overall exports, covering commodities and services for the financial year 2021-22 were reported at US\$ 676.25 billion, an increase of over 37% over FY 2020-21. Highlights of India's international trade during financial year April 2021- March 2022:

- Commodities exports recorded at an all time high of US\$ 421.85 billion – 44.56% higher than exports during 2020-21.
- India's total commodities trade (exports + imports) crossed US\$ 1 trillion for the first time.
- Commodities imports were US\$ 612.00 billion, an increase of 55.16% over the previous year.
- Services exports touched US\$ 250 billion for the first time during the year.
- India's total exports (Commodities and Services combined) rose to all time high of US\$ 676.25 billion, growing by more than 35% over previous year.

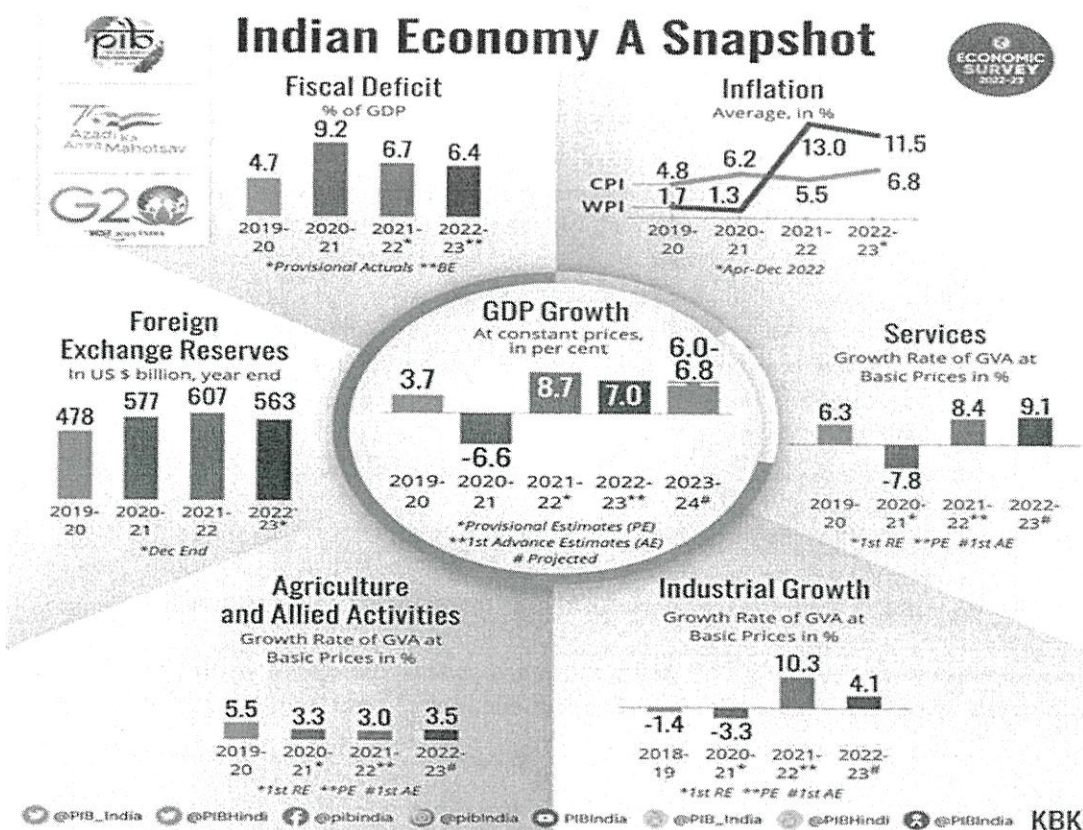
The new financial year 2022-23 began with record commodities exports of US\$ 40.19 billion in April 2022, a jump of over 30% over April 2021. Continuing the record-breaking performance of 2021-22, India's commodities exports during the first quarter of 2022-23,

recorded an increase of 24.51% to US\$ 118.96 billion, highest ever exports during the first quarter of any financial year. Services exports in the same period reached US\$ 70.97 billion, an increase 26.25% over previous year.

India's nominal gross domestic product (GDP) at current prices is estimated to be at Rs. 232.15 trillion (US\$ 3.12 trillion) in FY22. With more than 100 unicorns valued at US\$ 332.7 billion, India has the third-largest unicorn base in the world. The government is also focusing on renewable sources to generate energy and is planning to achieve 40% of its energy from non-fossil sources by 2030.

The net employment rate needs to grow by 1.5% per annum from 2023 to 2030 to achieve 8-8.5% GDP growth between 2023 and 2030. India's current account deficit (CAD), primarily driven by an increase in the trade deficit, stood at 2.1% of GDP in the first quarter of FY 2022-23.

Exports fared remarkably well during the pandemic and aided recovery when all other growth engines were losing steam in terms of their contribution to GDP. Going forward, the contribution of merchandise exports may waver as several of India's trade partners witness an economic slowdown. According to Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Indian exports are expected to reach US\$ 1 trillion by 2030.



GDP GROWTH

After the impact of the two waves of the pandemic seen in a significant GDP contraction in FY21, the quick recovery from the virus in third wave of Omicron contributed to minimising the loss of economic output in the January-March quarter of 2022. Consequently, output in FY22 went past its pre-pandemic level in FY20, with the Indian economy staging a full recovery ahead of many nations. However, the conflict in Europe necessitated a revision in expectations for economic growth and inflation in FY23. The country's retail inflation had crept above the RBI's tolerance range in January 2022 and it remained above the target range for ten months before returning to below the upper end of the target range of 6 per cent in November 2022.

It says that the Global commodity prices may have eased but are still higher compared to pre-conflict levels and they have further widened the CAD, already enlarged by India's growth momentum. For FY23, India has sufficient forex reserves to finance the CAD and intervene in the forex market to manage volatility in the Indian rupee.

With strong macroeconomic fundamentals, robust domestic demand, fiscal discipline, high saving rates and demographic trends, India is now the fifth-largest economy in the world. Today, India's leading economic contributors are traditional and modern agriculture, technology services, the handicraft industry, and business outsourcing.

With an estimated GDP of more than 3.4 trillion dollars generated by a population of over 1 billion, India is among the highest population-based economies in the world.

Additionally, as per the Economic Survey forecast, India will tend to grow 6.5% in 2023-24. This means India's economic growth next fiscal year will be the fastest among major economies. Therefore, in the upcoming years, rising consumption and investments, both domestic and foreign, will contribute to the nation's growth and may also help India to rank higher in the World GDP Ranking list.

India's economy is expected to rise in the upcoming years. With 6.1% growth, it will be one of the fastest-growing trillion-dollar economies in the world in 2023. To keep an eye on India's GDP growth rate, here is the complete list of the GDP growth rate over the last 10 years:

Year	GDP Growth (%)	Annual Change
2013	6.39%	0.93%
2014	7.41%	1.02%
2015	8.00%	0.59%
2016	8.26%	0.26%
2017	6.80%	-1.46%
2018	6.45%	-0.34%
2019	3.74%	-2.72%
2020	-6.60%	-10.33%
2021	8.68%	15.28%
2022	7%	1.68%
2023	6 to 6.8%	1% -0.2%

From the above table it is evident that after recovering from a negative economic growth rate during the pandemic, the country now has a good GDP growth rate of 6.8%. Despite its lower GDP per capita, India continues to climb up the list. Different sectors, including agriculture, business and others, contribute the most to employment in every term, making it one of the largest growing economies.

Inflation

- ❖ The annual consumer price inflation in India slowed slightly to 6.44% in February of 2023 from 6.52% in January, compared to market forecasts of 6.35%. Decline in the rate of inflation in January, 2023 is primarily contributed by mineral oils, chemicals & chemical products, textiles, crude petroleum & natural gas, textiles, and food products.
- ❖ In India, the most important category in the consumer price index is Food and beverages (45.86 percent of total weight), of which Cereals and products (9.67 percent), Milk and products (6.61 percent), Vegetables (6.04 percent), Prepared meals, snacks, sweets, etc. (5.55 percent), Meat and fish (3.61 percent), and Oils and fats (3.56 percent).
- ❖ Miscellaneous accounts for 28.32 percent, of which Transport and communication (8.59 percent), health (5.89 percent), and education (4.46 percent). Housing accounts for 10.07 percent; Fuel and light for 6.84 percent; Clothing and footwear for 6.53 percent; and Pan, tobacco and intoxicants for 2.38 percent.
- ❖ Consumer price changes in India can be very volatile due to dependence on energy imports, the uncertain impact of monsoon rains on its large farm sector, difficulties transporting food items to market because of its poor roads and infrastructure and high fiscal deficit. In 2013, the consumer price index replaced the wholesale price index (WPI) as a main measure of inflation.
- ❖ The rise in core inflation is primarily driven by uneven consumer demand, asserted economists. They also highlighted the fact that the pricing power exercised by the manufacturing sector has been a major reason for stickiness in the core inflation. The pricing power exercised by the manufacturing sector will only be nullified or minimized, if there is softening of global commodity prices and normalisation of the supply chain.

Foreign Direct Investment

- ❖ India ranked 68th in the Global Competitive Index; the economy showed significant resilience during the pandemic. India was also named as the 48th most innovative country among the top 50 countries.
- ❖ Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges like tax exemptions, etc. For a country where foreign investment is being made, it also means achieving technical know-how and generating employment. The Indian Government's favourable policy regime and robust business environment has ensured that foreign capital keeps flowing into the country. The Government has taken many initiatives in recent years such as relaxing FDI norms

across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

- ❖ According to the World Investment Report 2022, India was ranked eighth among the world's major FDI recipients in 2020, up from ninth in 2019. Information and technology, telecommunication and automobile were the major receivers of FDI in FY22.
- ❖ From April 2021-March 2022, India's computer software and hardware industry attracted the highest FDI equity inflow amounting to US\$ 14.46 billion, followed by the automobile industry at US\$ 6.99 billion, trading at US\$ 4.53 billion and construction activities at US\$ 3.37 billion. India also had major FDI flows coming from Singapore at US\$ 15.87 billion, followed by the US (US\$ 10.54 billion), Mauritius (US\$ 9.39 billion) and the Netherlands (US\$ 4.62 billion). The state that received the highest FDI during this period was Karnataka at US\$ 22.07 billion, followed by Maharashtra (US\$ 15.43 billion), Delhi (US\$ 8.18 billion), Gujarat (US\$ 2.70 billion) and Haryana (US\$ 2.79 billion).

Foreign Institutional Investment

India is one of the world's fastest-growing economies, with largest youth population in the world, and world-class infrastructure across the country. India, one of the fastest growing economies, offers a numerous investment opportunities across various sectors:

1. Agriculture & Forestry: India is the largest producer as well as the largest exporter of cereal products in the world. India's export of cereals stood at \$12.87 bn during the year 2021-22. Rice (including Basmati and Non-Basmati) occupy the major share in India's total cereals export with 75% (in value terms) during the same period.⁹
2. Healthcare industry in India comprises of hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. Healthcare sector in India is expected to grow to reach a size of \$50 bn by 2025.¹⁰
3. Pharmaceuticals: India is the largest provider of generic medicines globally, occupying a 20% share in global supply by volume, and also supplies 62% of global demand for vaccines. The pharmaceutical industry in India offers 60,000 generic brands across 60 therapeutic categories. Major segments include generic drugs, OTC Medicines, API/Bulk Drugs, Vaccines, Contract Research & Manufacturing, Biosimilars and Biologics.¹¹
4. IT&BPM: India is one of the most preferred destinations when it comes to setting up Global Capability Centres (GCCs). In FY21, more than 1,400+ GCCs have more than 2,300 GCC units in India, employing more than 1.38 mn professionals. Over 45 new data centres to come up in India by 2025.¹²
5. Food Processing: India's food ecosystem offers huge opportunities for investments with stimulating growth in the food retail sector, favorable economic policies, and attractive fiscal incentives.

Trade

Highlights of the India's Foreign Trade Policy 2023

Objective	Measures taken
Establishing export hubs	<ul style="list-style-type: none">• Collaboration between exporters, states, and districts• Promotion of e-commerce at the district level• Strengthening infrastructure and logistics ecosystem• Thrust to cluster based economic development
Ease of doing business	<ul style="list-style-type: none">• Online approvals without physical interface• E-certificate of origin issuance• Paperless filing• Consultative mechanism to be introduced to resolve trade and industry grievances and concerns
Boosting manufacturing and production	<ul style="list-style-type: none">• Textiles – Prime Minister Mega Integrated Textile Region and Apparel Parks (PM MITRA) scheme has been added as an additional scheme eligible to claim benefits under CSP (Common Service Provider) Scheme of Export Promotion capital Goods Scheme(EPCG). Special Advance Authorization Scheme extended to export of Apparel and Clothing sector under para 4.07 of HBP on self-declaration basis to facilitate prompt execution of export orders – norms would be fixed within fixed time-frame.• Dairy – Sector exemption from maintaining Average Export Obligation to enable technology upgradation.• Fruits and vegetables – Status House Certification extended.• Battery electric vehicles (BEV) of all types, vertical farming equipment, wastewater treatment and recycling, rainwater harvesting system and rainwater filters, and green hydrogen are added to Green Technology products – will now be eligible for reduced Export Obligation requirement under the EPCG Scheme.• Benefits of Self-Ratification Scheme for fixation of Input-Output Norms extended to 2 star and above status holders in addition to Authorized Economic Operators at present.

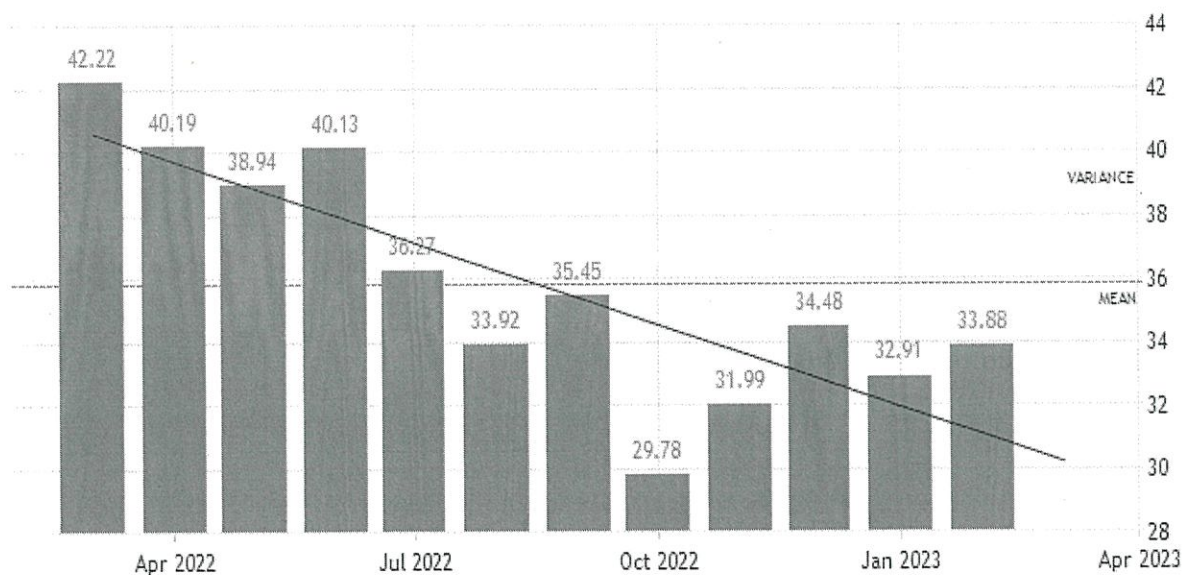
In a departure from tradition, India's Foreign Trade Policy (FTP) 2023 will not have a five-year target date. The policy will instead be long-term and dynamic, as the government will make amendments as necessary.

The goal is to reach US\$2 trillion exports by 2030 by shifting from an incentives to remission and entitlement-based regime.

India is expected to end the fiscal year 2022-23 with a total of US\$760-770 billion worth exports, an improvement over the FY 2022 figure of US\$676 billion. This was achieved despite various global headwinds that have disrupted supply chains, slowed export demand, and put pressure on trade shipments.

INDIAN EXPORTS

Exports in India averaged 6.97 USD Billion from 1957 until 2023, reaching an all time high of 42.22 USD Billion in March of 2022 and a record low of 0.06 USD Billion in June of 1958.

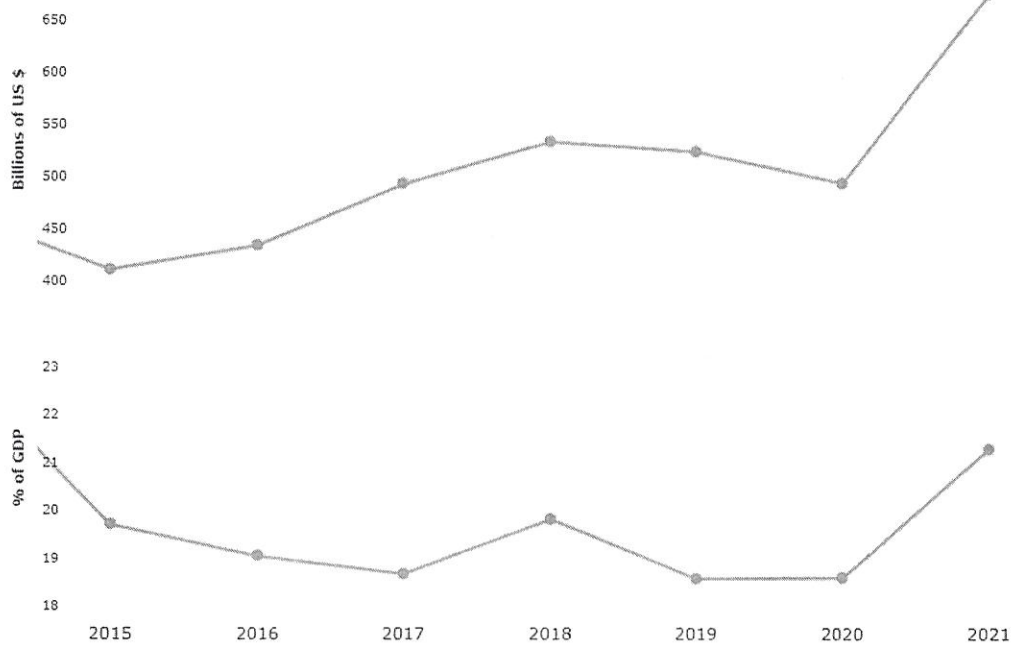


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Exports in India is expected to be 40.00 USD Billion by the end of this quarter, according to Trading Economics global macro models and analysts expectations. In the long-term, the India Exports is projected to trend around 38.00 USD Billion in 2024 and 41.00 USD Billion in 2025, according to our econometric models.

In recent years, India exported mostly: pearls, precious and semi-precious stones and jewelry (16 percent of total shipments); mineral fuels, oils and waxes and bituminous substances (12 percent); vehicles, parts and accessories (5 percent); nuclear reactors, boilers, machinery and mechanical appliances (5 percent); pharmaceutical products (5 percent); and organic chemicals (4 percent). India's main export partners are: United States (15 percent of the total exports),

United Arab Emirates (11 percent), Hong Kong (5 percent), China (4 percent), Singapore (4 percent) and United Kingdom (3 percent).



India Export data : source World Bank

3.1 Main Macroeconomic Indicators:

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TABLE 1 : MACRO-ECONOMIC AGGREGATES
(Base Year: 2011-12 At Current Prices)

(Amount in ₹ Crore)							
Item/Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
1	2	3	4	5	6	7	8
Population (in Lakh)	12830	12990	13140	13270	13410	13554	13686
GVA at Basic Prices	12574499	13965200	15505665	17175128	18355109	18057810	21349399
Net taxes on products	1197375	1426469	1584377	1724540	1719746	1743104	2315238
Gross Domestic Product	13771874	15391669	17090042	18899668	20074856	19800914	23664637
Consumption of Fixed Capital	1449697	1591332	1764812	1984290	2165145	2340069	-
Net Domestic Product	12322177	13800336	15325231	16915378	17909710	17460845	-
Primary income receivable from ROW (net)	-159779	-176400	-184813	-202324	-193114	-266687	-
Gross National Income	13612095	15077384	16905230	18697344	19881742	19534226	23296345
Net National Income	12162398	13492657	15140418	16713054	17716597	17194158	20529727
Other current transfers (net) from ROW	413083	379438	405740	493740	540364	552188	-
Gross National Disposable Income	14025178	15594707	17310970	19191083	20422106	20086415	-
Net National Disposable Income	12575481	14003374	15546158	17206793	18256961	17746346	-
Gross Saving	4282259	4825113	5480741	6000390	5995942	5592446	-
Net Savings	2832562	3233781	3715929	4016100	3830797	3252377	-
Gross Capital Formation	4422659	4918077	5791573	6396053	6161213	5403110	-
Net Capital Formation	2972961	3326745	4026761	4411763	3996067	3063041	-
Per Capita GDP (₹)	107341	118489	130061	142424	149701	146087	172913
Per Capita GNI (₹)	106096	117131	128655	140899	148261	144120	170222
Per Capita NNI (₹)	94797	103870	115224	125946	132115	126855	150007
Per Capita GNDI (₹)	109315	120052	131743	144620	152290	148194	-
Per Capita PFCE (₹)	63339	70258	76379	84441	91254	88775	102992

Notes : 1. Data for 2018-19 are Third Revised Estimates, for 2019-20 are Second Revised Estimates and for 2020-21 are First Revised Estimates.
2. Data for 2021-22 are Provisional Estimates.
3. Population figures relates to mid-financial year.

Also see Notes on Tables.

Source : National Statistical Office (NSO).

3.2 Economy in 2023

India is set to be the second-fastest growing economy in the G20 in FY 2022-23, despite decelerating global demand and the tightening of monetary policy to manage inflationary pressures. GDP growth will slow to 5.7% in FY 2023-24, as exports and domestic demand growth moderate. Inflation will crimp private consumption but moderate at the end of the projection period, helping, along with improved global conditions, to boost growth to 6.9% in FY 2024-25, in line with the 20-year average (excluding the COVID-19 recession). After a spike in 2022, the current account deficit will narrow as import price pressures abate.

High medium-term global uncertainty reinforces the importance of continued efforts to raise potential output growth and resilience. Macroeconomic stability should be pursued through monetary policy geared towards anchoring inflation expectations and fiscal policy oriented towards debt control and targeting of current and capital spending. Improvements in the business climate, when combined with financial deepening and skills development, can boost investment and infrastructure and create more and better jobs

India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly less than half of the workforce is in agriculture, but services are the major source of economic growth, accounting for nearly two-thirds of India's output but employing less than one-third of its labor force. India has capitalized on its large educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers. Nevertheless, per capita income remains below the world average.

The economy of India has transitioned from a mixed planned economy to a mixed middle-income developing social market economy with notable state participation in strategic sectors. It is the world's fifth-largest economy by nominal GDP and the third-largest by purchasing power parity.

India is currently one of the world's most attractive investment destinations. With the opening up of foreign direct investment (FDI) in several sectors, the country is an eye-catching destination for overseas investors. The relaxation of norms by the government has also created a vast opportunity for foreign players, who are competing for a greater role in the Indian market. Sectors projected to do well in the coming years include automotive, technology, life sciences and consumer products.

Market size

- India's real gross domestic product (GDP) at current prices stood at Rs. 135.13 lakh crore (US\$ 1.82 trillion) in FY21, as per the provisional estimates of annual national income for 2020-21.

- India is the fourth-largest unicorn base in the world with over 21 unicorns collectively valued at US\$ 73.2 billion, as per the Hurun Global Unicorn List. By 2025, India is expected to have ~100 unicorns by 2025 and will create ~1.1 million direct jobs according to the Nasscom-Zinnov report 'Indian Tech Start-up'.
- India needs to increase its rate of employment growth and create 90 million non-farm jobs between 2023 and 2030's, for productivity and economic growth according to McKinsey Global Institute. Net employment rate needs to grow by 1.5% per year from 2023 to 2030 to achieve 8-8.5% GDP growth between 2023 and 2030.
- According to data from the RBI, as of the week ended on June 04, 2021, the foreign exchange reserves in India increased by US\$ 6.842 billion to reach US\$ 605 billion.

The construction Industry in India is expected to reach \$1.4 Tn by 2025

- Cities Driving Growth - Urban population to contribute 75% of GDP (63% present), and 68 cities will have a population of more than 1 Mn.
- The construction industry market in India works across 250 sub-sectors with linkages across sectors.
- The Real Estate Industry in India is expected to reach \$1 Tn by 2030 and will contribute 13% to India's GDP.
- Residential- By 2030, more than 40% of the population is expected to live in urban India (33% today), creating a demand for 25 Mn additional mid-end and affordable units.
- Under NIP, India has an investment budget of \$1.4 Tn on infrastructure - 24% on renewable energy, 18% on roads & highways, 17% on urban infrastructure, and 12% on railways.
- Schemes such as the revolutionary Smart City Mission (target 100 cities) are expected to improve quality of life through modernized/ technology driven urban planning.
- Industrial & Logistics sector has attracted about \$144 Mn of investment across greenfield and brownfield assets led by global investors, with a major share of 63% followed by domestic players during January-September 2022.
- 54 global innovative construction technologies identified under a Technology Sub-Mission of PMAY-U to start a new era in Indian construction technology sector.
- Over 3,500 cities have certified as ODF+ and 1,191 cities as ODF++ under SBM-U.

The major highlights of the union budget 2022-2023 are;

- Rs 48,000 crores under PM Awas, construction of 80 lakh homes to facilitate affordable housing. Sixty thousand houses will be identified as beneficiaries for PM Awas Yojana in rural and urban areas.
- Under PM Awas Yojana in the rural and urban areas will help first-time buyers with optimum schemes from the builders.
- The National Highway network will be expanded by 25,000 km in 2022-23.
- Rs 20,000 crore financed by the govt. To speed up the PM Gati Shakti project, the multi-modal connectivity for the states with speedier implementation of development projects through technology facilitates faster movement of people and goods.
- The seven engines that drive PM GatiShakti are Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.

- The Union Budget 2022-23 is forward-looking and focuses on a long-term plan for the country with digitization, urban development, and sustainability at its core.
- Budget 2022 is a budget towards Atma Nirbhar Bharat, where infrastructure, employment, clean energy, and digital have been significantly boosted. 2,000 km of rail network under indigenous world-class technology KAWACH; new Vande Bharat trains can revolutionize Indian infrastructure and tourism in three years.
- 5 lakh post offices will come under the complete banking system. This will enable smooth and transparent real estate transactions in the rural areas and encourage loan disbursal to the semi-urban population.
- National Ropeways Development Program, Parvatmala to be taken up on PPP mode. Contracts will be awarded in 2022-23 for eight ropeway projects of 60 km.
- 1400 crore outlay for implementation of the Ken – Betwa link project. 9.08 lakh hectares of farmers' lands to receive irrigation benefits by the Ken-Betwa link project.

Union Budget 2023 Highlights:

- INR 10 Lakh Crore: 33% Increase in capital Investment Outlay
- The outlay for PM Awas Yojana is being enhanced by 66 % to over 79,000 cr
- Urban Infrastructure Development Fund: INR 10,000 Cr Outlay per year to create urban infrastructure in tier 2 & 3 cities

India is all set to become the world's third largest economy by the year 2030.

Government Initiatives

The government of India has launched a number of programmes with the goals of bolstering the country's manufacturing industry and attracting more investments from within the country and from abroad. These include the introduction of the Goods and Services Tax, a decrease in corporate tax, improvements to the business environment, changes to the FDI policy, steps to ease the burden of compliance, policies to support domestic manufacturing through public procurement orders, and the Phased Manufacturing Program (PMP), to name a few. In addition, there have been steps to ease the burden of compliance.

The government has taken a number of steps to improve the economy and turn the disruption caused by COVID 19 into an opportunity for growth, including the Atmanirbhar packages, the implementation of the Production Linked Incentive (PLI) Scheme in various Ministries, investment opportunities through the National Infrastructure Pipeline (NIP) and the National Monetisation Pipeline (NMP), the India Industrial Land Bank (IILB), the Industrial Park Rating System (IPRS), and the soft launch of the National Single Window System (NSWS). In all concerned Ministries/Departments of the Government of India, an institutional mechanism for expediting investments has been established in the form of Project Development Cells (PDCs).

An investment of INR 1.97 lakh crore (more than US\$ 26 billion) has been announced in the Union Budget 2021-22 for PLI schemes for 14 important manufacturing sectors, starting from fiscal year (FY) 2021–2022. This is done in order to support India's vision of becoming a "Atmanirbhar" and to improve India's manufacturing capabilities and exports. Over the next

five years and beyond, it is anticipated that the PLI Schemes will significantly increase production, skills, employment, economic growth, and exports.

Government reforms have resulted in increased Foreign Direct Investment (FDI) inflows into the country. FDI inflows into India stood at US \$ 45.15 billion in 2014-2015 and have steadily increased since then, with India recording its highest annual FDI inflow of US\$ 84.84 billion (provisional figures) in fiscal year 2021-22.

According to the Economic Survey 2021-22, despite Covid-related disruptions, there is a trend of positive overall growth in the manufacturing sector's Gross Value Addition (GVA). The total number of people employed in this sector has risen from 57 million in 2017-18 to 62.4 million in 2019-20.

The following are some of the major initiatives/schemes:

Make in India initiative:

The "Make in India" initiative, which was introduced on September 25, 2014, aims to promote investment, encourage innovation, create world-class infrastructure, and turn India into a centre for manufacturing, design, and innovation. It was a standout local or vocal for local initiative that helped to advertise manufacturing in India around the world. The "Make in India" initiative is being implemented all across the nation, not just in certain states, districts, cities, or regions.

Industrial Corridor Development Programme:

To accelerate manufacturing growth, the Government of India (GoI) has adopted a strategy of developing Industrial Corridors in collaboration with state governments. The goal of this programme is to create Greenfield Industrial regions/areas/nodes with sustainable infrastructure and to make Plug and Play Infrastructure available at the plot level. Eleven industrial corridors are being developed in four stages as part of the National Industrial Corridor Program.

Ease of Doing Business:

The goal is to improve the Ease of Doing Business as well as the Ease of Living by Simplifying, Rationalizing, Digitizing, and Decriminalizing Government to Business and Citizen Interfaces across all Ministries, States, and UTs. The initiative's primary areas of focus are the rationalisation of legal provisions; the simplification of procedures; the digitization of government processes; and the decriminalisation of minor, technical, or procedural defaults.

National Single Window System:

With the intention of providing "end to end" facilitation and support to investors, including pre-investment advisory, providing information related to land banks, and facilitating clearances at the Center and State level, the establishment of the National Single Window System (NSWS) was announced in the Budget 2020-21. The National Single Window System (NSWS), designed as a one-stop shop for investor-related approvals and services in the nation, was soft-launched on September 22, 2021 by the honourable commerce and industry minister. A large number of Single Window Systems for States and UTs have been connected to the NSWS Portal, making it possible to access the approvals of these States and UTs for applications made through NSWS.

PM Gati Shakti National Master Plan (NMP):

The PM Gati Shakti National Master Plan (NMP), a GIS-based platform that includes portals for a number of different government Ministries and Departments, was made available to the

public in October of 2021. When it comes to integrated multimodal infrastructure planning, making decisions based on data rather than intuition is a transformative strategy that will result in lower logistics costs. Institutional arrangements have been made for both the Network Planning Group (NPG) and the Empowered Group of Secretaries (EGoS), respectively. Approximately two thousand data layers have been uploaded to the NMP so far from a variety of central ministries, state government departments, and other sources.

On April 6, 2022, the Ministry of Finance, Department of Expenditure added an additional provision of Rs. 1,00,000 crore for distribution among the states as long term loans with a zero interest rate in order to support increased capital expenditure by states for infrastructure development. Out of this, Rs 5,000 crore are specifically allocated under Part II of the scheme for PM GatiShakti-related expenses.

National Logistics Policy:

On September 17th, 2022, the Government of India unveiled a new policy called the National Logistics Policy (NLP), which aims to bring the country's logistics costs in line with those of other developed nations. It's an all-out attempt to reduce wasteful spending by establishing a comprehensive interdisciplinary, cross-sectoral, and multi-jurisdictional framework for growing the logistics industry as a whole. Increased economic growth, new job opportunities, and increased international competitiveness for Indian exports are all possible results of this policy change.

Production Linked Incentive scheme:

Production Linked Incentive (PLI) Schemes for 14 key sectors have been announced with an outlay of Rs. 1.97 lakh crore to enhance India's Manufacturing capabilities and Exports. These schemes were announced with the goal of keeping India's vision of becoming "Atmanirbhar" in mind. Over the course of the next five years and beyond, these schemes have the potential to generate high production, economic growth, exports, and significant employment opportunities.

Indian Footwear and Leather Development Programme (IFLDP):

In January of 2022, the Central Government approved the Central Sector Scheme "Indian Footwear and Leather Development Programme (IFLDP)" with an allocation of Rs. 1700 crore until March 31, 2026 or until a subsequent review, whichever comes first.

North East Industrial and Investment Promotion Policy (NEIIPP), 2007:

The North East Industrial and Investment Promotion Policy (NEIIPP), 2007, which was notified for a period of ten years beginning on April 1, 2007, and ending on March 31, 2017, was created with the intention of promoting the region's industrialization. In accordance with the grand-parenting of the scheme, the registered eligible units will continue to receive benefits. During the course of the previous three years, the NER Schemes dispersed a total of Rs. 963.53 crore worth of funds or subsidies.

North East Industrial Development Scheme (NEIDS), 2017:

A new scheme, North East Industrial Development Scheme (NEIDS), 2017, came into force on April 1, 2017 for a five-year period to promote industrialization in NE States and boost employment and income generation. The scheme applied to the manufacturing and service sectors. Subsidies totaling Rs. 46 crores were made available under the NEIDS up to FY 2021-22.

Special Industrial Packages for States/ UTs:

Industrial schemes that cover the manufacturing and service sectors were also launched in the UTs of Jammu and Kashmir and Ladakh, as well as in the states of Himachal Pradesh and Uttarakhand.

Schemes undertaken by other Ministries/ Departments of Government of India to promote manufacturing sector are as under:

Promotion of Bulk Drug Parks

The Scheme for Promotion of Bulk Drug Parks, which has a financial outlay of Rs. 3,000 crores and a tenure from FY 2020-21 to FY 2024-25, offers financial assistance to three States for the establishment of Bulk Drug Parks.

Strengthening of Pharmaceutical Industry (SPI)

The Strengthening of Pharmaceutical Industry (SPI) scheme was launched with an initial financial outlay of 500 crores of rupees and a tenure from fiscal year 2021-2022 to fiscal year 2025-2026 to provide infrastructure support for pharmaceutical micro, small, and medium-sized enterprises (MSMEs) in clusters and to address the issues of technology upgradation facing individual pharma MSMEs.

Promotion of Medical Devices Parks

The states of Uttar Pradesh, Tamil Nadu, Madhya Pradesh, and Himachal Pradesh have received final approval for financial assistance of Rs. 100 crore each under the "Promotion of Medical Devices Parks" programme in order to establish common facilities within their respective Medical Device Parks.

Modified Programme for Semiconductors and Display Manufacturing Ecosystem:

A comprehensive programme for the development of the semiconductors and display manufacturing ecosystem in India was approved by the Government of India with an outlay of 76,000 crore (>10 billion USD). This was done in furtherance of the vision of Aatmanirbhar Bharat and positioning India as the global hub for Electronics System Design and Manufacturing. In addition, this programme will help position India as the global hub for Electronics System Design and Manufacturing. The Program included a variety of different plans to entice investments in the manufacturing of displays and semiconductors.

FAME-India Scheme (Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles):

FAME-India Scheme-Phase I, which stands for "Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India," was put into effect on April 1, 2015 for a period of two years, after which it was extended to March 31, 2019, in order to promote the manufacturing of electric and hybrid vehicle technology and to ensure the sustainable growth of the same. The overall expenditure for Phase I of the FAME-India Scheme has been increased from 795 Crore to 895 Crore.

The FAME-India Phase-II scheme intends to give electric vehicles (EVs) in public transport a boost, and it also intends to encourage the adoption of EVs by means of market creation and demand aggregation. The plan is to give EVs a push in public transport.

Udyami Bharat Scheme:

"Udyami Bharat" is a reflection of the government's unwavering commitment, right from the beginning, to work toward the empowerment of micro, small, and medium-sized businesses (MSMEs). MUDRA Yojana, the Emergency Credit Line Guarantee Scheme, and the Scheme of Fund for Regeneration of Traditional Industries (SFURTI), as well as a number of other programmes, have been introduced by the government at various points in time in order to provide the MSME sector with the necessary and timely support. As a result, crores of people all over the country have benefited from these programmes. The purpose of the "Raising and Accelerating MSME Performance" (RAMP) scheme, which has a budget of approximately 6,000 crore rupees, is to increase the implementation capacity and coverage of micro, small, and medium-sized enterprises (MSMEs) in the states, as well as to improve the impact of existing MSME schemes.

PM Mega Integrated Textile Region and Apparel (PM MITRA):

The Ministry of Textiles issued a notification to establish 7 Mega Integrated Textile Region and Apparel (PM MITRA) Parks with a total outlay of Rs. 4,445 crore in order to have world-class industrial infrastructure that would attract cutting-edge technology and boost FDI and local investment in the textiles sector. These parks will provide an opportunity to create an integrated textiles value chain from spinning to weaving, processing/dyeing, and printing, all in one location. The PM MITRA scheme aims to place India prominently on the global textiles map.

Government of India's initiatives for improving trade and infrastructure can go a long way in improving the country's overall economy and make it a force to reckon with in the global economic scenario.

4 Ways India's Government Can Improve GDP-

1. **Increasing income for farmers.** In India, 40% of the population works in agriculture and small-scale farming supports many poverty-level communities. However, the Indian government has historically kept prices for agricultural products low in favor of the consumer, despite the lower profits for farmers. The recently introduced 2020 Farm Acts will allow farmers to sell their products to the highest bidder, allowing them to seek higher incomes. When farmers are prospering, they support other sectors of India's economy through their own consumption. Products like fertilizer, working attire and tools are necessary for farmers, especially as they expand their business. This increase in expenditure directly creates jobs for others.
2. **Through government expenditure and investment in infrastructure.** The government controls the amount the nation spends on public matters each year. However, government spending is necessary to increase the overall GDP per capita. This year, incomes have declined for Indian citizens, meaning private consumption has also decreased. By spending money on building and repairing roads and bridges, the government will provide citizens with greater ease and efficiency in their work and create jobs in construction. Furthermore, by using more funds to pay higher salaries, private consumption will once again increase, promoting higher business investment and improving the market for imports and exports. By spending a certain amount of money, the government would benefit from the economic boost created as a result.
3. **Urbanizing India's rural populations.** Urbanization drives economic growth, and because India's farming population is so prominent, moving some of these farmers to cities would allow them to get jobs in manufacturing. Not only would this increase agricultural productivity by decreasing the number of farmers using the same amount of land, but it would help grow some of India's medium-sized cities into more prominent urban landscapes. The government can promote migration to city areas by providing incentives to rural populations, including investing in better infrastructure and urban services, such as transportation and water management. In addition, new urban populations would create a resurgence of the housing market and give banks more lending opportunities. Inevitably, more development and urbanization would create new opportunities for international investments and manufacturing exports.

4. **Becoming competitive in high-potential sectors.** India has the opportunity to create as much as \$1 trillion in economic value by establishing itself as a competitive manufacturer of electronics, chemicals, textiles, auto goods and pharmaceuticals. These sectors accounted for 56% of global trade in 2018, while India only contributed to 1.5% of global exports in these areas. Greater urbanization and an increase in the manufacturing labor force would allow India's government to make this a reality. Currently, the country's imports constitute a greater percentage of global trade than its exports. By increasing competitiveness in these sectors, India would not only increase its potential for exports but also decrease its reliance on imports, curbing the amount of money spent by citizens on foreign products.

While the path to economic recovery is not always as straightforward as it seems, India's government has several means through which it can improve incomes for everyday workers. The government not only has an incentive but an obligation to create a better quality of life for its working class, which is the foundation of India's economy. Improving India's GDP per capita would directly benefit the nation and its citizens. Greater opportunities for manufacturing exports, foreign investments and urbanization are all benefits the country would reap from its own investment in its working class.

5. Key Features of Union Budget 2023-2024

THE CURRENT ECONOMIC SITUATION AND THE CHALLENGES

The highlights of the Budget are as follows:

- Per capita income has more than doubled to ₹1.97 lakh in around nine years.
 - Indian economy has increased in size from being 10th to 5th largest in the world in the past nine years.
 - EPFO membership has more than doubled to 27 crore.
 - 7,400 crore digital payments of ₹126 lakh crore has taken place through UPI in 2022.
 - 11.7 crore household toilets constructed under Swachh Bharat Mission.
 - 9.6 crore LPG connections provided under Ujjwala.
 - 220 crore covid vaccination of 102 crore persons.
 - 47.8 crore PM Jan Dhan bank accounts.
 - Insurance cover for 44.6 crore persons under PM Suraksha Bima and PM Jeevan Jyoti Yojana.
 - Cash transfer of ₹2.2 lakh crore to over 11.4 crore farmers under PM Kisan Samman Nidhi.
 - **Seven priorities of the budget 'Saptarishi'** are inclusive development, reaching the last mile, infrastructure and investment, unleashing the potential, green growth, youth power and financial sector.
 - **Atmanirbhar Clean Plant Program** with an outlay of ₹2200 crore to be launched to boost availability of disease-free, quality planting material for high value horticultural crops.
 - 157 new nursing colleges to be established in co-location with the existing 157 medical colleges established since 2014.
- Centre to recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students over the next three years.
 - Outlay for **PM Awas Yojana** is being enhanced by 66% to over Rs. 79,000 crore.
 - Capital outlay of Rs. 2.40 lakh crore has been provided for the Railways, which is the highest ever outlay and about nine times the outlay made in 2013-14.
 - **Urban Infrastructure Development Fund (UIDF)** will be established through use of priority Sector Lending shortfall, which will be managed by the national Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.
 - **Entity DigiLocker** to be setup for use by MSMEs, large business and charitable trusts to store and share documents online securely.

- 100 labs to be setup for 5G services based application development to realize a new range of opportunities, business models, and employment potential.
- 500 new 'waste to wealth' plants under **GOBARDhan** (Galvanizing Organic Bio-Agro Resources Dhan) scheme to be established for promoting circular economy at total investment of Rs 10,000 crore. 5 per cent compressed biogas mandate to be introduced for all organizations marketing natural and bio gas.
- Centre to facilitate one crore farmers to adopt natural farming over the next three years. For this, 10,000 **Bio-Input Resource Centres** to be set-up, creating a national-level distributed micro-fertilizer and pesticide manufacturing network.
- **Pradhan Mantri Kaushal Vikas Yojana 4.0**, to be launched to skill lakhs of youth within the next three years covering new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills.
- 30 **Skill India International Centres** to be set up across different States to skill youth for international opportunities.
- Revamped credit guarantee scheme for MSMEs to take effect from 1st April 2023 through infusion of Rs 9,000 crore in the corpus. This scheme would enable additional collateral-free guaranteed credit of Rs 2 lakh crore and also reduce the cost of the credit by about 1 per cent.
- **Central Processing Centre** to be setup for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act.
- The maximum deposit limit for Senior Citizen Savings Scheme to be enhanced from Rs 15 lakh to Rs 30 lakh.
- Targeted Fiscal Deficit to be below 4.5% by 2025-26.
- **Agriculture Accelerator Fund** to be set-up to encourage agri-startups by young entrepreneurs in rural areas.
- To make India a global hub for 'Shree Anna', the Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for sharing best practices, research and technologies at the international level.
- ₹20 lakh crore agricultural credit targeted at animal husbandry, dairy and fisheries
- A new **sub-scheme of PM Matsya Sampada Yojana** with targeted investment of ₹6,000 crore to be launched to further enable activities of fishermen, fish vendors, and micro & small enterprises, improve value chain efficiencies, and expand the market.
- **Digital public infrastructure for agriculture** to be built as an open source, open standard and inter operable public good to enable inclusive farmer centric solutions and support for growth of agri-tech industry and start-ups.
- Computerisation of 63,000 Primary Agricultural Credit Societies (PACS) with an investment of ₹2,516 crore initiated.

- Massive decentralised storage capacity to be set up to help farmers store their produce and realize remunerative prices through sale at appropriate times.
 - **Sickle Cell Anaemia elimination mission** to be launched.
 - Joint public and Private Medical research to be encouraged via select ICMR labs for encouraging collaborative research and innovation.
 - New Programme to promote research in Pharmaceuticals to be launched.
- Rs. 10 lakh crore capital investment, a steep increase of 33% for third year in a row, to enhance growth potential and job creation, crowd-in private investments, and provide a cushion against global headwinds.
- **Aspirational Blocks Programme covering 500 blocks** launched for saturation of essential government services across multiple domains such as health, nutrition, education, agriculture, water resources, financial inclusion, skill development, and basic infrastructure.
- Rs. 15,000 crore for implementation of **Pradhan Mantri PVTG Development Mission** over the next three years under the Development Action Plan for the Scheduled Tribes.
- Investment of Rs. 75,000 crore, including Rs. 15,000 crore from private sources, for one hundred critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors.
- **New Infrastructure Finance Secretariat** established to enhance opportunities for private investment in infrastructure.
- **District Institutes of Education and Training** to be developed as vibrant institutes of excellence for Teachers' Training.
- A National **Digital Library for Children and Adolescents** to be set-up for facilitating availability of quality books across geographies, languages, genres and levels, and device agnostic accessibility.
- Rs. 5,300 crore to be given as central assistance to Upper Bhadra Project to provide sustainable micro irrigation and filling up of surface tanks for drinking water.
- **'Bharat Shared Repository of Inscriptions'** to be set up in a digital epigraphy museum, with digitization of one lakh ancient inscriptions in the first stage.
- 'Effective Capital Expenditure' of Centre to be Rs. 13.7 lakh crore.
- Continuation of 50-year interest free loan to state governments for one more year to spur investment in infrastructure and to incentivize them for complementary policy actions.
- Encouragement to states and cities to undertake urban planning reforms and actions to transform our cities into 'sustainable cities of tomorrow'.

- Transition from manhole to machine-hole mode by enabling all cities and towns to undertake 100 percent mechanical desludging of septic tanks and sewers.
- **iGOT Karmayogi**, an integrated online training platform, launched to provide continuous learning opportunities for lakhs of government employees to upgrade their skills and facilitate people-centric approach.
- More than 39,000 compliances reduced and more than 3,400 legal provisions decriminalized to enhance Ease Of Doing Business.
- Jan Vishwas Bill to amend 42 Central Acts have been introduced to further trust-based governance.
- Three centres of excellence for Artificial Intelligence to be set-up in top educational institutions to realise the vision of "**Make AI in India and Make AI work for India**".
- **National Data Governance Policy** to be brought out to unleash innovation and research by start-ups and academia.
- One stop solution for reconciliation and updation of identity and address of individuals to be established using DigiLocker service and Aadhaar as foundational identity.
- PAN will be used as the common identifier for all digital systems of specified government agencies to bring in Ease of Doing Business.
- 95 per cent of the forfeited amount relating to bid or performance security, will be returned to MSME's by government and government undertakings in cases the MSME's failed to execute contracts during Covid period.
- Result Based Financing to better allocate scarce resources for competing development needs.
- **Phase-3 of the E-Courts project** to be launched with an outlay of Rs. 7,000 crore for efficient administration of justice.
 - **R & D grant for Lab Grown Diamonds (LGD) sector** to encourage indigenous production of LGD seeds and machines and to reduce import dependency.
 - Annual production of 5 MMT under **Green Hydrogen Mission** to be targeted by 2030 to facilitate transition of the economy to low carbon intensity and to reduce dependence on fossil fuel imports.
 - ₹35000 crore outlay for energy security, energy transition and net zero objectives.
 - Battery energy storage systems to be promoted to steer the economy on the sustainable development path.
 - 20,700 crore outlay provided for renewable energy grid integration and evacuation from Ladakh.

- **“PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth” (PM-PRANAM)** to be launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.
- **‘Mangrove Initiative for Shoreline Habitats & Tangible Incomes’, MISHTI**, to be taken up for mangrove plantation along the coastline and on salt pan lands, through convergence between MGNREGS, CAMPA Fund and other sources.
- **Green Credit Programme** to be notified under the Environment (Protection) Act to incentivize and mobilize additional resources for environmentally sustainable and responsive actions.
- **Amrit Dharohar scheme** to be implemented over the next three years to encourage optimal use of wetlands, enhance bio-diversity, carbon stock, eco-tourism opportunities and income generation for local communities.
- **A unified Skill India Digital platform** to be launched for enabling demand-based formal skilling, linking with employers including MSMEs, and facilitating access to entrepreneurship schemes.
- **Direct Benefit Transfer under a pan-India National Apprenticeship Promotion Scheme** to be rolled out to provide stipend support to 47 lakh youth in three years.
- At least 50 tourist destinations to be selected through challenge mode; to be developed as a complete package for domestic and foreign tourists.
- Sector specific skilling and entrepreneurship development to be dovetailed to achieve the objectives of the **‘Dekho Apna Desh’** initiative.
- Tourism infrastructure and amenities to be facilitated in border villages through the **Vibrant Villages Programme**.
- States to be encouraged to set up a **Unity Mall** for promotion and sale of their own and also all others states’ **ODOPs (One District, One Product)**, GI products and handicrafts.
- **National Financial Information Registry** to be set up to serve as the central repository of financial and ancillary information for facilitating efficient flow of credit, promoting financial inclusion, and fostering financial stability. A new legislative framework to be designed in consultation with RBI to govern this credit public infrastructure.
- Financial sector regulators to carry out a comprehensive review of existing regulations in consultation with public and regulated entities. Time limits to decide the applications under various regulations would also be laid down.
- To enhance business activities in GIFT IFSC, the following measures to be taken.
- Delegating powers under the SEZ Act to IFSCA to avoid dual regulation.

- Setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI.
- Permitting acquisition financing by IFSC Banking Units of foreign bank.
- Establishing a subsidiary of EXIM Bank for trade re-financing.
- Amending IFSCA Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under SEZ Act
- Recognizing offshore derivative instruments as valid contracts.
- Amendments proposed to the Banking Regulation Act, the Banking Companies Act and the Reserve of India Act to improve bank governance and enhance investors' protection.
- Countries looking for digital continuity solutions would be facilitated for setting up of their Data Embassies in GIFT IFSC.
- SEBI to be empowered to develop, regulate, maintain and enforce norms and standards for education in the National Institute of Securities Markets and to recognize award of degrees, diplomas and certificates.
- Integrated IT portal to be established to enable investors to easily reclaim the unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority.
- To commemorate Azadi Ka Amrit Mahotsav, a one-time new small savings scheme, **Mahila Samman Savings Certificate** to be launched. It will offer deposit facility upto Rs 2 lakh in the name of women or girls for tenure of 2 years (up to March 2025) at fixed interest rate of 7.5 per cent with partial withdrawal option.
- The maximum deposit limit for Monthly Income Account Scheme to be enhanced from Rs 4.5 lakh to Rs 9 lakh for single account and from Rs 9 lakh to Rs 15 lakh for joint account.
- The entire fifty-year interest free loan to states to be spent on capital expenditure within 2023-24. Part of the loan is conditional on States increasing actual Capital expenditure and parts of outlay will be linked to States undertaking specific loans.
- Fiscal Deficit of 3.5% of GSDP allowed for States of which 0.5% is tied to Power sector reforms.
- **Revised Estimates 2022-23:**
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 - The total receipts other than borrowings is Rs 24.3 lakh crore, of which the net tax receipts are Rs 20.9 lakh crore.
 - The total expenditure is Rs 41.9 lakh crore, of which the capital expenditure is about Rs 7.3 lakh crore.

- The fiscal deficit is 6.4 per cent of GDP, adhering to the Budget Estimate.

• **Budget Estimates 2023-24:**

- The total receipts other than borrowings is estimated at Rs 27.2 lakh crore and the total expenditure is estimated at Rs 45 lakh crore.
- The net tax receipts are estimated at Rs 23.3 lakh crore.
- The fiscal deficit is estimated to be 5.9 per cent of GDP.
- To finance the fiscal deficit in 2023-24, the net market borrowings from dated securities are estimated at Rs 11.8 lakh crore.
- The gross market borrowings are estimated at Rs 15.4 lakh crore.

7. WAY FORWARD : CONSTRUCTION OPPORTUNITY & ACTIVITY

The engineering and construction industry has significantly recovered from the 2020 recession, but it has also experienced multiple headwinds that are expected to persist. 2022 should be another rewarding but challenging year, and the industry looks poised to capture growth opportunities.

Also, the industry has increased its investments in digital, including through mergers and acquisitions (M&A), as it prepares to shift toward connected construction capabilities. These technologies can help E&C firms support initiatives such as smart cities, urban air mobility, and climate change programs and help enhance internal operational efficiencies, reduce costs, and improve margins. 2022 is likely to be an exciting year for the engineering and construction industry.

The construction industry, like other industries, is adopting digital technology solutions to boost productivity and remain ahead of the competition. The need for construction project management software and apps and other technological tools is no more a passing trend but a need of the hour.

Construction industry in India is expected to grow by 12.0% to reach INR 45,907 billion in 2023.

Despite near-term challenges in certain construction sectors, medium to long term growth story in India remains intact. The construction industry in India is expected to grow steadily over the next four quarters. The growth momentum is expected to continue over the forecast period, recording a CAGR of 9.9% during 2023-2027. The construction output in the country is expected to reach INR 66,954.8 billion by 2027.

Despite the surge in construction costs, government spending on infrastructure projects has remained strong in 2022, and the trend is projected to further continue in 2023. This along with the spending on commercial projects, including the construction of new data centers across the country, will keep supporting the growth of the construction industry over the next three to four years.

Furthermore, the demand for residential units is also driving the residential construction market in India. Despite the surge in construction costs and rate hikes announced by the Reserve Bank of India, the growing residential sales volume has led to a recovery in the real estate market.

The growth has been led by mid-range, premium, and luxury segments in 2022. However, the trend might slow down in 2023, owing to recessionary fears and a further increase in rate hikes projected to be announced by the Reserve Bank.

Increasing spending by the government on infrastructure projects to support industry growth in India

The government has announced a strong pipeline of infrastructure projects across different sectors. The spending on these projects is projected to keep assisting the growth of the overall construction industry in India over the next three to four years. To fund the infrastructure construction projects, the government has also entered into loan agreements with the Asia Development Bank.

In January 2023, the Finance Ministry announced that the Indian government entered into a loan agreement worth US\$1.2 billion for funding infrastructure development in India. The loan agreement is expected to cover the development activities of highways in the Northeastern state of Assam and Tripura, among other projects.

The government plans to use US\$300 million for the upgrade of 300 kilometers of state highways and district roads in Assam. Furthermore, US\$350 million will be deployed to improve the connectivity of the metro rail system in Chennai. In Maharashtra, the government plans to deploy US\$350 million to improve connectivity with key economic areas in the region.

As the national government continues to prioritize the development of infrastructure, the government is projected to enter into more such agreements over the next three to four years. This will keep driving investment in the sector, thereby supporting the growth of the construction industry in India.

India Residential Building Construction Coverage: 10-year market size & forecast in value and volume (area and units) terms by

- Housing type (multi family, single family)
- Key cities (Tier - 1, Tier - 2, Tier - 3 segmentation)
- Price point / income level (luxury, mid-tier, affordable)
- Construction stage (new construction, re-development & maintenance)

India Residential Green Building Construction Coverage: 10-year market size & forecast in value and volume (area and units) terms by

- Green building by Housing type (multi family, single family)
- Green building by Key cities (Tier - 1, Tier - 2, Tier - 3 segmentation)
- Green building by Price point / income level (luxury, mid-tier, affordable)

India Commercial Building Construction Coverage: 10-year market size & forecast in value and volume (area and units) terms by

- Office (further broken down by Grade A, Grade B, and Grade C)
- Retail (further broken down by Grade A, Grade B, and Grade C)
- Hospitality (further broken down by Grade A, Grade B, and Grade C)
- Restaurant (further broken down by Grade A, Grade B, and Grade C)
- Entertainment
- Sports facility
- Construction stage (new construction, re-development & maintenance)

India Commercial Green Building Construction Coverage: 10-year market size & forecast in value and volume (area and units) terms by

- Office green building construction
- Retail green building construction
- Hospitality green building construction
- Restaurant green building construction
- Entertainment green building construction
- Sports facility green building construction
- Other commercial green building construction
- India Industrial Green Building Construction Coverage: 10-year market size & forecast in value and volume (area and units)

India Institutional Building Construction Coverage: 10-year market size & forecast in value and volume (area and units) terms by

- Healthcare construction
- Educational construction
- Public sector
- Construction stage (new construction, re-development & maintenance)

India Institutional Green Building Construction Coverage: 10-year market size & forecast in value and volume (area and units) terms by

- Healthcare green building construction
- Educational green building construction

India Infrastructure Construction Sectors: 10- year market size & forecast in value terms by

- Marine and inland water infrastructure
- Utility system construction (oil and gas infrastructure, communication infrastructure, power infrastructure, water and sewer infrastructure)
- Transportation infrastructure (highway, street and bridge construction, railway construction, airport construction, and tunnel construction)
- Construction stage (new construction, re-development & maintenance)

India Green Infrastructure Construction: 10- year market size & forecast in value terms

Salient Changes in Cross border & domestic employment procurement systems.

To enhance the efficacy of delivery of Engineering Projects, following improvements in the procurement systems are being resorted to.

1. Engagement of Skill trained & certified work persons.

Understanding the need of improving the productivity of the workforces, observance of better SHE practices, & improved quality of works, major Indian project authorities have, in their procurement system introduced a Clause for Mandatory employment of skill certified work persons. Extracts of this Clause are given below.

“The contractor shall, at all stages of work, deploy skilled/semi skilled tradesmen who are qualified and possess certificate in particular trade from CPWD Training Institute/Industrial Training Institute/National Institute of construction Management and Research (NICMAR)/ National Academy of Construction, CIDC or any similar reputed and recognized Institute managed/ certified by State/Central Government. The number of such qualified tradesmen shall not be less than 20% of total skilled/semi skilled workers required in each trade at any stage of work. The contractor shall submit number of man days required in respect of each trade, its scheduling and the list of qualified tradesmen along with requisite certificate from recognized Institute to Engineer in charge for approval. Notwithstanding such approval, if the tradesmen are found to have inadequate skill to execute the work of respective trade, the contractor shall substitute such tradesmen within two days of written notice from Engineer- in-Charge. Failure on the part of contractor to obtain approval of Engineer-in-Charge or failure to deploy qualified tradesmen will attract a compensation to be paid by contractor at the rate of Rs. 100 per such tradesman per day. Decision of Engineer in Charge as to whether particular tradesman possesses requisite skill and amount of compensation in case of default shall be final and binding. Provided always, that the provisions of this clause, shall not be applicable for works with estimated cost put to tender being less than Rs. 5 crores.”

2. Introduction of Institutional Arbitration for effective resolution of disputes in Infrastructure Construction Projects.

To resolve all commercial disputes effectively & in shortest time frame, the Institutional Arbitration mechanism, in place of Ad-hoc mode of Arbitration is being introduced in the procurement systems.

Extract of relevant Clause are given below.

“Any dispute of difference whatsoever arising between the parties and of or relating to the construction, interpretation, application, meaning, scope, operation or effect of this Contract or the validity or the breach thereof, shall be settled by arbitration in accordance with the rules of Arbitration of the Construction Industry Arbitration Council (CIAC), New Delhi and the award made in pursuance thereof shall be final and binding on the parties. The cost & expenses of Arbitration proceedings will be borne by each party as per terms of the Construction Industry Arbitration Council (CIAC), New Delhi.”

3. Engagement of Professional Engineers

Subsequent to the formation of the National Register of the Professional Engineers by the Engineering Council of India, and ensuring that the projects are administered only by professional engineers following Clause is being introduced in the Indian procurement system.

This would be applicable to all Engineers, irrespective of their Nationality, who are desirous to work on the Infrastructure Construction project in India.

Further details are available at web site www.ecindia.org

“ The contractor shall, at all stages of work, deploy engineers including Diploma holders, Degree holders and higher levels who are qualified and registered as Professional Engineers/ Chartered Engineers with the Engineering Council of India or the Institution of Engineers, India. The number of such registered Professional Engineers/ Chartered Engineers shall not be less than 25% of total numbers of engineers at the state of work.

Failure on the part of contractor to deploy registered Professional/ Chartered engineers will attract a compensation to be paid by contractor at the rate of Rs.1000 per such Professional engineer per day. Decision of CPWD to whether particular engineer's registration in valid or not and amount of compensation in case default shall be final and binding.”

4. Engagement of certified Suppliers & Vendors

To ensure effective & reliable Supplies for timely completion of Infrastructure Projects, several major project authorities have started sending purchase enquiries to the Vendors enlisted in the National Database of the Vendors being developed & maintained by Construction Industry Development Council.

The details could be accessed from the website www.cidc.in.

This information is being provided to the members of Asia Construct Network, to enable them to disseminate the information in their respective geographical region.

