EMERGING DIMENSIONS OF INDIAN ECONOMY

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Dr. M. Shahid Jamal Ansari

Emerging Dimensions of Indian Economy

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Emerging Dimensions of Indian Economy

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Foreword

Poona College of Arts, Science and Commerce is a renowned seat of learning and research affiliated to Savitribai Phule Pune University. This A+ Grade college is having three research centres in Economics, Commerce and Chemistry. It has been contributing positively in academic field by organising Seminars, Conferences, Symposiums, Workshops and publishing books since its inception. The pace of these works got momentum under the academic leadership of Professor Dr. Aftab Anwar Shaikh, a well-known academician and researcher. This manuscript is compiled under his supervision by Dr. M. Shahid Jamal Ansari and the themes of papers included are varied and relevant to the Indian economy and society.

This work will contribute theoretically as well as empirically in addressing recent concerns of our economy, particularly of the banking, trade and agriculture. Our economy has not recovered from the after effects of pandemic in terms of poverty, unemployment, low income, low savings and investments, BoP deficit, exchange rate fluctuations and inflation etc. All major macroeconomic variables are not in good condition even today. Inflation is also not under control and it is great concerns for food security and rate of interest. Banking sector is facing challenges of high interest rate due to adoption of tight monetary policy to curb inflation.

This book is an outcome of concrete findings and suggestions of academicians and researchers to successfully overcome the concerns of the economy. Editors have selected quality research papers mainly focussed on banking, trade and tourism. Some articles on food security are also included here to highlight the issues of this crucial sector. This manuscript will be a guiding pole for governments, policy makers, academicians and budding researchers in current situation.

With Best Complements!

1/5/2023

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GOVERNMENT OF JAMMU & KASHMIR
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MESSAGE

Poona College of Arts, Science and Commerce is a well-known research centre of "**Savitribai Phule Pune University**". This A+ Grade college is striving for the betterment of the society through its teaching and research works. This book on Indian Economy edited by **Dr. M. Shahid Jamal Ansari** under the supervision of Professor Aftab Anwar Shaikh will be a stepping stone in that direction. Editors have selected quality research papers on emerging issues of the economy to highlight its major challenges and tried to give their proper solutions. Papers included here are varied and relevant to the Indian economy and society. Most of the papers based on primary and secondary data are directly addressing the emerging issues of Indian Economy.

I am confident that this study will be a guiding pole for governments, policy makers, academicians and budding researchers in current situation. Moreover, administrators will also get insights of the economic problems of the people through the first hand information provided in this manuscript.

With regards,

06|V|2023

(Vivekanand Rai) IRS
Director Tourism,
Jammu.

Preface

Indian economy is the world's 5th largest economy and it has been projected to be $5 trillion by 2024. But challenges before the economy are yet to be addressed as it has not recovered from the after effects of pandemic in terms of poverty, unemployment, low income, low savings and low investments, BoP deficit, exchange rate fluctuations and inflation etc. All major macroeconomic variables are not in right condition today. Inflation is not under control and it is great concerns for food security and rate of interest. Banking sector is facing challenges of high interest rate due to adoption of tight monetary policy to curb inflation.

Banking sector, backbone of the economy has seen rising trend of Non-Performing Assets (NPA) significantly since the last few years. In the Public Sector Banks, the large rise in non-performing assets is noticed and it affects profitability of the banks. In this banking sector, microfinance has played an important role in poverty alleviation, income generation and employment creation for the poor people. In this book, there are some papers covering this crucial sector of the economy.

Another important area addressed here is rural economy under that rural wages, MSP, food prices, and food security are taken and well-researched papers on the topics are incorporated in this book. Food inflation and Inflation in general are also focussed and some studies are selected for the purpose.

Finally, research papers on foreign trade and tourism in the era of liberalization are also included in this study. One paper on FDI is also added here. The paper is an attempt to investigate the factors responsible for FDI inflow in top five sectors of Indian economy. Appropriate statistical tools are appropriated in this paper.

Editors have applied their insights in shortlisting papers to include in this volume to serve their purpose to discuss and resolve issues related with development aspect of economy. Editors have selected quality research papers mainly focussed on banking, foreign trade and foreign capital. One paper on tourism is also added here. Some articles on food security are also included to highlight the issues of this crucial sector.

Paper contributors are research scholars and senior professors from all regions of India. One paper on 'Indo-Saudi Business Practices and Economic Relations' is received from Saudi Arabia. So, the spatial distribution of the study and themes covered in the book will be very helpful for budding researchers.

This manuscript is a useful addition to existing literature and it is expected that it will guide theoretically as well as empirically in addressing recent concerns of our emerging economy, particularly of banking sector and its overall effects on growth and development, agriculture sector, foreign sector, poverty and human development. The range of subjects dealt with in this volume would give new insights to governments, policy makers and academicians interested in the field.

Acknowledgement

This book is an outcome of sincere efforts of all scholars who contributed with their research papers. First of all, I would like to put on record my sincerest gratitude to our management Anjuman Khairul Islam, Mumbai for all round support to bring out this manuscript in public domain. Further, I take this opportunity to thank Professor Aftab Anwar Shaikh, Principal of Poona College and editor of this book for his unsparing help and precious advice that enabled me to accomplish this work for which I will forever remain indebted to him.

I feel proud to acknowledge the help of Professor Vijay Khare, Dean Faculty of Humanities and Director of International Centre, Savitribai Phule Pune University (SPPU) for giving his consent to write foreword and his appreciation of the contents collected in this work. Another person who has been of immense help to me is my friend, an IRS officer Mr. Vivekanad Rai, Director, Tourism of Jammu, Government of Jammu & Kashmir, who appreciated this work by writing a message. I especially acknowledge the support of Mr. Khan Moinuddin, Vice-Principal (Arts) of Poona College, and for technical support, I am especially thankful to Dr. Mirza Imran Baig.

I am also thankful to my colleagues, Dr. Gulnawaz Usmani, Dr. Vidyasagar Singaram, Mr. Waseem Ahmed and Mr. Milind Patil who have been with me throughout and helped me in all respect.

Lastly, I am also indebted to all paper contributors in this manuscript without that this work could not be a reality. Their insightful articles will surely guide academicians, scholars and policy makers to resolve economic problems of the people.

Dr. M. Shahid Jamal Ansari

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EMERGING TRENDS OF CHINA'S TRADE POLICY AFTER COVID-19 PANDEMIC

Dr. Mahadev Dattu Dongare
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I. INTRODUCTION

The COVID-19 pandemic has caused unprecedented disruptions to global trade and investment flows, and China's trade policy has undergone significant changes as a result. Prior to the pandemic, China had been pursuing a policy of trade liberalization and opening-up, which had enabled the country to become a major player in the global trading system. However, in response to the pandemic, China has shifted towards a policy of self-reliance and a dual circulation strategy, which emphasizes domestic consumption and innovation as key drivers of economic growth.

These changes in China's trade policy have significant implications for both the domestic and global economies, and have prompted a debate about the future direction of China's role in the international trading system. This chapter provides an overview of China's trade policy before COVID-19, and analyzes the key changes that have occurred since the outbreak of the pandemic. The chapter also examines the implications of these changes for domestic economic development, global trade and investment flows, and the role of multinational corporations in the Chinese economy. Finally, the chapter offers a future outlook for China's trade policy and its implications for the global trading system.

II. BACKGROUND ON CHINA'S TRADE POLICY PRIOR TO COVID-19

China's trade policy prior to the COVID-19 pandemic was focused on trade liberalization and opening-up. Since China's accession to the World Trade Organization (WTO) in 2001, the country has implemented a series of economic reforms and trade liberalization measures, which have helped to integrate China into the global trading system and to attract foreign investment.

One of the key initiatives of China's trade policy prior to the pandemic was the Belt and Road Initiative (BRI), which aimed to promote economic cooperation and connectivity between China and countries along the ancient Silk Road. The BRI involved the construction of infrastructure projects such as ports, railways, and highways, and was seen as a way for China to expand its economic influence and access new markets.

China also pursued a number of bilateral and multilateral trade agreements, including the Regional Comprehensive Economic Partnership (RCEP), which was signed in 2020 and involved 15 countries in the Asia-Pacific region. China also played a key role in negotiations for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was signed in 2018.

Overall, China's trade policy prior to the pandemic was characterized by a commitment to liberalization, openness, and engagement with the global trading system. However, the outbreak of the COVID-19 pandemic has prompted significant changes in China's approach to trade and economic development.

III. OVERVIEW OF CHANGES IN CHINA'S TRADE POLICY DURING COVID-19 PANDEMIC

The COVID-19 pandemic has led to significant changes in China's trade policy, with a shift away from the country's previous emphasis on openness and liberalization. One of the key changes has been a move towards a policy of self-reliance and a dual circulation strategy, which aims to promote domestic consumption and innovation as key drivers of economic growth. This shift is seen as a response to the disruptions caused by the pandemic, as well as to growing tensions in China's relationship with the United States and other major trading partners.

In addition to the focus on self-reliance, China has also implemented a range of protectionist measures and trade restrictions in response to the pandemic. These measures have included export controls on medical supplies, restrictions on imports of certain products, and the use of non-tariff barriers to protect domestic industries. China has also promoted digital trade and e-commerce as a way to mitigate the impacts of the pandemic on trade and to support the development of domestic industries.

These changes in China's trade policy have significant implications for both the domestic and global economies. They have led to a re-evaluation of China's role in the international trading system, as well as to concerns about the impact of China's protectionist measures on other countries. They have also prompted a debate about the future direction of China's trade policy and its implications for the global trading system.

IV. PURPOSE OF THE CHAPTER

The purpose of this chapter is to provide an overview of the changes in China's trade policy during the COVID-19 pandemic and to analyze their implications for the domestic and global economies. The chapter will begin by outlining China's trade policy prior to the pandemic, including its focus on trade liberalization and opening-up, and key trade agreements and initiatives. The chapter will then examine the changes that have occurred in China's trade policy since the outbreak of the pandemic, including the shift towards self-reliance and dual circulation strategy, protectionist measures and trade restrictions, and promotion of digital trade and e-commerce.

The chapter will also analyze the implications of these changes for the domestic economy, including the impact on industry and innovation, as well as the effects on

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global trade and investment flows, and the role of multinational corporations in the Chinese economy. Finally, the chapter will offer a future outlook for China's trade policy and its implications for the global trading system. Overall, the chapter aims to provide a comprehensive analysis of the changes in China's trade policy and their implications for the domestic and global economy in the context of the COVID-19 pandemic.

V. CHINA'S TRADE POLICY BEFORE COVID-19

Before the COVID-19 pandemic, China's trade policy was focused on liberalization, opening-up, and engagement with the global trading system. Since China's accession to the World Trade Organization (WTO) in 2001, the country had implemented a series of economic reforms and trade liberalization measures that helped to integrate china into the global trading system and attract foreign investment.

One of the key initiatives of china's trade policy before the pandemic was the belt and road initiative (bri). Launched in 2013, the bri aimed to promote economic cooperation and connectivity between china and countries along the ancient silk road. The bri involved the construction of infrastructure projects such as ports, railways, and highways, and was seen as a way for china to expand its economic influence and access new markets.

China also pursued a number of bilateral and multilateral trade agreements. For example, china and the association of southeast asian nations (asean) had signed a free trade agreement (fta) in 2010, which aimed to reduce tariffs and non-tariff barriers between the two regions. In addition, china was involved in negotiations for the comprehensive and progressive agreement for trans-pacific partnership (cptpp) and played a key role in the regional comprehensive economic partnership (rcep), a trade agreement signed in 2020 between 15 countries in the asia-pacific region.

Overall, china's trade policy before the pandemic was characterized by a commitment to liberalization, openness, and engagement with the global trading system. The bri and various trade agreements aimed to promote economic cooperation and connectivity between china and other countries, while trade liberalization measures were implemented to increase china's integration into the global economy.

VI. TRADE LIBERALIZATION AND OPENING-UP POLICY

Trade liberalization and opening-up policy has been a core element of China's trade policy for several decades. Since the late 1970s, China has implemented a series of economic reforms that aimed to liberalize trade and open the economy to foreign investment. These reforms led to significant increases in foreign trade and investment, which played a key role in China's rapid economic growth and development.

One of the key elements of China's trade liberalization policy was the reduction of tariffs and non-tariff barriers on imported goods. China has gradually reduced its tariff levels over the years, from an average of 22.1% in 2001 to 7.5% in 2018. In addition, China has implemented a range of measures to reduce non-tariff barriers, such as simplifying customs procedures, streamlining regulations, and improving intellectual property protection.

China also established Special Economic Zones (SEZs) in the early 1980s, which provided a favorable regulatory environment for foreign investors and encouraged foreign investment. These zones offered a range of incentives, including tax breaks, lower land and labor costs, and streamlined administrative procedures. The success of the SEZs led to the expansion of similar policies throughout China, including the establishment of Free Trade Zones (FTZs) in various regions.

Overall, China's trade liberalization and opening-up policy played a key role in promoting economic growth and development, and helped to integrate China into the global trading system. The policy led to significant increases in foreign trade and investment, and contributed to China's emergence as a major global economic power.

VII. KEY TRADE AGREEMENTS AND INITIATIVES

China has been actively engaged in negotiating and implementing various trade agreements and initiatives to expand its economic presence and influence globally. Here are some of the key agreements and initiatives:

1. **World Trade Organization (WTO):** China joined the WTO in 2001, which marked a significant milestone in China's integration into the global trading system. As a member, China committed to reducing its trade barriers and opening its market to foreign goods and services.

2. **Belt and Road Initiative (BRI):** Launched in 2013, the BRI is a massive infrastructure project that aims to improve connectivity and promote economic development in more than 100 countries along the ancient Silk Road. The BRI includes a network of ports, railways, highways, and other infrastructure projects that are expected to boost trade and investment flows between China and other countries.

3. **Regional Comprehensive Economic Partnership (RCEP):** Signed in 2020, the RCEP is a trade agreement between 15 countries in the Asia-Pacific region, including China, Japan, South Korea, and Australia. The agreement covers a range of areas, including trade in goods, services, and investment, and is expected to boost economic integration and cooperation in the region.

4. **Free Trade Agreements (FTAs):** China has signed several FTAs with other countries and regions, including ASEAN, Australia, New Zealand, and Switzerland. These agreements aim to reduce tariffs and non-tariff barriers to trade and increase market access for goods and services.

5. **Free Trade Zones (FTZs):** China has established several FTZs in various regions, including Shanghai, Guangdong, and Tianjin. These zones offer a range of incentives to foreign investors, including tax breaks, simplified administrative procedures, and greater market access.

Overall, these agreements and initiatives reflect China's efforts to expand its economic presence and influence globally, and to promote economic cooperation and development in various regions.

VIII. ROLE OF CHINA IN THE GLOBAL TRADING SYSTEM

China has played an increasingly prominent role in the global trading system over the past few decades, driven by its rapid economic growth and expanding trade and investment relationships with other countries. Here are some of the key ways that China has influenced the global trading system:

1. **Trade volumes:** China is the world's largest trading nation, with total trade volumes (exports plus imports) of over $4 trillion in 2019. Its exports, in particular, have grown significantly over the past few decades, driven by its competitive manufacturing industries and trade liberalization policies.
2. **Global value chains:** China is a key player in global value chains (GVCs), which involve the cross-border flow of goods, services, and capital across multiple countries. China's participation in GVCs has grown rapidly over the past few decades, driven by its competitive manufacturing industries and the expansion of regional production networks.
3. **Investment flows:** China is a significant source of foreign direct investment (FDI) globally, with outward FDI of $170 billion in 2019. China's investments have been focused on a range of sectors, including energy, infrastructure, and manufacturing.
4. **WTO engagement:** China's membership in the World Trade Organization (WTO) has been an important driver of its engagement in the global trading system. China has played an active role in WTO negotiations and disputes, and has committed to reducing trade barriers and opening its market to foreign goods and services.
5. **Belt and Road Initiative (BRI):** China's BRI, which aims to promote economic development and connectivity in more than 100 countries along the ancient Silk Road, has significant implications for the global trading system. The initiative involves the development of a range of infrastructure projects, such as ports, railways, and highways, which are expected to boost trade and investment flows between China and other countries.

Overall, China's growing economic influence and engagement in the global trading system have significant implications for other countries and for the future of international trade and investment.

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IX. CHANGES IN CHINA'S TRADE POLICY DURING COVID-19 PANDEMIC

The outbreak of the COVID-19 pandemic has had significant implications for China's trade policy. Here are some of the key changes that have taken place:

1. **Export restrictions:** In the early stages of the pandemic, China implemented export restrictions on a range of medical supplies, such as masks and ventilators, in order to meet domestic demand. These restrictions caused disruptions to global supply chains and raised concerns about the reliability of China as a supplier.
2. **Digital trade:** With many countries implementing lockdowns and travel restrictions, there has been a shift towards digital trade, including e-commerce and online services. China has been actively promoting its digital trade capabilities, including through the launch of the Digital Silk Road initiative, which aims to enhance digital connectivity and cooperation between China and other countries.
3. **Belt and Road Initiative (BRI):** The pandemic has raised questions about the viability of some of the infrastructure projects under the BRI, as countries struggle to meet debt obligations and demand for projects declines. China has signaled a willingness to renegotiate terms and provide debt relief for some projects.
4. **Supply chain diversification:** The pandemic has highlighted the risks of over-reliance on China as a source of inputs and finished goods. Many countries are now exploring ways to diversify their supply chains, including through reshoring of manufacturing, regionalisation of production networks, and increased sourcing from other countries.
5. **Health and safety standards:** The pandemic has underscored the importance of health and safety standards in global trade. China has been working to enhance its regulatory frameworks and improve product quality and safety, in order to meet international standards and restore trust in its exports.

Overall, the pandemic has prompted a range of changes in China's trade policy, as well as in the policies of other countries. These changes are likely to have significant implications for the future of international trade and investment.

X. IMPLICATIONS OF CHINA'S TRADE POLICY CHANGES

The changes in China's trade policy during the COVID-19 pandemic have several implications for the global trading system:

1. **Supply chain restructuring:** The pandemic has exposed the vulnerabilities of global supply chains, particularly those that are heavily reliant on China. The shift towards supply chain diversification and regionalization is likely to continue, as countries seek to reduce their dependence on a single source and enhance their resilience to future shocks.

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2. **Digital trade:** The pandemic has accelerated the growth of digital trade, and China's promotion of its digital trade capabilities could lead to increased competition in this area. This may have implications for the development of international rules and standards for digital trade, and for the distribution of benefits from digital trade.
3. **Belt and Road Initiative (BRI):** The pandemic has raised questions about the viability of some BRI projects, and China's willingness to renegotiate terms and provide debt relief could have implications for the future of the initiative. The focus on infrastructure development could also provide opportunities for cooperation and competition between China and other countries.
4. **Health and safety standards:** The pandemic has underscored the importance of health and safety standards in global trade, and China's efforts to improve its regulatory frameworks and product quality could lead to greater trust in its exports. However, concerns about the quality and safety of Chinese products are likely to persist, particularly in areas such as food safety and pharmaceuticals.
5. **WTO engagement:** China's engagement with the World Trade Organization (WTO) has been a key driver of its integration into the global trading system. However, the pandemic has raised questions about the future of the WTO, and China's approach to multilateralism may have implications for the future of international trade governance.

Overall, the changes in China's trade policy during the COVID-19 pandemic have significant implications for the future of international trade and investment. As China continues to play an increasingly prominent role in the global trading system, its policies will have significant impacts on other countries and the development of international trade rules and standards.

XI. CONCLUSION

In conclusion, China's trade policy has undergone significant changes during the COVID-19 pandemic. The pandemic has exposed vulnerabilities in the global trading system, and China's response to these challenges will have significant implications for the future of international trade and investment. China's policies around supply chain diversification, digital trade, the Belt and Road Initiative, health and safety standards, and WTO engagement will shape the future of the global trading system and the distribution of benefits and costs. As China continues to play a major role in the global economy, it is likely to face ongoing challenges and opportunities, and its policies will be closely watched by other countries and stakeholders in the international community.

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INDO-SAUDI BUSINESS PRACTICES AND ECONOMIC RELATIONS

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INTRODUCTION

For centuries, India and Saudi Arabia have enjoyed cordial practices through economic and socio-cultural ties. There were high level visits from both sides and in 1947 King Saud bin Abdulaziz Al Saud visited India on a 17-day trip in November-December 1955. Post to this, Prime Minister of India, Jawaharlal Nehru visited there in 1956. There were high-level visits from both sides again when the then Prime Minister Indira Gandhi revisited Saudi Arabia in April 1982 to consolidate their bilateral relations. King Abdullah marked a historic visit to India again in January 2006. He signed the 'Delhi Declaration', giving the bilateral relationship a fresh start again with a visit by Dr. Manmohan Singh, the former Indian Prime Minister, to Saudi Arabia from February 27 – March 01, 2010, leading to the signing of the 'Riyadh Declaration.'(Hussain, 2017).It turned the bilateral relationship into a strategic partnership between the two economies and deepened their relationship. In 2014, February, the then Crown Prince (now King) Salman bin Abdulaziz Al-Saud visited India to broaden the relationship in the aspect of defence cooperation, and this gave new energy to their relations(SAHNI, 2022).India stands to be the fourth country to form Strategic Partnership with Saudi Arabia after the United Kingdom, France and China. Saudi Arabia is one of the significant sources of energy in India, with around 18% of the crude oil requirement and around 22% of the LPG requirement. The bilateral trade in the financial year 2021-2022 was around US $ 42.8 billion, and India's imports from Saudi Arabia crossed US $ 34.01 billion, whereas exports to Saudi Arabia were around US $ 8.76 billion. It was an increase of 49.5% from the previous year, and the total trade accounted for 4.14% from Saudi Arabia to India in the Financial Year 2021-2022 of India.

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(India-Saudi Arabia Economic and Commercial Relations, 2019)

(Figures in $ billion)

S.No.	\Year	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
1.	EXPORT	5,410.70	5,561.72	6,236.86	5,856.61	8,758.94
2.	%Growth		2.79	12.14	-6.10	49.56
5.	%Share in India's total exports	1.78	1.68	1.99	2.01	2.08
6.	IMPORT	22,069.96	28,479.21	26,857.37	16,186.76	34,100.58
7.	%Growth		29.04	-5.69	-39.73	110.67
10.	%Share in India's total imports	4.74	5.54	5.66	4.10	5.57
11.	TOTAL TRADE	27,480.66	34,040.93	33,094.24	22,043.37	42,859.52
12.	%Growth		23.87	-2.78	-33.39	94.43

In 2016, April, Prime Minister Narendra Modi visited Riyadh to strengthen the political, economic, security and defence aspects of their relationship, and King Salman provided the highest civilian honour to the Prime Minister, which proved the fact that they wanted to establish relations with India(Azhar, 2008).Crown Prince Mohammad bin Salman visited India in February 2019, and he announced the fact that they would invest approximately US$100 billion in India (Gauri, 2013). He further signed six MoUs/Agreements in Housing, Investment, Tourism, and Exchange of Audio-Visual programs, and there was an agreement signed to give way for Saudi Arabia and join the International Solar Alliance (ISA) that Prime Minister Modi of India launched. Prime Minister Modi revisited Riyadh in 2019, October and then there was a Strategic Partnership Council Agreement signed, which also established a high-level council to strengthen the Indo-Saudi relationship. There were twelve MoUs/Agreements signed for different types of fields like Security, Civil Aviation, Energy, DefenceProduction, Strategic Petroleum Reserves, Medical Products, Training of Diplomats and Small and Medium-Scale Industries(Rekha, 2019).

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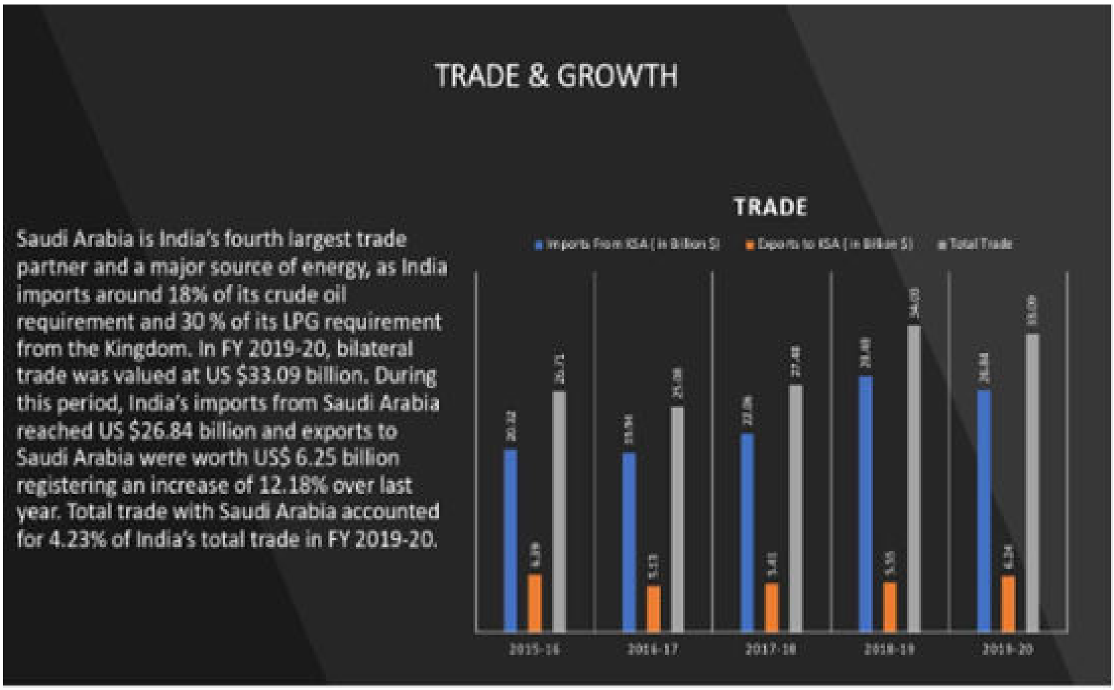

There has been a bilateral tie taken from the Strategic Partnership Council to discuss the diverse areas of cooperation, which was set up in the year 2019, October when the Prime Minister of India visited Saudi Arabia. The council consists of the Political, Security, Social and Cultural Committee and Committee on Economy and Investments with some agenda to fulfil. The meeting outcome that took place recently was to put in order the efforts that will help to realize the investments from Saudi worth USD 100 Billion in India. It also included endorsing 41 cooperation areas identified by the technical teams coming under four domains - Agriculture & Food Security; Energy; Technology & IT; and Industry & Infrastructure. An agreement to undertake to implement the priority projects timely and these included collaborating with the digital Fintech Sector with the help of operationalization of UPI or RuPay Card in Saudi Arabia(Avdaliani, 2023).It also includes re-affirming the cooperation in continuous joint projects like the West Coast Refinery, developing strategic petroleum storage facilities in India and LNG infrastructure investments(Alkhateeb, 2019).

Trade and Economic Relations

For India, Saudi Arabia is the fourth largest trading partner after China, the USA and Japan, and one of the primary energy sources importing more than 18% of the crude oil from there. Saudi Arabia is the second largest supplier for meeting the crude oil requirement for India after Iraq, and 22% of the Liquefied Petroleum Gas (LPG) from there. India will also take the help of Saudi Arabia to set up the world's largest Greenfield Refinery at Raigarh in Maharashtra by companies from Indian Public Sector Oil and Saudi Aramco, Adnoc of the United Arab Emirates (Chatterjee, 2017).The bilateral trade in the financial year 2021-2022 was 42.8 billion already, and not to forget

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that the 2.6 million strong Indian community in Saudi Arabia remains the most significant expatriate there.

Main exports from India to Saudi Arabia are cereals, spices, Iron and steel products, machinery, meat, vehicles, organic chemicals, ceramic products, clothing and electronic equipment(Ashwarya, 2023).Main imports from Saudi Arabia to India include oil, plastics, gems, organic chemicals, fertilizers, aircraft precious metals, inorganic chemicals, spacecraft, copper, aluminium and other chemical goods. Some more investments here include the West Coast Refinery & Petrochemicals Project in Maharashtra and Saudi Aramco, Abu Dhabi National Oil Company, and an Indian consortium jointly hold this, including Indian Oil Corporation and Hindustan Petroleum(Belloumi, 2020). In the Sector of the Renewable Energy, a Saudi Company named Al- Fanar has a substantial controlling stake in 600MW Wind Power projects in India. In contrast, Saudi Aramco is acquiring around 20% stake in the oil-to-chemical business with Reliance Industries.

Indian Crude Oil Imports in Million Metric Tonne (MMT) from Saudi Arabia

(Figures in $ billion)

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (Apr-Dec)
Import in MMT	39.31	34.75	39.59	39.34	36.16	39.8	42.20	34.20	26.91
% of Total	20.82	18.85	20.46	19.34	18.0	17.56	19.10	18.20	16.47
Value in US $ (billion)	30.96	21.93	13.49	13.67	15.26	21.38	20.35	10.75	

There was an R&D Centre in Bangalore set up by the Saudi petrochemical giant SABIC that invested more than US $100 million in 2013, and Saudi Aramco has already signed an MoU with a Mumbai-based GumPro to set up a drilling fluids facility in 2018(McBride, 2023). Since Saudi Arabia wants more investment opportunities, India has also invited the Kingdom to participate in its Strategic Petroleum Reserves (SPR) Program, and Indian Public as well as Private Sector companies will equally get opportunities in different sectors like Hydrocarbons E&P, Service Sector, Midstream, Downstream and Skill Developments(Fatma, 2022).In the energy sector, Saudi Companies like Alfanar and Aljomaih have invested in Wind and Solar Energy projects. Apart from this, both countries have been exploring Hydrogen Energy in the form of a

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future source of energy. One primary sector in exports from India to Saudi Arabia is Automotive &Machinery, where Indian companies like Ashok Leyland and TATA Motors are present in Saudi Arabia. India has further given a 100% FCI with the automatic route in the Auto Industry. It is also one of the notable and active markets in this sector, with the two countries having a lot of collaborative opportunities like R&D, joint ventures and the development of auto hubs. In the textile aspect, India has exported textiles and allied products to Saudi Arabia, amounting to 600 million in the Financial Year 2021-2022. India has excellent opportunities in terms of collaboration here in the form of integrated garment parks, textile processing projects, technology transfer, investment in retail operations, skill developments as well as handloom products commercialization(VARSHNEY, 2017).Saudi Arabia and India have been collaborating on the food security aspects whereSaudi Arabia has picked Indiaas one of the best destinations to source commodities like Sugar, Rice, Red Meat, Seafood, Infant Milk Powder and others. Since it is not allowed to purchase agricultural lands from foreign companies, the Saudi Agricultural & Livestock Investment Company (SALIC), which a public investment fund owns, is taking a stake in the Indian exporting companies to ensure food security. SALIC has also taken a minority stake of 33% in LT Foods, which is an Indian multinational rice brand(Shahzeb, 2020).In the area of Pharmaceuticals, the two nations were unable to realize their full potential in terms of opportunities in this sector. Different rules are also there in Saudi Arabia regarding the import of Pharmacy products that must be followed. However, during Covid-19 phase, there were great opportunities that helped to enhance the overall cooperation in this sector. Both nations supported each other by supplying medical products and vaccines.

Figure 3: Saudi Arabia's Share of India's LPG Imports (in TMT)

LPG Imports	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (Apr-Sep)
Total	5790	6293	6607	8313	8737	--
Saudi Arabia	1591	1116	1453	1765	2462	1578
Saudi Share (%)	27.5%	17.7%	22.0%	21.2%	28.2%	--

The latest technological advancements provide excellent scope for bilateral collaboration in the form of Artificial Intelligence (AI), cyber security, robotics and automation, which all are amongst the keystones of Saudi Arabia's "Vision 2030". To make the most of their commercial relations, India and Saudi Arabia focusmore on

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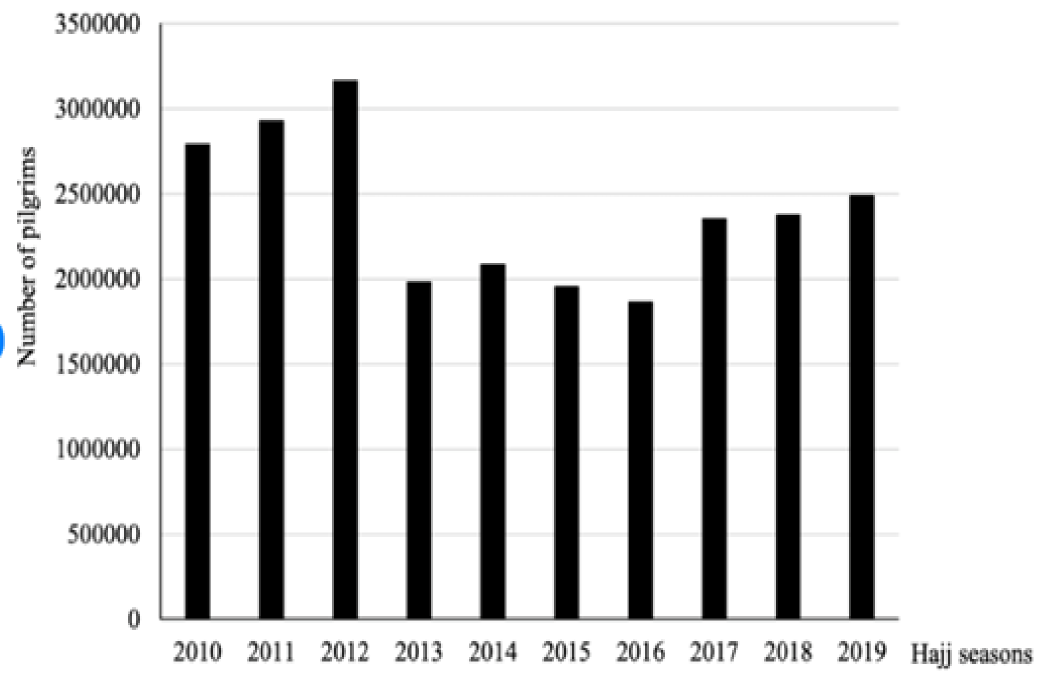
diversifying thebilateral trade, which is becoming a new area of cooperation between the two nations. It is beyond the conventional field of Oil, and is opportunities in areas like Housing, Tourism, Entertainment, Renewable Energy and Health(Rupali, 2021).

The Cultural Dimension

India and Saudi Arabia have shared great cultural relations for many years, and this is evident with the presence of a large number of Indian workers there called Indian "ambassadors" who have formed many organizations to bridge the gaps between the two countries. The annual Hajji as well as the Umrah pilgrimages, are also organized regularly and are one crucial focal point for the India-Saudi cultural interactions(Goyal, 2020).Indians represent one of the most significant pilgrims to the holy cities of Madinah and Makkah in Saudi Arabia. The Indian government has been providing subsidies to all the Hajji pilgrims with a total expense of $200 million every year, like for example, the Saudi government has increased the Indian quota to more than 170000 Indian to go and perform Hajj.



Number of annual pilgrims to Makkah, Saudi Arabia, in the years 2010–2019 [32]

Every year, more than 300000 Indians also perform Umrah, and this ties people to people thus helpstrengthen the cultural relationship between the two countries. Saudi students have been enrolling on Indian educational institutions, with India and Saudi Arabia signing many agreements to provide opportunities for higher education, training, research, etc.(Mathew, 2021).These are signed to provide their students with the best experts and scholars to advance their educational careers. Additionally, the Indian

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Council of Cultural Relations (ICCR) is actively organizing different programs in Saudi Arabia to promote therespective mutual cultural awareness and understanding.

India as a country has also participated as the 'Guest of Honour" in the year 2018, January, at the 32ndedition of the prestigious Saudi National Festival of Culture and Heritage – *Janadriyah*. King Salman and the then External Affairs Minister Sushma Swaraj also visited the Indian Pavilion and inaugurated this festival. Yoga is one practice that has become a prevalent activity in Saudi Arabia after being recognized as a 'sports activity' in November 2017 there. After this, the International Day of Yoga (IDY) in the years 2018 and the Embassy also celebrated in 2019 in the most prominent areas of Riyadh that witnessed the participation of many Saudi nationals (Priya, 2019).There were youths, journalists, the diplomatic corps and the Indian diaspora whom all participated in this event wholeheartedly, strengthening the cultural bond between the two nations. In 2021, IDY, another MoU was signed for Yoga Cooperation between the Saudi Ministry of Sports and India's Ministry of AYUSH, and this gave the way to establish the formal yoga standards and different courses in Saudi Arabia. It marked the first-ever acceptance and implementation of these standards by any other country in the Gulf region. It was also seen that some events on October 2019 marked the 150thbirth anniversary of Mahatma Gandhi. In the year 2021-2022, 75 years of Independence were celebrated in India in the form of "*Azadi ka Amrit Mahotsav*". This celebration coincides with the 75-year establishment of diplomatic relations between India and Saudi Arabia, a milestone in their cultural relationship(Kumaraswamy, 2018).To participate in this celebration, Embassy conducted events from May 2021 and will extend till August 2023. It includes exhibitors, cultural events, international film festivals, academic activities, sports activities, cycle rallies and golf tournaments.

Migration – Key Pillar in Bilateral Relations

After Energy, migration became a major pillar to strengthen the bilateral relations for both India and Saudi Arabia with overseas employment opportunities. It all started after the first oil price increase from 1973 to 1974, and this started the overseas employment opportunities for Indian workers in Saudi Arabia (Pradhan, 2016). At this point, only a few Indian workers were constituting, and today, it has turned into the most significant number of migrants in Saudi Arabia. Indian workers have contributed their best to the economy of Saudi Arabia, and it has enriched the society and culture on a repetitive basis. The Saudi Royals, as well as other high dignitaries have acknowledged their hard work and dedication. The Indian expatriate community in Saudi Arabia has also contributed in the form of remittances between $12 and $15 billion every year. Research proves that these remittances have contributed to reducing poverty and increasing health and education quality. Saudi Arabia had tried to treat the Indians more liberally, which was visible in November 2013 when Saudi authorities started to deport undocumented workers. At this point, there were 1.4 million Indian expatriate workers who availed of the grace period announced by the King and also made their papers up to date, including

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resolving their pending cases. With this, the Indian workers were able to get new jobs without facing any penal action against them there in Saudi Arabia, which helped strengthen their overseas opportunities (Kumar, 2013).It further strengthened when the Prime Minister of India- Narendra Modi, visited Saudi Arabia and signed the General Agreement on Blue Collar Workers. Irrespective of all these, the treatment of Indian workers there when it comes to women workers' status remains an area that needs additional attention and other reforms from both countries to protect their interests.

Indo-Saudi Trade (in US$ billion)

Year	Imports from Saudi Arabia	% increase in Indian Imports	Exports to Saudi Arabia	% increase in Indian Exports	Total Trade	% increase in Total Trade
2015-16	20.32	-27.70	6.39	-42.71	26.71	-31.97
2016-17	19.94	-1.85	5.13	-19.70	25.08	-6.12
2017-18	22.06	+10.50	5.41	+5.88	27.48	+9.56
2018-19	28.48	+29.04	5.55	+2.61	34.03	+23.83
2019-20	26.84	-5.73	6.24	+12.18	33.07	-2.82
2020-21	16.19	-39.68	5.85	-6.25	22.04	-33.35
2021-22 (Apr-Dec)	22.65	-	6.63	-	29.28	-

Alliance During COVID-19:

India and Saudi Arabia came together to deal with the ever-shocking Covid-19 crisis in a much-coordinated manner. Indian Prime Minister Modi and Crown Prince Mohammad bin Salman had a conversation over the telephone on March 17 2020, and planned to start an extraordinary G20 Virtual Summit that was organized on March 26, 2020(NINGTHOUJAM, 2022). Again they both held telephone conversations on September 09 and 29, 2020, to discuss the matters related to G-20 and different strategies between the two countries that can help fight the battle of the Covid-19 pandemic. Recently, on March 10, 2021, PM Modi again held a telephone conversation with Crown Prince Mohammed bin Salman. Both reviewed the functioning of the Strategic Partnership Council and expressed their satisfaction concerning the steady growth of their partnership. They both agreed to continue supporting one another in

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each of effort against the Covid-19 pandemic, and Prime Minister Modi also invited the Crown Prince to come and visit India soon (Fawzy, 2022).

It was evident that both nations had shared national experiences all through the pandemic and supported each other to make sure that there was a continuous flow of food, essentials and other type of medicines (AlBloushi, 2022).In February and March 2021, there were two different consignments where India gave around 4.5 million COVISHIELD vaccines to Saudi Arabia. During the second wave, Saudi Arabia provided India with COVID-relief materials, predominantly liquid oxygen. The Saudi Arabian authorities also opened up the healthcare systems for the Indian community. They gave free healthcare services to them in their country, which showed their support for the Indian people and the economy. This mission also consisted of large-scale repatriation to the community at the time of the pandemic that also led to more than 800000 Indians getting repatriated via Vande Bharat Mission and other types of charter flights(Sharma, 2021).From January 2022, there was an air bubble agreement formed as well for air travel between Saudi Arabia and India, and from the side of Saudi Arabia, there has been an excellent cooperation received in this regards(Khan, 2021).

Conclusion and Way Forward

The India-Saudi Arabia relationship has transformed over a decade from a transactional relationship to a strategic one today, with its scope of cooperation widening along the traditional areas like migration, trade, and energy. There are other sectors where it is hitting well, like Health, Investments and Pharmaceuticals, ICT, IT, and Space. India and Saudi Arabia also have got with each other a significant amount of understanding in terms of Security and Defence, and both have reached a point where both are determined to avoid developing any ties between them that can be bracketed with third countries like Pakistan or Iran. Saudi Arabia is a rich cultural country and has other leading trading partners like Europe, Iran, the United States and Africa(Alkhateeb, 2019).They have strong interaction with all of their trading partners, a significant strength for their respective government that helps promote peace and enhances coexistence.

India and Saudi Arabia have their own pace to uplift the cooperation in the maritime security domain from their current status and plan to even hold joint Naval exercises for their security. Space is another domain they look forward to with bilateral engagements to strengthen, and here, India is considering exploring engaging with Saudi Apace Agency. Some more areas for the next stage of bilateral cooperation can be Agriculture, Infrastructure, IT and Start-ups, with both the countries'DefenceCooperation picking up a real-time pace(Belloumi, 2020).Another effort looking forward can be to shift the labour-intensive establishments from Saudi Arabia to India to serve the national priorities, reduce the expatriate population of Saudi Arabia, and boost " Make in India".

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INDIA'S FOREIGN TRADE IN THE PRESENT ERA

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INTRODUCTION

A Significant expansion in trade over more than two and a half decades;
During the last 28 years, India's exports have increased more than 28 times, from US$ 18.1 billion in 1990-91 to US$ 309 billion in 2014-15 to US$ 483.98 billion in 2018-19, exhibiting a growth of 8.73 %, whereas the outbound shipments rose by 14.6% year-on-year to US$453.3 billion in 2022. and India's imports have increased 18 times, from US$ 23.4 billion in 1990-91 to US$ 447 billion in 2014-15 to US$ 507.6 billion in 2018-19, whereas the overall imports grew up by 29.47 percent in November 2022 over the same period in 2021. India's share in global exports has increased from a mere 0.62 percent in the early nineties to 2.1 % currently. Likewise, India's share in global imports has increased from around 0.6 percent during the early nineties to 2.6 % currently.

India's trade deficit narrowed to US$ 26.91 billion in October 2022 from US$11.25 billion in December 2019. It came below market expectations of a US$15.66 billion gap. Imports fell 8.8 % year-on-year to US$38.61 billion, the seventh straight drop, mainly due to purchases of transport equipment (-31.1 %), pearls, precious and semi-precious stones (-12 %), gold (-3.9%), electronic goods (-1.4%) and oil (-0.8%). Exports fell 1.8 % year-on-year to US$27.36 billion, the fifth straight annual fall, and despite increases in sales of electronic goods (30.4 %), drugs & pharmaceuticals (13 %), marine products (7.8 %), readymade garments (2.4 %) and cotton yard (0.4 %). In April-December, the trade deficit narrowed sharply to US$118.1 billion from US$148.2 billion in the same period in the previous fiscal year.

OBJECTIVES

- To understand India's merchandise trade performance.
- To analyze the top 10 commodities of exports and imports in India's trade basket.
- To examine current India's foreign trade policy and the road ahead.
- To know factors influencing Foreign Trade Policy of India.
- To know India's new Foreign Trade Policy for 2020.
- To know the challenges in making the Foreign Trade Policy 2020 real.

METHODOLOGY

International trade is a macro-level topic, including international shipment flows beyond international territories; therefore, collecting data from primary sources takes much

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work. This paper is wholly prepared based on secondary data sources collected from various websites and other related literature and reviewed from the various national and international research journals related to Foreign Trade Policy in India. Simple statistical tools like pie charts, line graphs, and tables are used to analyze international trade trends and make pictorial presentations of row data.

Changes in value of Trade since Independence

Growing value of exports: The total value of India's international trade went up from

Table 1 – Recent Trends in India's Foreign Trends (in US$ million)

				Rate of Change	
Year to	**Exports**	**Imports**	**Trade Balance**	**Exports**	**Imports**
1990-91	18143	24075	-5932	9.2%	13.5%
1991-92	17865	19411	-1546	-2%	-24%
1995-96	31797	36678	-4881	44%	47%
1996-97	33470	39133	-5663	5%	6%
1997-98	35006	41484	-6478	4%	6%
1998-99	33218	42389	-9171	-5%	2%
1999-00	36822	49671	-12849	10%	15%
2000-01	44560	50536	-5976	17%	2%
2001-02	43827	51413	-7586	-2%	2%
2002-03	52719	61412	-8693	17%	16%
2003-04	63843	78150	-14307	17%	21%
2004-05	83535	111516	-27981	24%	30%
2005-06	103092	149167	-46075	19%	25%
2006-07	126361	185749	-59388	18%	20%
2007-08	162904	251439	-88535	22%	26%
2008-09	168704	287759	-119055	3%	13%
2015-16	2,62,290	3,81,006	-118716	36%	24%
2016-17	2,76,547	3,82,740	-106193	5%	0%
2017-18	3,03,526	4,65,581	-162055	9%	18%
2018-19	3,30,000	5,14,000	-184000	8%	9%
2019-20	2,75,489	3,67,980	-92491	-20%	-40%
2020-21	3,35,500	4,95,830	-160330	18%	26%
2021-22	4,18,000	4,07,350	10650	20%	-22%

Source: Ministry of Commerce and Industry

US$1269 million in 1950-51 to nearly US$8486 million in 1980-81 and to US$330,000 million in 2018-19. But much of this increase was concentrated in the last 20-25 years. One reason why India's export was almost stagnant during the first 15 years of planning

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was the predominance of traditional goods such as tea, jute, and cotton manufactures, the foreign demand for which was generally inelastic. Besides, the rise in prices in India and the high cost of our export goods did not allow these goods to be competitive in the international markets. After the devaluation of the rupee in 1966, Indian export goods got a price advantage. Moreover, the government entered into a series of bilateral agreements with fiscal and cash incentives to boost exports. Finally, it set up a number of export promotion councils and agencies to promote export. These factors explained the very rapid growth of export in the 1970s. This trend is shown in Table 1.

In 1990-91, exports as percentage of GDP were only 9.2%, in 2001-02 this ratio increased to 17.0% and in 2021-22 it is 20.0% and total trade (export and import) is 39.8%.

Larger Growth of India's Imports: As per Table 1, imports showed a continually increasing trend. In 1990-91, Imports were US$ 24075 million; in 2000-01, they increased to US$ 50536 million, and in the recent year, 2021-22, they increased to US$ 407,350 million. However, Imports which were 13.5 % of GDP in 1990-91, declined to 2.2%in 2000-21 but rose further to 24.0% in 2015-16 and to 26.0% in 2020-21 but again it declined to 22.0% in 2021-22 which is a good sign for an economy.

Widening Trade Deficit: Table 1 shows that in 1990-91 Trade deficit was US$ 5932 million. In 2000-01 it increased to US$ 5976 million. In 2015-16 it was further increased to US$ 118716 million, but in 2021-22 the trade balance became positive.

India's Export and Import Trends 2020-21:

In the fiscal year 2020-21, India's total exports registered $395.47 billion, which surpassed the earlier milestone of US$331 billion in the financial year 2018-19.

India's total imports registered $572.60 billion, which grew at a higher rate of 10.41 percent.

Monitoring the evolving nature of India's imports and exports can help investors understand the country's trade patterns and identify opportunities in the domestic market. Below are some recent trends in India's export and import.

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Figure 1– India's Export and Imports, US$

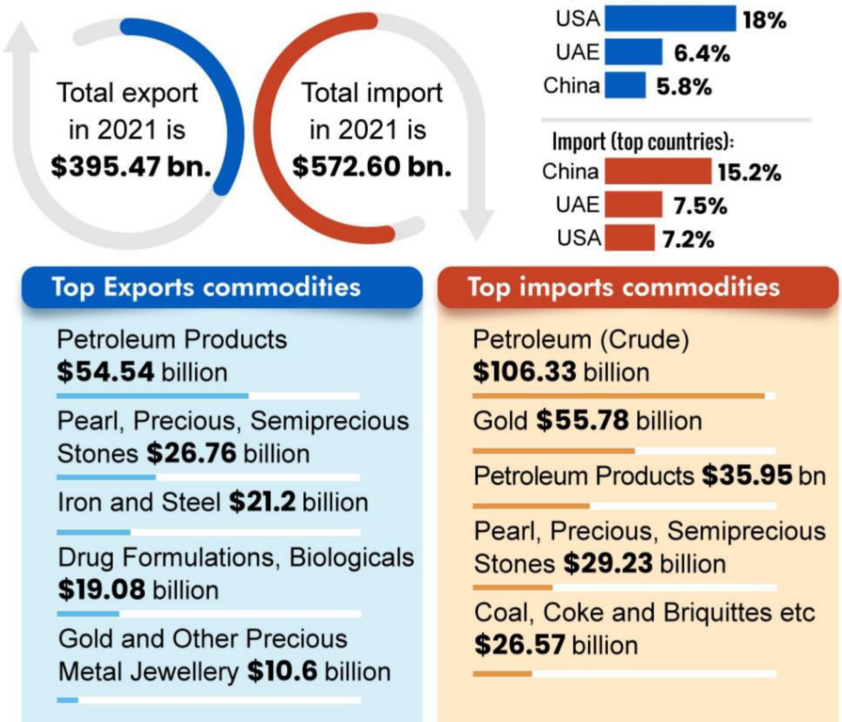

Figure 2– India's Export and Imports, US$

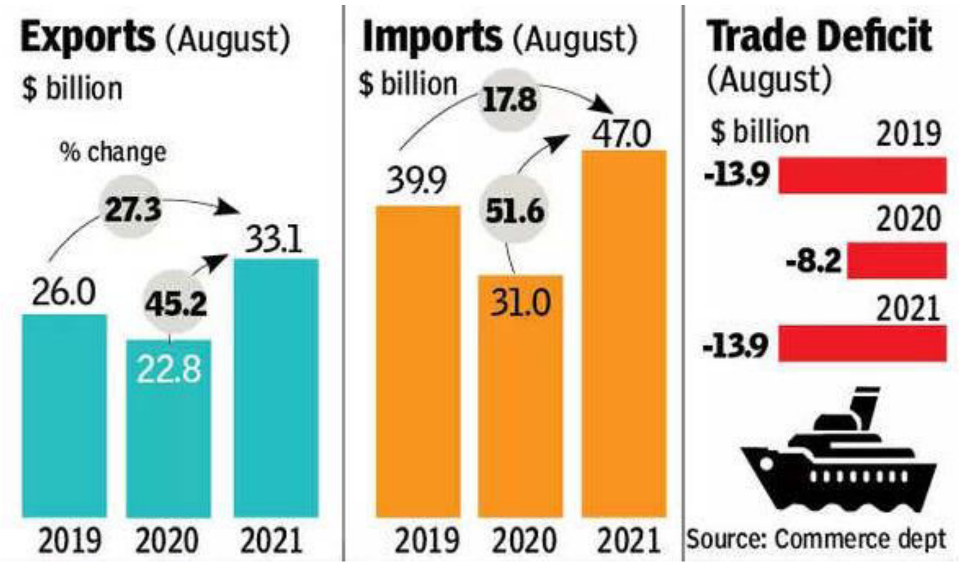

Figure 2 shows India's exports grew to $33.1 billion in august, 45% higher than last year. However, a faster increase in imports resulted in a trade deficit widening to $13.9 billion, the highest since April.

Although exports are nearly $2 billion lower than in July, when they hit a monthly record of $35.4 billion, august's level is in line with the asking rate required to touch the target of $400 billion for the current financial year.

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During April-august, exports were estimated at $163.7 billion, which means that the value of money shipments needs to be of the order of $33.7 billion during the remaining seven months of the year.

A part of the increase in exports can be attributed to the shipments of petrol and diesel. The data showed that non-oil exports grew 36.6% to $28.6 billion, while petroleum product exports were up 139% to $4.6 billion In august, driven by a spike in the global process.

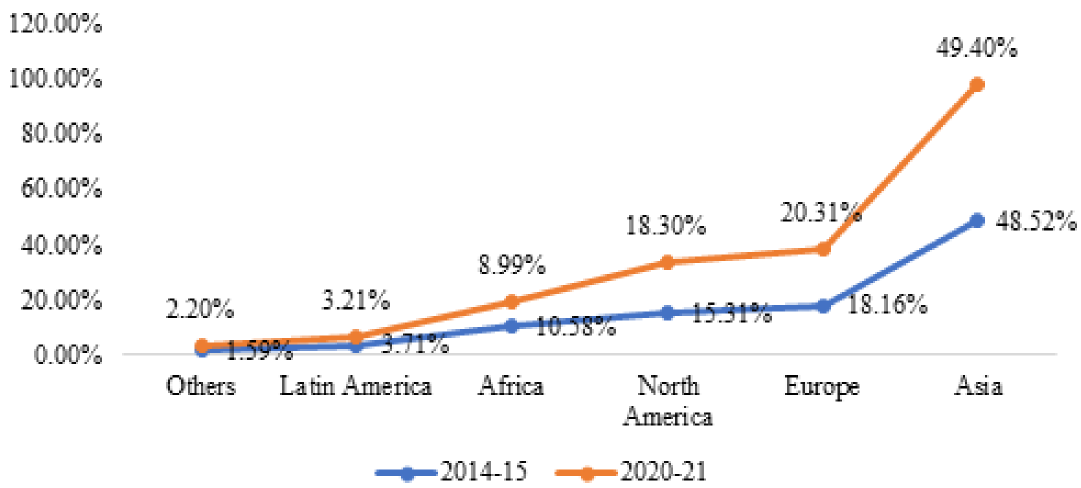
The oil products were the second largest item in India's exports basket, with gems jewelry, the third-biggest, growing a robust 88% to $3.4 billion. Engineering goods, which had a nearly 30% share in India's exports during the month, saw a comparatively modest 59% rise to $9.6 billion.

Among the top imports, oil shipments jumped 80% to $11.6 billion, with gold seeing an 82% rise to $6.7 billion, the highest in the last five months. However, Iron and steel saw a 108% increase, with total imports estimated at $ 1.3 billion.

India's Export to US, Europe rise, while exports to Asia decline

The data from the EXIM Bank of India highlights that exports to North American and European countries have increased. Although the majority of India's exports continue to go to Asian countries, it has declined in the last five years. Asia's share in India's overall exports fell from 48.52 % in 2014-15 to 49.40 % in FY2020-21. While Europe's share increased from 18.16 % to 20.31 %, and North America's from 15.31 % to 18.30 in the same period.

Graph 1 – India's major export destinations



Within Asia, India exported less to West Asia in 2020-21, as compared to 2015-14; the region's share in India's exports proportionately decreased from 15.31% in 2014-15 to 18.30% in 2020-21. However, the share of exports to ASEAN, South Asia, and North East Asia increased during the same period.

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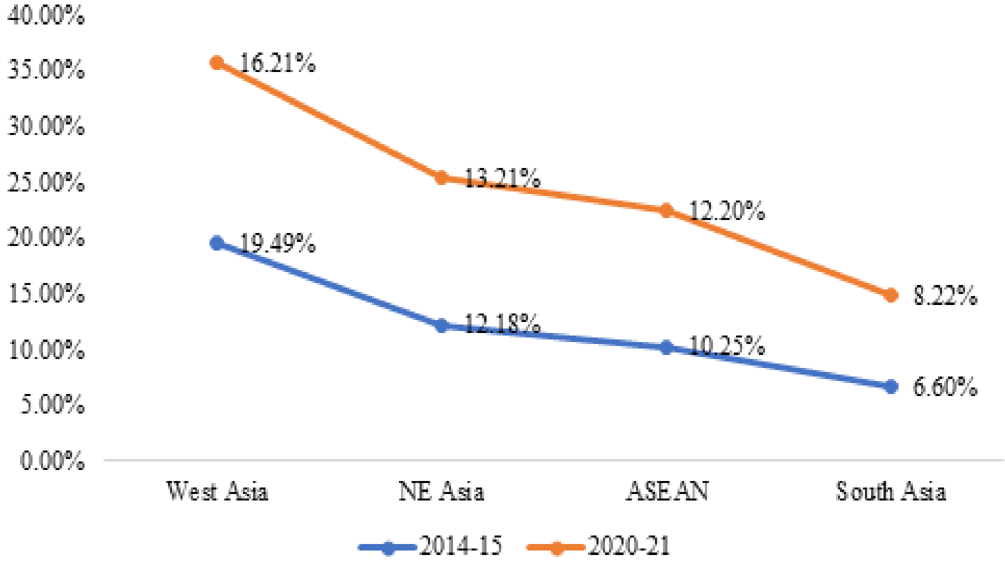
Graph 2 – Share of Asian regions in India's Exports Basket



India's key exports in 2020-21 were petroleum products, followed by pearls, precious, semiprecious stones, drug formulations and biologicals, gold and other precious metal jewelry, iron, steel, and organic chemicals. Together, these top ten commodities accounted for about 46 % of India's total export.

Pharmaceutical products, automobiles, transport equipment, machinery, and readymade garments are significant exports for India.

Imports from United State, Asia surge:

The rising demand for electrical and electronic equipment and that of mineral fuels, oils, and products in India's domestic manufacturing market has increased the share of India's overall imports from Asia, particularly from China, Hong Kong, and ASEAN economies.

During 2018-19, India imported 59.3 % of its total imports from Asian trade partners – this marked an increase of 2.86 % since 2014-15. Another 15.8 % of imports came from Europe and 8.2 % from African exporters. North America and Latin America supplied 8.1 % and 4.2 % of imports to India, respectively.

The country-wise data shows that China's share of India's imports grew from 11.6 % in 2013-14 to 13.7 % in 2018-19, while the share of imports from the US grew from 4.9 % to 6.9 % in the same period.

India's key imports in 2018-19 were crude oil, followed by gems and jewelry, electronic goods and machinery, and gold and silver amounting to US$65 billion.

The tables below show India's top trading partners, including their share of exports and imports in India's overall trade.

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Table 2: % Share in India's total export

Country	Export Value (US$ billion)	% Share in India's total export
United States	52.4	15.88
UAE	30.1	9.13
China	16.7	5.07
Hong Kong	13.0	3.94
Singapore	11.5	3.51
United Kingdom	9.3	2.82
Bangladesh	9.2	2.79
Germany	8.9	2.70
Netherlands	8.8	2.67
Nepal	7.7	2.35

Source: Directorate General of Foreign Trade, 2018

Table 3: % Share in India's total imports

Country	Export Value (US$ billion)	% Share in India's total export
China	70.3	13.68
United States	35.5	6.92
UAE	29.7	5.79
Saudi Arab	28.5	5.54
Iraq	22.3	4.35
Switzerland	18.1	3.52
Hong Kong	17.9	3.50
Korea	16.7	3.26
Singapore	16.3	3.17

Source: Directorate General of Foreign Trade, 2018

Factors influence the Foreign Policy of India

- India's key diplomatic engagements, at bilateral, plurilateral, or even multilateral levels, are defined by such targets.
- There are many ways to judge the relationship between two countries, including cultural exchanges, defense cooperation, people-to-people interaction, and historical ties. But trade and investment targets set concrete milestones against which progress can be gauged.
- The target-driven approach is now spreading to bilateral ties even with smaller nations: for example, India and Vietnam agreed to a bilateral trade target of $15 billion, to be met by 2020.

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- There are delays in putting policies into action - India's free trade agreement (FTA) with the Association of Southeast Asian Nations (ASEAN) is a good example.
- India signed the FTA for goods in 2009, but the one on services and investment, arguably India's strong point, is yet to come into force.
- Now, India has done the next best thing: it has stretched out both the physical target as well the end date to include more trading partners and to purchase some more time before the targets are to be met.
- During Prime Minister Narendra Modi's first state visit to the US in September of 2015, the joint statement he issued with President Barack Obama stated that two-way trade had increased five-fold since 2001 to nearly $100 billion and that US President Obama and Prime Minister Modi committed to facilitate the actions necessary to increase trade another fivefold.

India's Foreign Trade Policy 2020

- India's new foreign trade policy for 2015-20 has set a $900 billion goods and services export target. It is almost double the $465.9 billion achieved during 2013-14.
- This is the policy statement: "A vision is best achieved through measurable targets."
- Marking a shift in its approach toward foreign trade policy, the government sought to rope in states and Union Territories in the process of international trade while setting an export target of $900 billion by 2020.
- In the foreign trade policy 2020, the commerce ministry provided for a slew of incentives for exporters and special economic zones while doing away with the existing incentive schemes and introducing two schemes — Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) — for goods and services.
- The FTP 2020 will include the initiatives 'Make in India,' 'Digital India,' and 'Skill India' announced by the government earlier. The aim is to improve doing business environment and simplify trade transactions in the wake of the trade facilitation agreement of the World Trade Organization.
- The policy comes amid a moderation in global demand and the resultant dip in India's exports.
- For the first time, exports by e-commerce firms will be provided incentives while under the MEIS.
- The government will focus on branding India's products for which campaigns would be started soon in sectors including pharma and engineering.
- Traditional exports like handloom alongside yoga in services would also be promoted.

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- The new policy will be reviewed after two-and-a-half years and not annually as was the practice earlier.
- Further, apart from the existing Board of Trade, a Council for Trade Development and Promotion will be set up comprising representatives from states and Union Territories.
- The areas under the ambit of FTP 2020 are focus product scheme, market-linked focus product scheme, focus market scheme, Agri infrastructure incentive scrip and Vishesh Krishi Gram Udyog Yojana.

The Challenges in Making the Foreign trade Policy 2020 real

- Indian exports are imports for other countries. Exports are not favors or acts of charity, but they are either necessities or because they come at lower prices and better quality than the same products at home.
- India is not a global producer of necessities. It does not have ample resources for oil, gas, minerals, and nuclear material. Nor does it have as broad a manufacturing base producing as cheap and varied items as China.
- The problem is what India tries to do in case of its trade is also done by other nations, and India is not very good at this game.
- **Textiles**
  - As far as textiles are concerned, India no longer has the advantage in garments.
  - Vietnam, Bangladesh, Cambodia and Nepal, just to mention the neighboring countries, cut, stitch and sew fabric faster and cheaper than India.
  - India's only major hope in textiles now is as supplier of raw cotton.
- **Gems and Jewellery**
  - Gems and jewellery lost luster all over the world.
  - Except the Chinese and Indians, the rest of the world, particularly the West, is not fascinated by jewellery made of yellow gold.
  - In Diamonds, India is still the largest diamond-processing centre in the world. But poor business conditions are driving out processors to other facilities like the Gemopolis export zone in Bangkok.
- **Services**
  - Ireland, the Philippines, and even Bangladesh are speaking better English and working longer to provide outsourcing services. So, again competition.
  - While the non-English speaking world is desperately learning English to stay relevant, India is learning it lesser and does not mind giving up its BPO advantages.

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- In services like nursing and basic education, India is unable to match the certification requirements of most countries.
- Given its image as an unsafe destination and lack of budget travel facilities, 'Incredible India' might not be able to lure tourists despite visa-on-arrivals.

- **Make in India**
  - Is Make-in-India aimed for Indians, or the rest of the world?
  - Indian consumers might be denied access to imports and forced to buy substandard products. The rest of the world cannot be.

- **WTO and President Trump**
  - The World Trade Organization's (WTO) was created in 1995 under then US president Bill Clinton.
  - These are vastly different times and Donald Trump is a very different president.
  - His administration has asked the US trade representative's office to find ways to circumvent the WTO's dispute system.
  - Central to Trump's vision of making America great again is the suspicion that the international order is rigged against it.
  - All this put aside, the US will continue to dictate the international trade agenda. This places India in a difficult position on multiple levels.
  - The US is India's largest single-country trading partner by some distance.
  - India has traded more with the rest of the world as a percentage of gross domestic product than China since 2011—and both countries, along with much of the developing world, have benefited immensely from the lowering of trade barriers and the rule-based trade order that the WTO embodies.
  - The US President Donald Trump has signed an executive order seeking a comprehensive review of the massive trade deficit totaling more than USD 500 billion per annum with 16 countries, including China and India.
  - Now, New Delhi must undertake several reforms. A forward-looking trade policy must accompany the rationalization of the tariff structure. New Delhi's foreign trade policy, 2020 doesn't go far enough in this regard.
  - Today's environment calls for a trade policy that helps exporters meet international standards while reducing the cost of compliance.
  - In Washington, Prime Minister Narendra Modi spoke of the benefits of free trade. He is unlikely to find the new administration as receptive to those principles.

CONCLUSION

India is currently regarded as one of the major participants in the world's economic system. Its position as one of the most sought-after locations for foreign investments worldwide is a result of its trade policies, governmental efforts and reforms, and underlying economic policies. Additionally, the technical and infrastructure advancements being made across the nation portend well for trade and the economy in the years to come.

Furthermore, under the various free trade agreements that are currently being negotiated, the government should aim at achieving significant market access for Indian exporters. Also, the various thrust areas which are identified need to push exports as well as the need to revive SEZs and accordingly priority sector status to export credit, promoting organic produce, MSMEs, involving missions and embassies to promote trade and removing issues of EXIM bank and Export Credit Guarantee Corporation.

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FOREIGN DIRECT INVESTMENT INFLOW IN INDIA: TOP FIVE SECTOR ANALYSIS AND INFLUENCING FACTOR

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ABSTRACT
In Present Global Competitive Economic Environments, no country in the world is self Sufficient. Each Country is depended on another country for their economic growth and development. Developed countries already achieved their Economic growth and developing countries want to achieve their economic growth and development. So developed Countries are Capital Intensive and Developing Countries are Capital Scarcity Country. So, developed countries invest capital through various forms in developing Country. Many Asian countries have received the FDI. India is no exceptional to this scenario. India is fastest growing economy and many developed countries doing investment in various sectors of the India. Out of this, various forms of F.D.I. play major role in the economic growth and development. So, Indian Government makes policy to attract FDI inflow. This paper evaluates the sector wise inflow of FDI in India and studies the various macroeconomic factors which influence the FDI inflow in India. For the study overall data and sector wise data on FDI from 2009-19 has been taken. The collected data has been analyzed and interpreted. In the last part of the study conclusion has been given.

INTRODUCTION
Foreign direct investment (FDI) has played an important role in the process of globalization during the past two decades.The rapid expansion in FDI by multinational enterprises since the mid-eighties may be attributed to significant changes in technologies, greater liberalization of trade and investment regimes, and deregulation and privatization ofmarkets in many countries including developing countries like India. Capital formation is an important determinant of economic growth. While domestic investments add to the capital stockin an economy, FDI plays acomplementary role in overall capital formation and in filling the gap between domestic savings and investment. At the macro-level, FDI is a non-debt-creating source of additional external finances. At the micro-level, FDI is expected to boost output, technology, skill levels, employment and linkages with other sectors and regions of the host economy. In India FDI inflow made its entry during the year 1991-92 with the aim to bring together the intended investment and the actual savings of the country. To pursue a growth of around 7 percent in the Gross Domestic Product of India, the net capital flows should increase byat least 28 to 30 percent on the whole. But the savings of the country stood only at 24 percent.The gap formed between intended investment and the actual savings of the

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country was lifted up by portfolio investments by Foreign Institutional Investors, loans by foreign banks and other places, and foreign direct investments. Among these three forms of financial assistance, India prefers as well as possesses the maximum amount of Foreign Direct Investments. Hence, FDI is considered as a developmental tool for growth and development of the country. Therefore, this study is undertaken to analyze the sector wise flow of FDI into the country and also identifying the various factors which influence the flow of FDI.

This research tries to analyze the Sector wise inflow of Foreign Direct Investment in India during the last 10 Years i.e., from the year 2009-10 to 2018-19 and also estimate the foreign direct investment for upcoming next five years using the Simple Linear Regression Equation. Also, this paper tries to analyse the influencing factor which affect Foreign Direct Investment flow into India. For this, in this model three factors and its Proxy Variables of Macroeconomic factors taken.First Factor is Market Size and its Proxy Variable is Gross Domestic Product. The Second factor is Availability of Natural Resources and its Proxy Variable is Coal Production. Then third factor is Economic Stability and its Proxy Variable is Deficit in Balance of Payment. To analyses this here used Multiple Regression Model.

REVIEWOFLITERATURE

There has been a lot of work done on FDI Inflow in India. There have been a series of articles on FDI inflow in India with different perspective. Although not much works have been done on the year wise analysis of sector wise FDI inflow in India and the estimates. Most of the researchers have done their work on the study of sector wise inflow of FDI in aggregate. Hence, the researchers have taken the subject of “Analysis of Sector-wise FDI Inflow and factor influencing FDI in India” and referred some articles.

Bhavya Malhotra conducted the study on “**Foreign Direct Investment: Impact on Indian Economy**”. In this research paper she studied the trend and pattern of FDI inflow in India during 1991-92 to 2011-12. Also, she studied the impact of foreign direct investment on Indian Economy. The study found that there is positive impact of foreign direct investment on Indian economy. For this she analyses the Gross Domestic Product of India and Foreign direct investment in India year wise.This paper also analyses the policy measures of Indian government toward FDI, and found that Indian government gradually liberalized the Indian economy to make the market more investor friendly. This research paper concluded that FDI had a positive impact on Indian economy during 1991-92 to 2011-12. She also added that FDI Inflows will enhance technology and skills of existing companies and all these will contribute to economic growth of the Indian economy.

R. Anita conducted the study on **“Foreign Direct Investment and Economic Growth in India”**. In this research paper she studied the Trend of Foreign Direct Investment in

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India in two Phases. One Phase is before Liberalization of Indian economy and second phase is after liberalization of Indian Economy. The study took time period 1980-81 to 2010-11. Also, this study analyzed the impact of foreign direct investment on Indian economy using multiple regression equation. This study found that, FDI plays an important role in the long-term development of a country not only as a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. Further, it was found that even though there has been increased flow of FDI into the country during the post liberalization period, the global share ofFDI in India is very less when it is compared to other developing countries. Lack of proper infrastructure, in stable government and political environment, high corporate tax rates and limited export processing zones are considered to be the major problems for low FDI into the country**. Teli** conducted the study on "**A critical analysis of foreign direct investment inflows in India".** The study analyzed the trend and growth of FDI inflow in India for time period 1990- 91 to 2011-12. The study found that the FDI inflow significantly raised from 6130US $ million in the year 2001-02 to 46553 US $ Million in 2011-12. The significant increase in FDI inflows to India reflected the impact of liberalization of the economy, and gradual opening up of the capital account**. Murugesan** conducted the study on "**Trend and Growth of Sector-Wise FDI Inflows in India."**This study has elaborately analyzed the trend and growth of FDI inflows in India during the study period from 1990- 91 to 2011-12. To be more specific, this study describes the FDI inflows in terms of the actual value, annual growth rate, compound annual growth rate and the percentage share of FDI in GDP in India. This analysis clearly shows that the inflow of FDI has a significant effect on the economic growth of the nation. Furthermore, this study has examined the sector-wise FDI inflows received in India from 2006 to2013. This study found that the sector-wise inflow of FDI has influenced economic growth in India. The following sectors have received more FDI inflows in India such as, Services Sector, Telecommunications, Construction activities, Electricals Equipment, Automobile Industry, Power, Metallurgical Industries, Hotel&Tourism, Food Processing Industries, Trading, Chemicals, Information & Broadcasting, Petroleum & Natural Gas, Agriculture Services and Mining. This study concludes that the government may design the FDI inflows policy in such away where FDI inflows can be utilized as means of enhancing domestic production, saving and exports through the equitable distribution among the states by providing much freedom for the states, so, that they can attract more FDI inflows at their own level. FDI inflows can help to raise the output, productivity and trade at the sectoral level of the Indian economy.

Prof. Renuka Sagar and MRS. Lalitha Conducted the study on, **"**Sectoral **Trends andPatterns of FDI in India".**This study analyzed the FDI Inflow Country wise, sector wise and based on this ranked the sector of highest FDI Inflow. The study found that,

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FDI has helped the Indian economy grow and the government continues to encourage more investments of this sort. Attracting foreign direct investment has become an integral part of the economic development strategies for India. FDI has been a booming factor that has bolstered the economic life of India. Over the years FDI flow is increasing. However, India has tremendous potential for absorbing greater flow of FDI in the coming years.

OBJECTIVE OF THE RESEARCH

1. To analyze the trends of sector wise FDI Inflow received in India
2. To Forecast Sectorwise FDI Inflow for a future period of 5 Years in India
3. To identify the factors which influence the flow of FDI in India

ANALYSIS OF FDI INFLOW INTO TOP FIVE SECTOR IN INDIA

Several indicators can reflect the quality of FDI inflows into the country. One of them is changes in the composition of foreign direct investment inflow. If the FDI inflows into the advanced or technological sector it help to build the productive capacities. Sector wise inflow of FDI shows the, direction of development of domestic country. In India the composition of flow of FDI shows drastic changes in various times period after post liberalization in India. Also, FDI inflow shows gradually shifted from manufacturing to service sector. Moreover, changes in composition of FDI Inflow observed with opening of economy for FDI at different points of time.

1. SERVICE SECTOR:

Service Sector is very important sector for Indian economy. This sector also facilitated India's integration with the World Economy through capital inflows in the Information and technology and business process outsourcing. Following table and graph explain the FDI inflow into service sector during 2009-10 to 2018-19.

Table No.1 FDI Inflow into Service Sector

Year	FDI Inflow (InUS $Million)	Growth Rate(In Percentage)
2009–2010	4,466.7	……..
2010-2011	3,366.8	(-) 24.62%
2011-2012	5,343.5	(+)58.71%
2012-2013	4,883.9	(-)8.61%
2013–2014	2,225.1	(-)54.44%
2014–2015	3,253.0	(+)46.21%
2015–2016	8,079.8	(+)148.37%
2016–2017	8,684.1	(+)7.48%
2017–2018	6,708.6	(-)22.75%
2018–2019	7,964.3	(+)18.72%

(**Source: Handbook of Statistics on the Indian Economy, RBI**)

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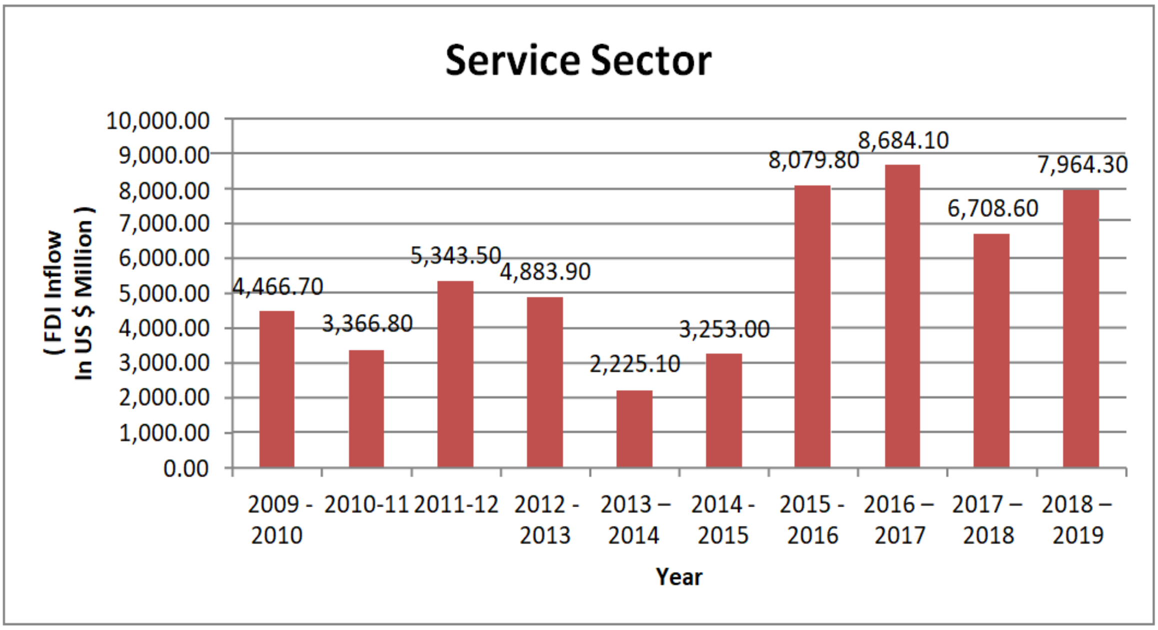
Graph No.1: FDI Inflow into Service sector



(Source: Handbook of Statistics on the Indian Economy, RBI)

From the above table and Graph, the FDI Inflow in Service Sector shows fluctuating trend Year wise. In Year 2009-10 FDI inflow was 4,466.70 million dollar andin 2018-19 it reaches up to 7,964.30 million dollars. The highest FDI flow was in Year2016-17 and the amount was 8,684 million dollars. The lowest FDIinflow in servicesector was in the year 2013-14, and the amount was 2,225.10 million dollars. From the year 2009 to 2019, during this 10-year time period, there was combination of positive and negative growth rate. In this 10-year time period in the year 2010-11, 2012-13, 2013-14 and 2017-18 shows negative growth rate. The highest negative growth rate seen in the year 2013-14 and the rate is 54.44 %. Contraverses to this, in the Year 2011-12, 2014-15, 2015- 16, 2016-17 and 2018-19 there were positive growth rates. The highest positive growth rate was found in the year 2015-16 i.e., 148.37 %. The lowest positive growth rate is recorded in the year 2016-17and i.e.7.48%.

ESTIMATED VALUES FOR FDI INFLOW INTO SERVICE SECTOR:

TableNo.2. Estimated FDI Inflow in Service Sector

Year	Estimated FDI Inflow Values
2019-20	8237.233333
2020-21	8735.352121
2021-22	9233.470909
2022-23	9731.589697
2023-24	10229.70848

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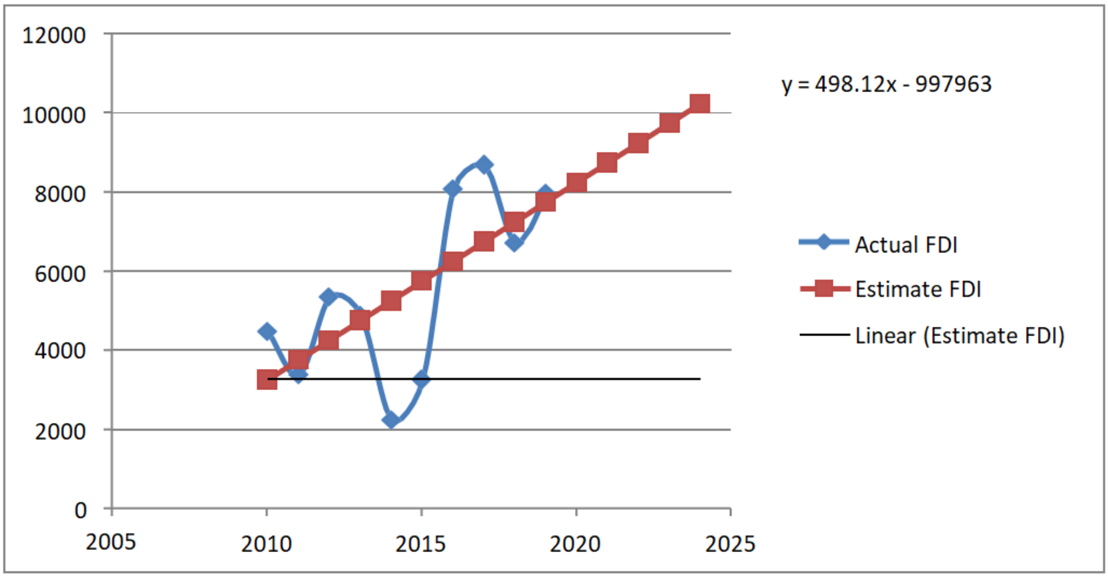
Graphno.2. Estimated FDI Inflow in Service Sector



From the above table and graph we can estimate the inflow of F.D.I. in Service Sector for the next five Year from the 2019-20 to 2023-24. The Estimated FDI inflow for 2019-20 is 8237.23 million Dollar, for the Year 2020-21 is 8735.35 million dollars, for the year 2021-22is 9233.47 million dollars, for the Year 2022-23 is 3731.58 million dollar and for the year 2023-24 it is 10229.71million dollars.

2. TELECOMMUNICATION INDUSTRY:

Telecommunication industry of India is one of the fastest growing industries inIndia. Indian telecom industry has the highest growth rate in the world.The telecom service

Table No.3. FDI Inflow intoTelecommunication Industry

Year	FDI Inflow (US$ Million)	Growth Rate (In Percentage)
2009-2010	1,176.60	-------
2010-11	1,362.10	(+)15.77%
2011-12	830.5	(-) 39.03%
2012-2013	1,537.30	(+)85.11%
2013–2014	1,517.30	(-)1.30%
2014-2015	2,570.40	(+)69.41%
2015-2016	2,682.10	(+)4.35%
2016–2017	1,609.30	(-)39.99%
2017–2018	2,089.50	(+)29.84%
2018–2019	2,623.20	(+)25.54%

(Source: Handbook of Statistics on the Indian Economy, RBI)

recognized as a tool of socio-economic development for a nation. It is one of the prime support services needed for rapid growth and modernization of various sectors of the

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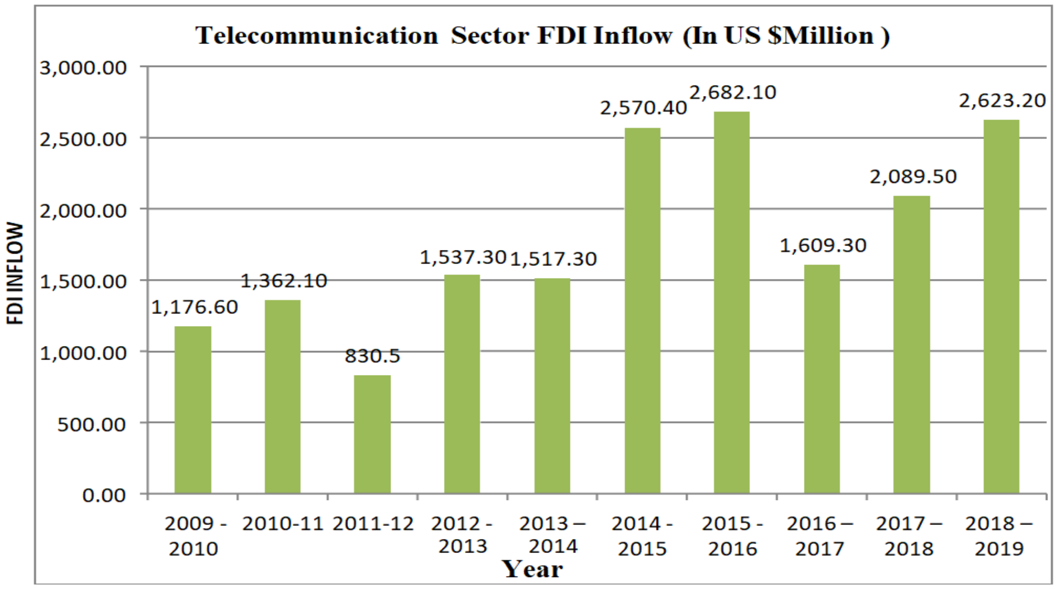
economy. Following table and graph explain the inflow of FDI in India during 2009-10 to 2018-19.

Graph No.3: FDI Inflow intoTelecommunication Industry



(Source: Handbook of Statistics on the Indian Economy, RBI

From the above table and Graph, we can explain the trend of Year wise FDI Inflow in Telecommunication Sector. The FDI Inflow in this sector shows more linear trend. In the year 2009-10, the amount of FDI is 1176.60 million dollar and in the Year 2018-19 the amount of FDI inflow is 2623.20 million dollars. This sector also shows the combination of both negative and positive growth rate of FDI inflow. The year 2010-11,2012-13, 2014- 15, 2015-16, 2017-18, 2018-19 shows the positive growth rate of FDIInflow in Telecommunication Sector. The highest positive growth rate found in the year2012-13andthis rateis 85.11%. Contra verse to this, the Year 2011-12, 2013-14 and 2016-17 shows negative growth rateof FDI inflow in telecommunication sector. The highest negative growth rate found in theyear2016-17andthis rateis 39.99%.

ESTIMATED VALUES FOR FDI INFLOW INTO TELECOMMUNICATION INDUSTRY

TableNo.4.EstimatedFDIInflowintoTelecommunicationIndustry

Year	Estimated FDI Inflow Values
2019-20	2682.92
2020-21	2843.48
2021-22	3004.04
2022-23	3164.61
2023-24	3325.17

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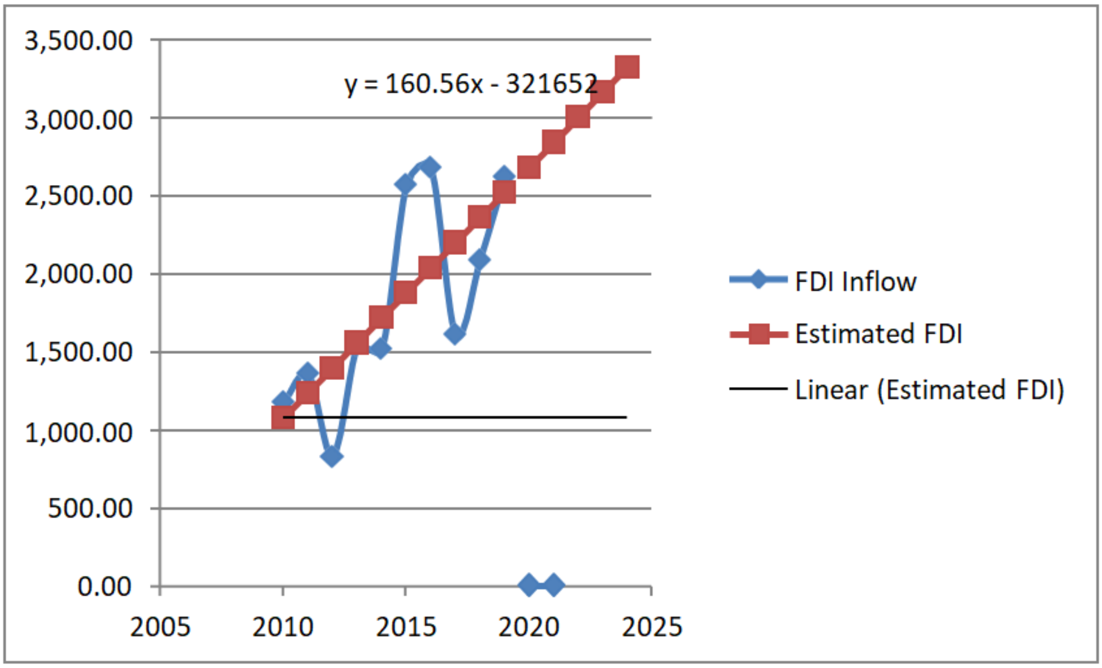
GraphNo.4.EstimatedFDIInflowintoTelecommunicationIndustry



From the above table and graph we can estimate the inflow of F.D.I. in Telecommunication Sector for the next five Year from the 2019-20 to 2023-24. The Estimated FDI inflow for 2019-20 is 2682.92 million Dollar, for the Year 2020-21 it is

2843.48 million dollars, for the year 2021-22 is 3004.04 million dollars, for the Year 2022-23 is 3161.61million dollar and for the year 2023-24 it is 3325.17 million dollars.

3. CONSTRUCTION ACTIVITIES:

Investment in construction activities is very important for the development of country, especially, investment in construction activities like social overhead capital boost the

Table No.5: FDI Inflow into Construction Activities

Year	FDI Inflow(InUS$Million)	Growth Rate (InPercentage)
2009-2010	2,867.90	------------------
2010-11	1,118.70	(-)60.99%
2011-12	2,255.20	(+)101.59%
2012-2013	-9,342.40	(-)514.26%
2013–2014	485.4	(-)105.19%
2014-2015	858.6	(+)76.89%
2015-2016	4,522.40	(+)426.78%
2016–2017	1,860.70	(-)58.86%1
2017–2018	2,729.70	(+)46.70%
2018–2019	2,258.00	(-)17.28%

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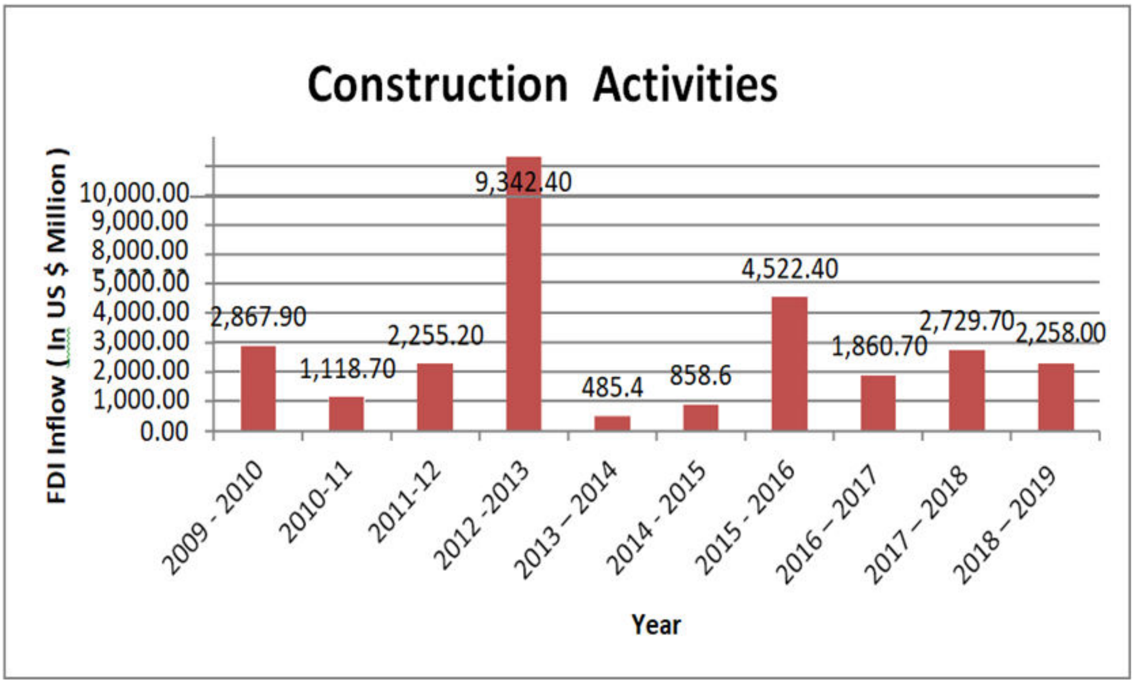
development process of the country. India is one of the most prime destinations for the FDI in the world. It is important to analyses the Annual Growth Rate of FDI inflows in Services sector, Annual share to the total FDI inflows in Construction sector, trend values and the share of Construction sector in GDP to know the contribution of Construction sector to the Indian economy. Following table and graph explain the FDI Inflow into Construction activities during 2009-10 to 2018-19.

Graph No. 5: FDI Inflow into Construction Activities



(**Source:Handbook of Statistics on the Indian Economy, RBI**)

From the above table and graph we can explain the FDI Inflow in Construction activities from the year 2009-10 to 2018-19. The total FDI Inflow in Construction Activities in the Year 2009-10 was 2867.90 million dollar and in the year 2019-20 is 2258 million dollars. This sector also shows the combination of both negative and positive growth rate of FDI inflow. The year 2011-12, 2014-15, 2015- 16 and 2017-18 shows the positive growth rate of FDI Inflow in Construction Activities. The highest positive growth rate found in the year 2015-16 and this rate is 426.78 %. Contraverse to this, the Year 2011-12, 2012-13, 2013-14, 2016-17 and 2018-19 shows negative growth rate of FDI inflow in telecommunication sector. The highest negative growth rate found in the year 2013-14 and this rateis 105.19%.

ESTIMATED VALUES FOR FDI INFLOW IN CONSTRUCTION SECTOR

From the table no.6 and graph we can estimate the inflow of F.D.I. in Telecommunication Sector for the next fiveYear from the 2019-20 to 2023-24. The Estimated FDI inflow for 2019-20 is 2487.52 million Dollar for the Year 2020-21 is

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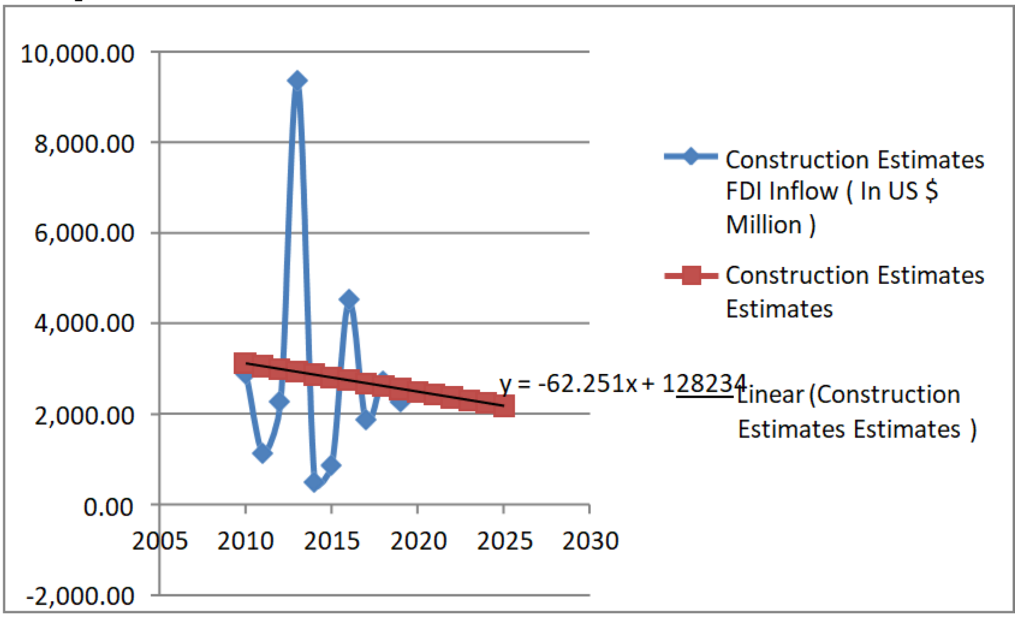
2425.27 million dollars, for the year 2021-22 is 2363.02 million dollars, for the Year 2022-23 is 2300.77 million dollar and for the year 2023-24 it is 2238.52 million dollars.This sector shows decreasing trends in FDI Inflow for construction sector in future.

Table No.6: Estimated FDI Inflow into Construction Activities

Year	Estimated FDI Inflow Values
2019-20	2487.52
2020-21	2425.27
2021-22	2363.02
2022-23	2300.77
2023-24	2238.52

Graph No.6. Estimated FDI Inflow into Construction Activities



4. Electrical Equipment–

FDI Inflows to Electrical Equipment's industry that includes, electronics and computer hardware in India, has increased over the last few years due to the several incentives that have been provided by the Indian government.The increase in FDI Inflows to Electrical Equipment's industry in India has helped in the growth and expansion of the industry. The electrical equipment industry that includes, electronics and computer hardware in India, has registered growth in the flow of foreign direct investment, which has resulted in the growth and development of the industry. The electrical equipment industry in India produces various kinds of products such as transformers, electrical motors, switchboards, furnaces, panels, and aluminium conductors. The Indian government has allowed foreign direct investment up to 100%, through the automatic

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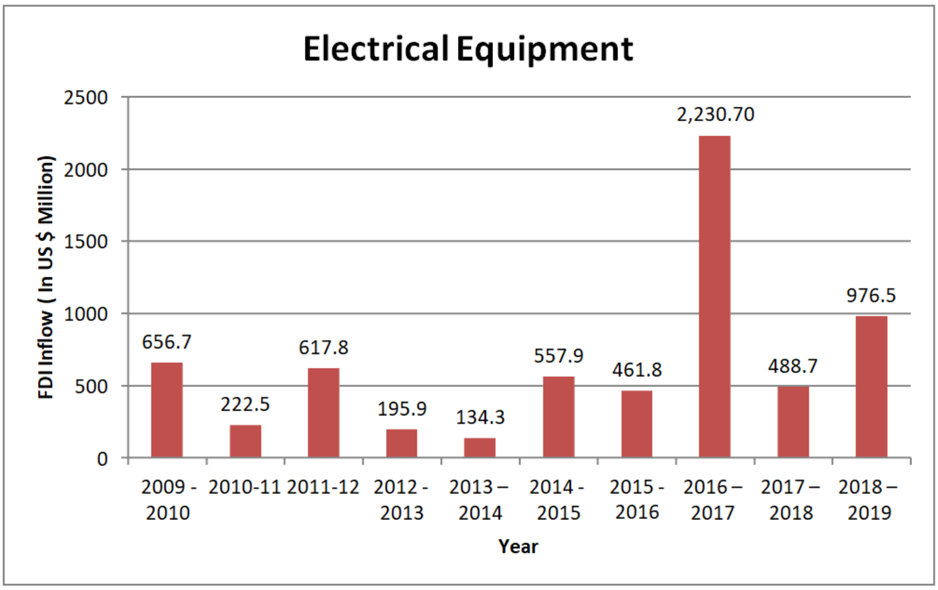
route in the electrical equipment industry that includes computer hardware and electronics. Further the government of India has established Electronic Hardware Technology Parks in many cities of the country in order to increase FDI Inflows to Electrical Equipment's industry of the country.

Table No. 7: FDI Inflow into Electrical Equipment

Year	FDI Inflow (InUS$Million)	Growth Rate(InPercentage)
2009-2010	656.7	-----------
2010-2011	222.5	(-)66.12%
2011-2012	617.8	(+)177.66%
2012-2013	195.9	(-)68.29%
2013–2014	134.3	(-)31.44%
2014-2015	557.9	(+)315.41%
2015-2016	461.8	(-)17.23%
2016–2017	2,230.7	(+)383.04%1
2017–2018	488.7	(-)78.09%
2018–2019	976.5	(+)99.82%

(Source:Handbook of Statistics on the Indian Economy, RBI)

Graph No. 7: FDI Inflow into Electrical Equipment



(Source: Handbook of Statistics on the Indian Economy,RBI)

From the above table and graph we can explain the FDI Inflow in Construction Activities from the year 2009-10 to 2018-19.The total FDI Inflow in Electrical Equipment in the Year 2009-10 was 656.7 million dollar and in the year 2019-20 is 976.5 million dollar. This sector also shows the combination of both negative and positive growth rate of FDI inflow. The year 2011-12, 2014-15, 2016-17 and 2018-19

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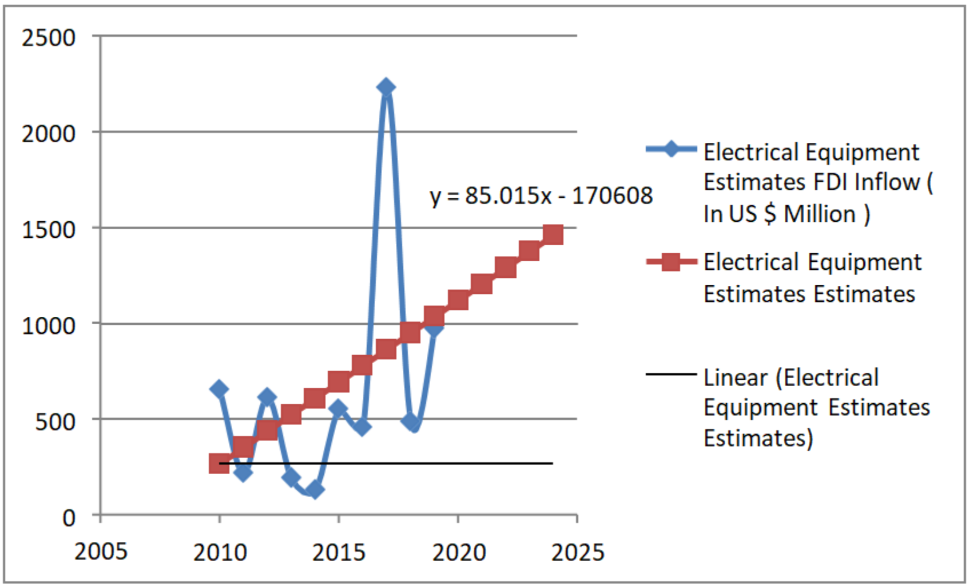
shows the positive growth rate of FDI Inflow in Electrical Equipment. The highest positive growth rate found in the year 2014-15 and this rate is 315.41 %. Contraverse to this, the year 2010-11, 2012-13, 2013-14, 2015-16 and 2017-18 shows negative growth rate of FDI inflow in Electrical Equipment. The highest negative growth rate found in the year 2017-18 and this rateis 78.09%.

ESTIMATED VALUES FOR FDI INFLOW INTO ELECTRICAL EQUIPMENT

Table No.8: Estimated FDI Inflow into Electrical Equipment

Year	Estimated FDI InflowValues
2019-20	1121.86
2020-21	1206.87
2021-22	1291.89
2022-23	1376.90
2023-24	1461.92

Graph No. 8: Estimated FDI Inflow into Electrical Equipment



From the above table and graph we can estimate the inflow of F.D.I. in Electrical Equipment for the next five Year from the 2019-20 to 2023-24. The Estimated FDI inflow for 2019-20 is 1121.86 million Dollar for the Year 2020-21 is 1206.87million dollars, for the year 2021-22 is 1291.89 million dollars, for the Year 2022-23 is 1376.90 million dollar and for the year 2023-24 it is 1461.92 million dollars. This sector shows increasing trends in FDI Inflow for Electrical Equipment infuture.

5. AUTOMOBILE INDUSTRY:

Automobile Industry Sector comprises Passenger cars; auto ancillary's etc. The FDI in Automobile Industry has experienced huge growth in the past few years. The increase in the demand for cars and other vehicles is powered by the increase in the levels of

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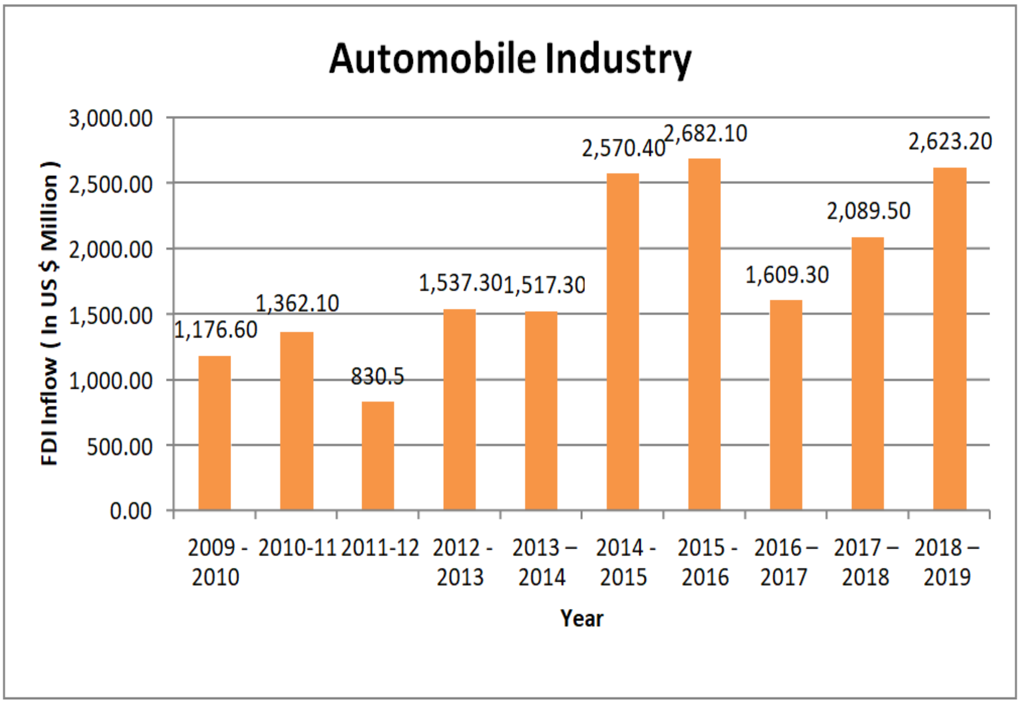
disposable income in India. The options have increased with quality products from foreign car manufacturers.The introduction of tailor-made finance schemes,easy repayment schemes has also helped the growth of the automobile sector.

Table No.9: FDI Inflow into Automobile Industry:

Year	FDI Inflow(InUS$Million)	GrowthRate(In Percentage)
2009-2010	1,176.6	----------
2010-2011	1,362.1	(+)15.77%
2011-2012	830.5	(-)39.03
2012-2013	1,537.3	(+)85.11%
2013–2014	1,517.3	(-)1.30%
2014-2015	2,570.4	(+)69.41%
2015-2016	2,682.1	(+)4.35%
2016–2017	1,609.3	(-)39.99%
2017–2018	2,089.5	(+)29.84%
2018–2019	2,623.2	(+)25.54%

(Source: Handbook of Statistics on the Indian Economy,RBI)

Graph No.9: FDI Inflow intoAutomobile Industry



(Source: Handbook of Statistics on the Indian Economy, RBI)

From the above table and graph we can explain the FDI Inflow in Automobile Industry from the year 2009-10 to 2018-19. The total FDI Inflow in Automobile Industry in the Year 2009-10 was 1,176.60 million dollar and in the year 2019-20 is 2,623.20 million

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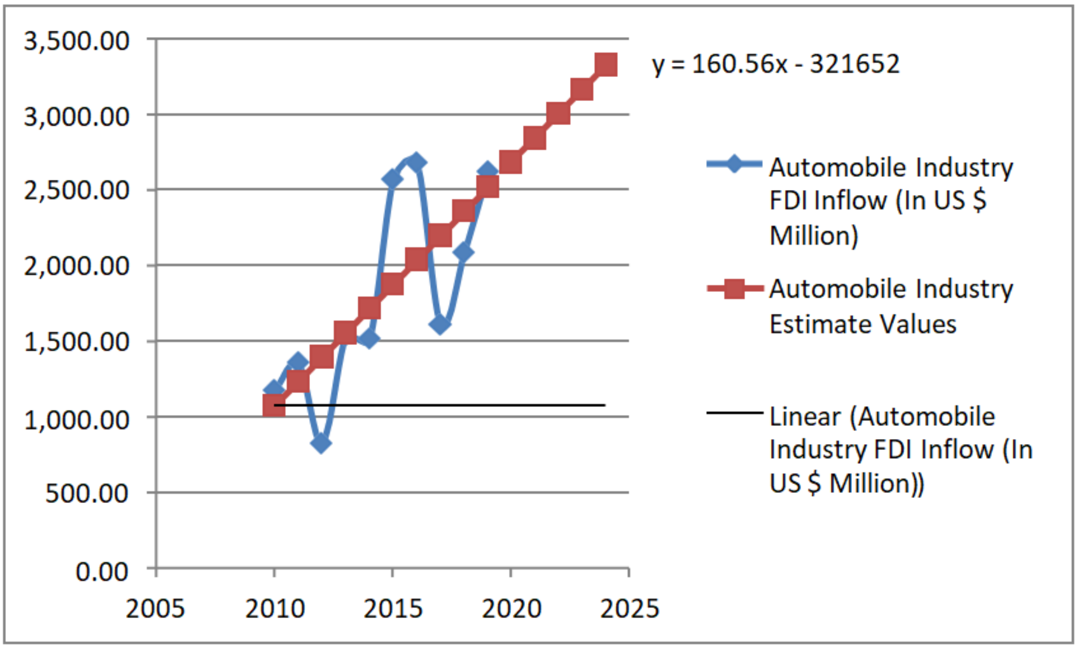
dollars. This sector also shows the combination of both negative and positive growth rate of FDI inflow. The year 2010-11, 2012-13, 2014-15, 2015-16, 2017-18 and 2018-19 shows the positive growth rate of FDI Inflow in Automobile Industry. The highest positive growth rate found in the year 2012-13, and this rate is 85.11 %. Contraverse to this, the Year 2011-12, 2013-14 and 2016-17 shows negative growth rate of FDI inflow in Automobile Industry. The highest negative growth rate found in the year 2016-17and this rate is 39.99%.

ESTIMATED VALUES FOR FDI INFLOW INTO AUTOMOBILE INDUSTRY

TableNo.10: Estimated FDI Inflow into Automobile Industry

Year	Estimated FDI Inflow Values
2019-20	2682.92
2020-21	2843.48
2021-22	3004.04
2022-23	3164.61
2023-24	3325.17

Graph No.10: Estimated FDI Inflow into Automobile Industry



From the above table and graph we can estimate the inflow of F.D.I.in Automobile Industry for the next five Year from the 2019-20 to 2023-24. The Estimated FDI inflow for 2019-20 is 2682.92 million Dollar, for the Year 2020-21 2843.48 million dollar, for the year 2021-22 is 3004.04 million dollars, for the Year 2022-23 is 3164.61million dollar and for the year 2023-24 is 3325.17 million dollars. This sector shows increasing trends in FDI Inflow for Automobile Industry infuture.

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FACTOR INFLUENCING FDI IN FLOW IN INDIA:

The FDI inflows into India have gone up especially in the post-reform period. The share of FDI inflows to India is not significant when it is compared to other developing economies. However, India is a competitor in the market for FDI inflows with the other developing Countries. In this context, it is pertinent to assess the determining forces of the FDI inflows into India so as to take policy initiative to create a favourable atmosphere for FDI. Thus, the present Section tries to explore the determining factors of FDI inflows into India at the macro level and the factors are known as the pull factors of FDI inflows.

5.2.1. SELECTION OF VARIABLES

Macroeconomic indicators of an economy are considered as the major pull factors of FDI Inflows to a country. The analysis of various theoretical rationale and existing literature provides a base in choosing the right combination of variables that explains the variations in the flows of FDI in the country. In order to have the best combination of variables for the determinants of FDI inflows into India, different alternative combination of variables was identified and then Estimated. In order to choose the best variables, firstly, the major factors which influence the flow of FDI into the country are identified. Then, proxy variables representing the factors are selected for the purpose of analysis. However, the following are the factors and the proxy variables which are selected for analysis.

Sr.No.	Factors	ProxyVariables
1.	Market Size	Gross Domestic Product
2.	Availability of Natural recourses	Coal Production
3.	Infrastructure	Electricity Generated

5.2.2. STATISTICAL ANALYSIS OF FACTOR INFLUENCING FDI INFLOW:

The study applies the multiple regression method to find out whether the variables Influence the flow of the FDI in to the country. After thorough analysis of the different Combination of the variables, the present study includes the following macroeconomic indicators: Gross Domestic Product, Coal Production (COAL), and Deficitin Balance of Payment as independent variables which influence the flow of FDI into the country. These macroeconomic indicators are considered as the pull factors of FDI inflows in the Country.Thus, the principal determinants of FDI inflows are put in the equation as follows:

FDIt=a+b1GDPt +b2COALt+b3DEFICITt+e

Where

FDI = Foreign Direct Investment net inflows GDP=Gross Domestic Product at factor Cost COAL=Coal Production measured in Million tones

BOPDEF=Deficit in Balance of Payment position measured inT=timeframe

Table No.12: Summary Output

SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.8769
R Square	0.7690
Adjusted R Square	0.6535
Standard Error	0.5887
Observations	10

- **Multiple R:**

This is the correlation coefficient. It tells us how strong the linear relationship exists between dependent and independent variable. The values range between -1 to + 1.If the Value is +1, It means that there is Perfect Correlation and if the value is -1, Itmeans that there is no correlation between depended and independent variables. In this Analysis, the value of Multiple R is 0.8769 and they indicate that the relationship between the independent variables is quite strong and positive.

- **R Square:**

The Coefficient of Determination R-square measures the goodness-of-fit of the estimated Sample Regression Plane (SRP) in terms of the proportion of the variation in the dependent variables explained by the fitted sample regression equation. Thus, the value of R square is 0.769 means that nearly 76.9 percent of the variation in adjustment is by explained by the estimated SRP.

- **Adjusted R Square:**

The value of Adjusted R Squareis 0.6535 which means that the changes independent variable are affected by all the independent variables up to 65.35 %. It means that all the repressors are explaining the regressands by 65.35%.

Table No.13: Statistics of FDI Influencing Factor

	Coefficients	*Standard Error*	*tStat*	*P-value*
Intercept	0.001	0.186	0.004	0.997
Z-GDP	0.857	0.307	2.789	0.032
Z-COL	0.037	0.330	0.113	0.914
Z-BOPDEF.	-0.069	0.220	-0.312	0.766

4.2.3.1. GROSS DOMESTIC PRODUCT –

Gross Domestic Product is used as one of the independent variables. GDP reflects the market size of Indian economy. There is positive relationship between Market size and the FDI Inflow.When the Marketsize increases the FDI Inflow also goes on increasing. In our analysis GDP reflect the marketsize. It is observed from the results that the

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elasticity coefficient between FDI & GDP positive and highly significant. The positive result show that size of the market as one of the important pull factors of FDI inflow. The coefficient value between the two variables is 0.857which imply that one percent increase inGDPcauses 85.7 percentage increases in FDI inflows in India.

The P-value of gross domestic product variableis 0.032, which is which is less than0.05; hence, gross domestic product variable is significant. This is the proxy variable of Market size, so the Market Size of the economy is significantly affecting the FDI Inflow.

4.3.2.2. COAL PRODUCTION –

Coal Production is taken as a proxy variable of availability of natural resources in the country. The elasticity coefficient FDI and Coal Production is 0.037, which means that as there are1 % increases in Coal Production the FDI Inflow increases by 3.7 percentages.

The P-Value of Coal Production Variable is 0.914, which is higher than 0.05, hence Coal production variable is not significant. Coal production is proxy variable for availability of natural resources. And result show that, Availability of natural resources not significantly affect the flow of FDI.

4.2.3.1. DEFICITIN BALANCE OF PAYMENT –

Deficit in Balance of Payment is a proxy variable used for Economic Stability.

The elasticity coefficient between FDI and Deficit in Balance of Payment is-0.069 which reveals negative relationship which shows that one percent increase in the deficit level in the Balance of Payment causes reduction 6.9 percentages of FDI inflows to the country.

The P-value of deficit in BOP variable is 0.766, which is higher than 0.05, hence deficit in BOP is not significant. Deficit BOP is the proxy variable for Economic stability.The result shows that deficit in BOP not significantly affect the FDI Inflow.

FINDINGS

- Foreign Direct Investment Inflow into Service Sector found Combination of Positiveand Negative Annual Growth Rate. From the analysis Positive annual growth rate of FDI Inflow in India found more significant than Negative growth rate. And Estimates of Next fiveYears show increasing trends with equation, y= 498.12x-997963.
- Foreign Direct Investment Inflow into Telecommunication Sector found Combination of Positive and Negative Annual Growth Rate. From the analysis Positive annual growth rate of FDI Inflow in India found more significant than Negative growth rate.
- And Estimates of Next fiveYear shows increasing trends with equationy=160.56x-

321652.

- Foreign Direct Investment inflow into Construction Activities found Combination of Positive and Negative Annual Growth Rate. From the analysis negative Annual growth rate found more significant than positive annual growth rate. The estimates of these sectors show somewhat decreasing trends with equation y=-62.251x+ 128234.
- Foreign Direct Investment Inflow into Electrical Equipment found Combination of Positive and Negative Annual Growth Rate. From the analys is Positive Annual growth rate found more significant than Negative annual growth rate. The estimates of these sectors show increasing trends with equation y= 85.015x-170608.
- Foreign Direct Investment Inflow into Automobile Industry found Combination of Positive and Negative Annual Growth Rate. From the analysis Positive Annual growth rate found more significant than Negative annual growth rate. The estimates of these sectors show increasing trends with equation y= 160.56x–321652.
- The correlation coefficient of Gross Domestic Product i.e. market size with Foreign Direct Investment inflow is 0.857 withP-Value 0.032, which is Significant.
- The correlation Coefficient of Coal production i.e., availability of natural resources with Foreign Direct Investment inflow is 0.037 with P-value 0.914, which is not Significant.
- The correlation Coefficient of Deficit in BOP i.e., Economic Stability with Foreign Direct Investment inflow is -0.069 with P-value0.766, which is not Significant.

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INDIAN TOURISM INDUSTRY: PROSPECTS AND CHALLENGES

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INTRODUCTION

The tourism industry is one of the largest profitable sectors of the world. According to WTO, Tourism direct GDP amounted to USD 3.5 trillion in 2019, or 4% of world GDP. Tourism saw continued expansion and diversification to become one of the largest and fastest-growing economic sectors worldwide. Growth was driven by a relatively global economy, expanding middle classes, increased market openness and rapid urbanization in emerging economies, affordable air travel and visa facilitation. Technological advances and new business models, through the Internet, contributed to this expansion in travel.

According to WTTC, (Pre-Covid-19), Travel& Tourism (including its direct, indirect and induced impacts) was one of the world'slargest sectors, accounting for 1 in 4 of all new jobs created in the world, 10.3% of all jobs (333 million), and 10.3% of global GDP (USD 9.6 trillion). Meanwhile, international visitor spending amounted to USD1.8trillion in 2019 (6.8% of total exports). Travel & Tourism enables socio-economic development, job creation and poverty reduction. This in turn drives prosperity and significant positive social impact, providing unique opportunities to women, minorities, and young people. The benefits of Travel & Tourism spread far beyond its direct impacts in terms of GDP and employment, with indirect gains extending through the entire travel ecosystem as well as the supply chain linkages to other sectors. (WTTC, 2022)

In 2019, international tourist arrivals (overnight visitors) reached 1.5billion worldwide, following a decade of uninterrupted growth. Arrivals increased an average 5% per year between 2009 and 2019, or as much as 63% on aggregate. Tourism also became one of the world's major trade categories, with export revenues from tourism reaching USD 1.7 trillion in 2019, equivalent to 28% of the world's trade in services and 7% of overall exports of goods and services. (Tourism &Unwto, 2021)

INDIAN TOURISM INDUSTRY

India has a long history of tourism. The travel and tourism sector already existed in India's informal economy since the beginning, and all social classes were traveling is involved. In the past, travelers claimed that India was a nation of boundless wealth a few were some were drawn to its spirituality while others were drawn to its natural beauty. In 1982, the government of India implemented the first tourist policy, and that same year, tourism became a recognized business. Ten years later, in1992, the National Action Plan was unveiled by including all potential upgrades to the 1982 strategy. The

Indian government began an international marketing effort in 2002. The name of the campaign was "Incredible India", and its major goal was to encourage Indian tourism worldwide. The travel industry is important to the Indian economy as it offers various socio-economic advantages. Some of them are job creation, foreign exchange and development of other businesses like agriculture, construction, handicrafts, etc. Additionally, investments in infrastructure facilities like hotels, travel facilities, and other tourism-related services result in an overall development. (Subash, 2015)

The travel and tourism sector directly contributed INR 1920 billion to India's GDP in 2012 reflecting a growth CAGR of 14 per cent since 2007. This is forecasted to grow at a CAGR of12 percent from the estimated INR 2222 billion in the year 2013 to INR 6818 billion by 2023.The travel and tourism sector supported 25 million jobs in 2012 directly related to the tourism sector. Constituting 4.9 per cent of the total employment in the country in 2012, this is expected to amount to 31 million jobs by 2023. Capital investment in the travel and tourism sector in 2012was estimated at INR 1761.4 billion amounting to approximately 6.2 per cent of total investment in the Indian economy. It is expected to increase by 14.2 per cent in 2013, and witness further annual growth rateof10.5 percent by 2023amounting to INR5459 billion.(Subash, 2015)

OBJECTIVES OF THE STUDY

- To identify the major potential, prospects and challenges associated with the tourism and hospitality industry of India.
- To explore the key issues and develop the appropriate solutions to the issues associated with the successful development of the tourism and hospitality industry in India.

SCOPE OF THE STUDY

Various definitions, concepts and descriptions of tourism arise from the multidisciplinary nature of the topic.

RESEARCH METHODOLOGY

The researcher adopted a positive approach regarding the scope of the current study. A substantial foundation for validating the study's scope has also been created through this method, and the researcher has considered secondary data to uphold the study's suitability. By understanding the causal linkages between theories and phenomena and directly comparing the set of the observations, the researcher has constructed a substantial architecture based on challenges and answers for the development of the tourist and hospitality business in India.

LITERATURE REVIEW

There is a massive literature on the effects of the expansion of the tourism industry on the host nation, but there is little empirical study and little evidence to support the claim that it truly leads to considerable economic growth in developing nations like India.

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According to experts and analysts, the tourism industry's rapid growth raises household incomes and government revenues through its multiplier effects, improvements to the balance of payments, and growth on its own. Consequently, the increase of tourism has typically been viewed as making a beneficial contribution to economic growth **(Khan et al, 1995; Lee and Kwon, 1995; Lim, 1997 and Oh, 2005).**

According to **Dritsakis** (2004), tourism contributes to Greece's long-term economic growth. In his study of Korean tourism, **Oh** (2005) came to the conclusion that rising tourism revenues had an impact on economic expansion. In their investigation into the causes of Taiwan's economic growth and tourism development, **Kim et al.** (2006) discovered a positive feedback link between the two.

The impact of the tourism industry on the Jordanian economy was explored by **Razaq** and **Masarwah** in 2006. The study's aspects outlined the causal links between tourism earnings, economic expansion, employment in the industry, and domestic private consumption. While the results of the short-run analysis indicated that tourism revenues had a fundamental role in the most significant economic variables, the Johansen Co-Integration Approach clarified that there is a balanced relationship in the long-run among the variables of the study.

Using annual data spanning the years 1970–2009, **Kreishan (2010)** investigates the causal links between Jordan's tourism revenue and country's economic growth. Long-term tourism development and economic development are positively correlated, according to the study's conclusions. Furthermore, the Granger causality test results showed that there was a unidirectional causal relationship between tourism profits and economic growth.

In order to preserve this rating, travelers must interact with business suppliers, host governments, and host communities. **Goeldner** and **Brent Ritchie (2009)** acknowledged that tourism is the total of these phenomena and connections. According to **Goeldner** and **Brent Ritchie(2009)**, tourism may be thought of as the quantity of trades produced by interactions between tourists and various national industries. Through the tourism industry they have developed through the interplay of business and government supplier hosts, SID Slike Grenada, Barbados, and Tobago have profited from the financial exchanges that have resulted.

Wang Liqinclaimsthatin2013, he examined the stakeholders in the tourism industry, including business travelers, tourists, residents, and the government, and he illustrated the value and necessity of responsible travel. Because ancient civilizations could last a very long time, the authors advise raising awareness of "Responsible Tourism" among people. The World Travel Market originally made the assertion in2007 for World Responsible Tourism Day.

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GROWING FACTORS OF TOURISM IN INDIA

Healthy economic growth and rising income levels: Studies shows that middle class income is increasing

Shifting consumer standard of living: young population started earning and their spending power increased.

Distinct products on offer: different types and forms of tourism such as rural, medical, pilgrimage, adventure etc.

Easy financial Support: credit cards and EMI facilities available **various resources:** cultural features and traditional activities **Geographical diversity:** alot of natural resources are on offer

Low-cost carries: Low-cost airlines covers most of the destinations.

Government initiatives and policy support: Increase in FDI in the tourism businesses.

Host nation for major international events: India is fast growing hosting country of major international events

Common Problems faced by Tourists in India

- Inadequate rail and road infrastructure for assistance in tourist areas
- Room availability in hotels is appalling.
- Poorly trained personnel
- In appropriate hygienic conditions in restaurants
- Public rest rooms in tourist areas that are improper and messy
- Lack of effective conservation system for heritage sites
- Crowded Tourist destination with dirty and messy surroundings
- Inadequate administration of national parks
- Ineffective approach for managing garbage
- Museums with poor management
- Lack of safety measurement for tourists
- Inadequacy of certified guides
- Poor advertisement and publicity of tourism
- Poor advertisement and publicity of tourism
- Lack of tourist reception centers
- Poor health care facilities(Singh,2017)

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Key Issues in Tourism Sector in India

According to a study done by Goyal (2010), there are ten main factors that cause serious difficulties for the Indian tourist and hospitality industries. According to the study, the main problems threatening the viability of India's tourism and hospitality sectors include global unpredictability, branding issues, human resources, financial viability, customer issues, operating cost creep, supply, safety and security, as well as distribution channel management.

Competence of Human Resources: Because society will interact directly with tourists, both from international and domestic, society is a crucial factor in the growth of tourism in a region. Although human resources are competent, the service side is still unable to satisfy the travelers. The community needs to be socialized to preserve the environment, culture, and other assets.(DTW). (Yunus & Indrasari, 2017)

Skill Development Training: adequate training and skill development programs required to full the human resource requirements of various sectors of tourism.

Safety and Security of Tourists: Authority concerted efforts are appreciated but fast handlingenquiriesandcomplaintsmechanismandspecialtrainedtouristpolicingsystemrequiredtoassurethesafety of the tourist. There should be special provision to protect women foreign tourist.

The Ministry of Tourism campaign**, 'Irespect Women',** is highly appreciated.

Some appropriate regulations and practices should be applied to minimize the risk. Developing online travel registration tools and emergency helpline should provide quick response.

Healthcare for Tourists: Health and hygiene standards should not be compromised. Clean drinking water facilities, 24x7roadambulance,air ambulance well equipped hospitals are required especially in rural based tourist destinations.

The Ministry of Tourism initiatives are highly appreciated to improve the infrastructure and delivery system in cooperation with the state level authorities through National Rural Health Mission. In addition, they should improvise information of vaccinations, water, food, cleaning, infections, health and hygiene awareness.

Infrastructure: World Economic Forum's Travel and Tourism Competitiveness Reported that India's air transport infrastructure, ground transport infrastructure and tourism infrastructure have been ranked 39, 42 and 95 respectively indicating considerable scope for improvement. Other infrastructure requirements such as availability of good quality and reasonably priced hotel rooms, parking spaces, tourist cars etc. are also a cause of concern. It includes air, road and rail Transport Infrastructure in India.

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RECOMMENDATIONS

Showcasing India's Image as a Safe and Secure Tourist Destination

Special sensitization campaigns may be implemented for women tourists.

Inviting Private Investment

Private sector players may be encouraged to participate in development of tourism infrastructure.

Infrastructure Development

Investments in tourism infrastructure may include development of both tourism as well as civic infrastructure. This may also involve provision of way side amenities, tourist information bureaus and websites for providing requisite tourist information.

Development of an Integrated Regional Potential

The potential of this area should continue to be developed and managed using good managerial principles so that the potential of this area Do not just potential but really gives a real benefit for the community, government,and environment.Thirty-eightcities/regencies in East Java still hold the potential of natural resources that is very great and remarkable, especially the potential of its natural beautiful and unique. For local leaders to instantly handle their potentials in a smart and wise manner to offer welfare for the people, regional autonomy is mandated. (Yunus & Indrasari,2017)

Tourist destination Development

In addition to the existing tourist destinations preservation, identify new tourist destination through market research and evaluation and developing them jointly by state government and private sectors entities.

Expansion of Tourist Circuits

Identification of tourist circuits across the country and developed by state governments, local travel trade stakeholders.

Manpower Development

Professional training center, short term course design to inculcate specific skills directed at travela, tourism and hospitality sector. Rural youth may be provided vocational training through special institutes to provide them employment opportunities.

Inclusive Growth

There is need to spread awareness on the importance of tourism activities and participation concerning the government, private sector and the community at large.

CONCLUSION

One of the largest and fastest expanding economic sectors on the planet is the travel and tourism sector. It now contributes much more to the employment and GDP of the entire world.

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One of the major forces behind the expansion of India's services sector has revealed to be the Indian tourist industry. In India, tourism is a fast-growing business that creates jobs, contributes significantly to the nation's foreign exchange earnings, and benefits both the local and host populations. India, a tourism destination unmatched in beauty, originality, rich culture, and history, has been actively pursuing the development of tourism on a global and domestic scale.

It is a substantial contribution to the Indian economy as well, with rising visitor arrivals in recent years. The growth of different tourism products, changing lifestyles and rising income levels, as well as government policy and regulatory assistance, are all major factors influencing the travel and tourism industry in India. However, the industry is confronted with issues such a lack of high-quality tourism infrastructure, widespread worries about the health and safety of tourists, inconsistent passenger/road tax arrangements throughout different regions, and a shortage of appropriately qualified and skilled workforce.

Growing profit margins and altering standards of living, improvements in various tourism services, and regulatory and legislative support from the government are all important factors in shaping the tour and travel industry in the nation. However, the industry faces challenging issues like a lack of first-rate infrastructure for the tourism industry, global concerns over the health and safety of travelers, inconsistent tax systems across many states, and underperformance of properly qualified and accomplished human resource. Although many programs and strategies have already been developed for handling those difficult situations, a successful implementation may be necessary to spur growth.

According to journal assessments and literature reviews, the development of the tourist and hospitality industries in India has significant obstacles that demand immediate attention, making appropriate laws and standards that would help businesses in the tourism and hospitality sectors expand and better understand the need for sustainability is one of the key solutions in this situation. Ultimately, the government and businesses in this sector must coordinate their goals for the effective growth of India's tourist and hospitality sector.

While numerous strategies and programs have previously been developed to address these issues, effective implementation is essential to spurring growth. The country's travel and tourism industry need the combined efforts of all stakeholders, including the federal and state governments, the commercial sector, and the general public, to continue to grow and thrive.

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DOES NET NPAs AFFECT BANK'S PROFITABILITY?- A STUDY OF SELECTED INDIAN PUBLIC AND PRIVATE SECTOR BANKS

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1. INTRODUCTION

Banking sector is backbone of every economy, particularly in emerging economy like India. But it has been observed that health of this crucial sector is not good as there is a rising trend of Non-Performing Assets (NPAs) significantly since last few years. In Public Sector Banks, the large rise in non-performing assets is noticed and it affects profitability of the banks. Non-Performing Assets (NPAs) are recorded on a bank or other financial organisation's monetary record. In case of loan, loan specialist exerts pressure on the borrower to sell any incentives which have been negotiated as a major aspect of the debt agreement after a drawn-out period of non-instalment. If no assets were pledged, the lender could write off the asset as a bad debt and sell it to a collection agency for a discount.

Non-Performing Assets in India are comparatively higher than the worldwide standards. The overconfidence of Public Sector Banks, when the Indian economy was in the boom in the early 2000s happened to lend immensely to the large corporate. This affected the economy. Not looking into the credibility and lending /exposure norms caused a great increase in NPAs. With a growing concern for banks in India NPAs mirror the banks' performance. Bankers play an important role in decreasing or recovering NPAs. The diversifications of funds and frauds have to be scrutinized by the bankers.

Arvind Subramanian, Chief Economic Advisor to the Government says that "India's NPA was the number one macroeconomic challenge that the economy was confronting".

In general, an asset is considered non-performing when no advance instalments have been made for a duration of 90 days. Although the average is 90 days, the slipped-by-time calculation may be shorter or longer depending on the terms and conditions of each advance. An advance can be designated as a non-performing asset at any point before or after the duration of the advance.

2. RESEARCH OBJECTIVES:

- To compare NPA status in both public sector and private sector banks in India.
- To concentrate how NPAs can be reduced by various measures in both the public and private sector banks.
- To study the effect of NPA on the profitability of banks.

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3. LITERATURE REVIEW

In this part of the study some important studies are reviewed to understand various dimensions of the problem taken here. Further, analyses of NPAs in public and private sector banks in India presented with reference to a few research papers:

As stated in Ganesh Kumar and Abhay Pant (2017), India's Finance Ministry, government, and Reserve Bank are stressed about the rise in public sector NPAs due to their enormous macroeconomic effect and systemic risk to the budgetary structure. They can hamper the nation's financial and economic power if not curved.

Amarjit Singh and Anu Bajaj (2018) mentioned the importance of calculating NPA based on gross NPA rather than taking into account net NPA as debated. There was a sudden increase in the NPAs after the subprime crisis in 2008. The decline in the asset quality was comparatively more in the case of both public and private sectors banks than foreign banks. It was also found out that the higher the size of the bank, the lower would be its NPA.

Jayakkodi and Rengarajan (2016) found that the extent of NPAs is comparatively higher in public sectors banks than private sector banks because the private sector banks have a secured loan policy as compared to public sector banks. As Indian banks are highly dependent on income from interest on funds lent, the bank management should speed up the recovery process.

Agarwala and Agarwala (2019) found that the growth rate in the NPA level shows that the problem is evident not only with small-sized banks but also with big names in the banking space. The poor asset for the banks is a problem because as per the guidelines, given by the RBI, banks are required to keep some amount as provision depending on their asset quality thereby leading to declining profitability of the banks. Hence, it impacts not only the profitability level of these banks but also affects the shareholders' wealth. The Insolvency and Bankruptcy Code of 2016 is playing an important role with regard to the recovery of assets of those creditors whose case has been filed with the National Company Law Tribunal.

Gupta (2012) suggests that each bank should have its independent credit rating agency which should evaluate the financial capacity of the borrower before than credit facility. The bank should evaluate the SWOT analysis of the borrower companies. Independent settlement procedure should be more strict and faster and the decision made by the settlement committee should be binding both borrowers and lenders and any one of them failing to follow the decision of the settlement committee should be punished severely.

Roy and Samanta (2017) find that the overall NPA position of all the banks is deteriorating over the years. Since there is a negative high correlation between GNPA and NP, the profit gradually decreases as the GNPA grows which has become a serious

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concern right now. Provisioning can act as a cushion for NPA losses but it can't be regarded as a solution for growing NPAs in all the selected PSBs.

Bhardwaj and Chaudhary (2018) find that the money locked up in NPAs has a direct impact on the profitability of the bank as Indian banks are highly dependent on income from interest on funds lent. The problem of recovery is not with small borrowers but with large borrowers and a strict policy should be followed for solving this problem.

4. RESEARCH METHODOLOGY

The study comprises of secondary data of top two banks from both Public sector and private sector banks.

Data collection- The sample was taken from the Reserve Bank of India webpage (https://www.rbi.org.in), Money control (https://www.moneycontrol.com) and also from the banks' annual report. The current comparative study has been done on two public sector banks- State Bank of India, Punjab National Bank and two Private sector banks- ICICI and Axis bank.

Time Period- The time period of this study includes data from 2011 to 2022.

Tools Used for Analysis- Correlation and Regression Analysis

The rising trends in NPA in the recent years have been the main concern for this study taking into consideration the past twelve years. All the two banks from both sectors i.e. public and private sectors have been chosen for their high NPAs.

Statistical Analysis

Relationship and impact of Net NPA and Net profit or profitability of banks were analysed with the help of correlation and regression analysis. Mean value and standard deviation have been calculated to analyse the stability and performance of banks.

STATISTICAL ANALYSIS (CORRELATION AND REGRESSION):

The study is mainly divided into two parts- group of private and public sector banks. AXIS bank and ICICI bank are taken in private banks group while for public sector banks PNB and SBI were selected for analysis.

A. Relationship and impact of Net NPA and Net Profit of Private Sector Banks

As shown in the table below, we can see that the correlation of AXIS bank and ICICI bank is negatively correlated, -0.61 and -0.11 respectively. The p-value was found out which shows that, p -value of AXIS is 0.939 and ICICI is 0.849. Hence Net Profit decreases with increase in NPAs and vice-versa.

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Table-5: Net NPA and Net profit of Private Sector Banks from 2011 to 2022

YEAR	AXIS		ICICI	
	Net Profit	Net NPA	Net Profit	Net NPA
2011	3,388.49	41.04	5,151.38	2,407.36
2012	4,242.21	472.64	6,465.26	1,860.84
2013	5,179.43	704.13	8,325.47	2,230.56
2014	6,217.67	1,024.62	9,810.48	3,297.96
2015	7,357.82	1,316.71	11,175.35	6,255.53
2016	8,223.66	2,522.14	9,726.29	13,296.75
2017	3,679.28	8,626.55	9,801.08	25,451.03
2018	275.68	16,591.71	6,777.42	27,886.27
2019	4,676.61	11,275.60	3,363.30	13,577.43
2020	1,627.22	9,360.41	7,930.81	10,113.86
2021	6,588.50	6,993.52	16,192.68	9,180.20
2022	13,025.48	55.12	23,339.49	6,960.89
Mean	**5,373.50**	**4,915.35**	**9,838.25**	**10,209.89**
SD	**3322.63**	**5504.62**	**5351.54**	**8712.11**
Correlation	**-0.61**		**-0.11**	
P Value	**0.939**		**0.849**	

Source: **Calculated by author from data collected form Respective banks annual reports and RBI website**

B. Relationship and impact of Net NPA and Net Profit of Public Sector Banks

Table 6-Net NPA and Net profit of Public Sector Banks from 2011 to 2022

YEAR	SBI		PNB	
	Net Profit	Net NPA	Net Profit	Net NPA
2011	8,264.52	12,346.89	4,433.50	2,038.63
2012	11,707.29	15,818.85	4,884.20	4,454.23
2013	14,104.98	21,956.48	4,747.67	7,236.50
2014	10,891.17	31,096.07	3,342.57	9,916.99
2015	13,101.57	27,590.58	3,061.58	15,396.50
2016	9,950.65	55,807.02	-3,974.39	35,422.57
2017	10,484.10	58,277.38	1,324.80	32,702.11
2018	-6,547.45	110,854.70	-12,282.82	48,684.29
2019	862.23	65,894.74	-9,975.49	30,037.66
2020	14,488.11	51,871.30	336.2	27,218.89
2021	20,410.47	36,809.72	2,021.62	38,575.70
2022	31,675.98	27,965.71	3,456.96	34,908.73
Mean	**11,616.14**	**43,024.12**	**114.70**	**23,882.73**
SD	**9331.14**	**27583.43**	**5803.76**	**15407.56**
Correlation	**-0.64**		**-0.69**	
P Value	**0.009**		**0.001**	

Source: **Calculated by author from data collected form Respective banks annual reports and RBI website**

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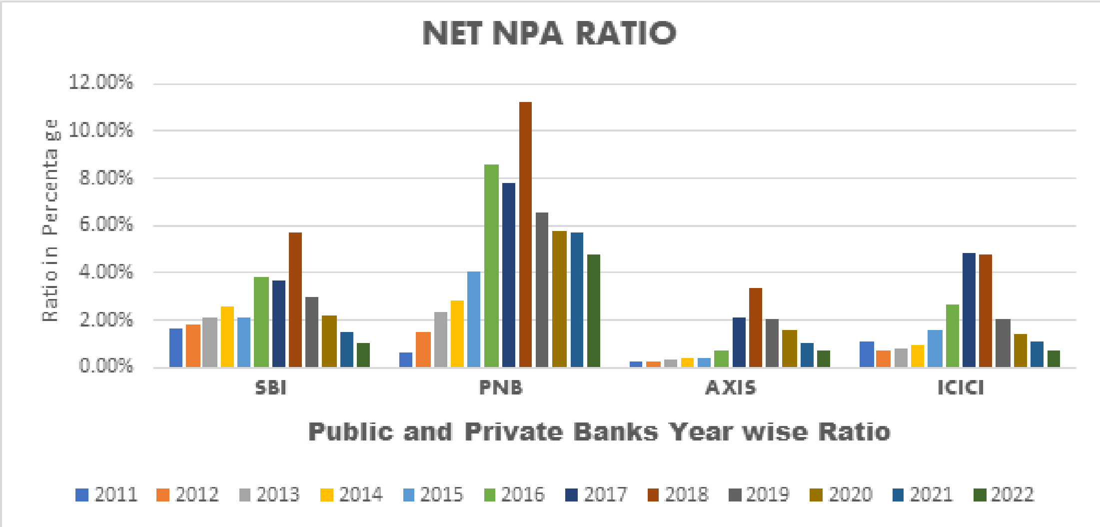
Figures in the table show that both banks SBI and PNB show negative correlation of -0.64 and -0.69 respectively. This makes it clear that when NPA increases, profitability of the banks decreases showing the inverse relation between the two. The p-value of SBI and PNB are 0.009 and 0.001 respectively. The p-value reveals that SBI and PNB has lesser than 0.05.

GRAPHICAL PRESENTATION

The graphical representation of the Net NPA ratio is shown in the below graph. The data is shown for twelve years 2011 to 2022 of the study period.



Source: **Calculated by author from data collected form Respective banks annual reports and RBI website**

Here, as we can see amongst the private banks, Axis bank has the least sum of net NPA for the past twelve years while ICICI bank has highest NPA. On the other hand PNB has the highest NPA amongst the Public sector banks.

5. CONCLUSION:

In conclusion, this study examined the impact of Net Non-Performing Assets (Net NPAs) on the profitability of selected Indian public and private banks. The analysis was conducted using panel data analysis for the period of 2011-2022. The results of the study indicate that there is a significant negative relationship between Net NPAs and profitability of banks. This implies that an increase in Net NPAs leads to a decline in profitability of banks.

The study also found that public sector banks have higher Net NPAs compared to private sector banks. This could be due to various factors such as differences in management practices, loan appraisal processes, and government policies.

The findings of this study have several implications for policymakers and banks. The study highlights the importance of effective management of Non-Performing Assets (NPAs) to maintain the profitability of banks. Banks need to adopt effective strategies to

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prevent the accumulation of NPAs and also to manage them efficiently. This includes improving loan appraisal processes, implementing effective recovery mechanisms, and adopting risk management practices.

Overall, this study contributes to the understanding of the relationship between Net NPAs and bank profitability in the context of Indian public and private banks. However, further research is needed to explore the factors that contribute to the differences in Net NPAs between public and private sector banks in India.

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INNOVATION IN BANKING SECTOR IN 21ST CENTURY: CHALLENGES AND OPPORTUNITIES

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ABSTRACT

The present study intends to focus on novelty in banking sector in 21st century: challenges and opportunities. Currently, the banking sector plays a significant role in human life. It also encourages to people to create saving currency for their potential. It provides number of facilities to the people, banking service has become a need of the society. In the 21st century, the researcher knows that each sector has huge challenges i.e. consumer fulfillment. It is being a branch of the civilization which is facing these challenges. It is accepting challenges very nicely for the betterment of service banks are providing innovative services to the consumer, so that they should acquire suitable advantage in this sector. It has influenced the financial and political centuries. The purpose of this paper is to examine the services provided by banks, and to examine that how innovative and new services they are giving to the society. It also knows that how much these facilities or services are beneficial for the civilization and banks.

The present paper is finished that the banking sector has been changes speedily. At present, the new technologies have made tremendous impact in banking, in 21st century dreams becomes realism. Nowadays, banking services are available all over, anytime and anywhere, wherever and whenever we want; main concern banking is a symphony of banking benefits, single savings products, modified services and elite life style, benefits that brings entire harmony to all our economic desires.

Keywords: Banking Sector, Consumer Fulfillment, Innovative Services Economically Needs.

INTRODUCTION

In India, the banking sector has became an emerging sector, their services are affecting to the human life and their life style, no one can reject that now the banks are becoming the necessity of everyone, in this era the need and satisfaction level of human has moved beyond the previous benchmark, and banking sector is providing lot of services to the customer, traditionally banks were providing only saving facility to the public and there are less number of banks are available, at present scenario, it has been changed, there are 171 banks which are working in India, in which some are public sector banks and some are private sector banks are working. Earlier the banks worked only for urban side of the country, but now they are focusing on the rustic side, they are providing much facility for upliftment of their life style and their economic conditions, and it's happening, observe how the villagers are producing the crops and they have no fear of

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money lender, who are made fool them. It is also facing the great challenges that are why they are more serious about the innovation policy as well as strategy.

OBJECTIVES OF THE STUDY

The present study deals with following objectives:

1. To examine that how the novelty is beneficial to Banks and Society.
2. To study the influence of these innovation on the rural area of the nation.
3. To highlights the retail banking scenario in India.
4. To study the various challenges as well as opportunities or retail banking in India.
5. To recommend certain measures for the potential growth of retail banking.

Novelty in Banking Sector

The novelty has been buzz words in banking right from beginning. The attempt toward innovation in India has been more, so in India due to the countries emergence and growth, more or less in the entire sector. The banking industry has been on an unprecedented growth trend during the past decade in the country. Banking sector today is fast and paced and is consistency in the throes of changes, with new regulation, new process and new policies. Technology has played a very important role in the past in shaping the way things are today and will continue to do more than even before from beginning just a support function. Banking sector got success because of their innovation, now a day's banks are providing very innovative services; even they are seeking the technologies which can help more to the customer. The various reasons for the growth of retail banking in India are:

- New Technologies.
- Preface: Private and foreign banks.
- Increased competition.
- Innovation in banking products and services.
- Financial development.
- Deregulation of interest rates.
- Focus on productivity and profitability.
- Changing consumer demographics.

The retail banking sector in the banking trade is always undergoing innovations, product reengineering, adjustments and alignments. Indian retail banking sector includes:

- Cards like Credit, Debit.
- Various Loans
- Insurance.
- Demat services.

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- E-services.

Challenges and Opportunities

The retail banking has huge opportunities and challenges in India. The increase of the middle class is an imperative causative factor in this view. Improving customer purchasing power, coupled with more open-minded attitudes toward personal debt is contributing to India's retail banking segment. Increase in purchasing power of the younger population would give an immense opportunity.

It has been found that younger generation is more comfortable in acquiring debt than the previous generation, thus, improving-purchasing power and liberal attitude towards personal debt, and contributing to India's retail segment. As retail banking offers phenomenal opportunities for growth, the challenges are equally daunting. The retail banks have to market their products aggressively. The challenge is to design and innovate the financial products which cater to the target segment needs. In future, retail banking scenario will see a huge proliferation of products.

It will need devising product which is easy to know and at the same time meet the financial goals of the customers. The entry of new generation private sector banks has changed the entire scenario.

The retail section, which is earlier ignored, is now the most important of the lot, with the banks jumping over one another to give out retail loans. With supply far exceeding demand it has been a race to the bottom, with the banks undercutting one another. The nimble footed new generation private sector banks have been losing business to the private sector banks in this segment. Banks need to figure out the means to generate profitable business from this segment. Another major challenge in retail banking is attraction as well as retention of customers.

The New Technologies has made it possible to deliver services throughout the branch bank network, providing instant updates to checking accounts and rapid movement of money. However this dependency on the network has brought IT departments' additional responsibilities and challenges in managing, maintaining and optimizing the performance of retail banking networks.

The network challenges include proper functioning of distributed networks in support of business objectives. Specific challenges include ensuring that account transaction applications run efficiently between the branch offices and data centers. One more matter of anxiety is the rising indebt-ness, which could affect the future growth of retail banking. The banks will also have to shore up the image of their brand. A bank has to make its brand by clearly communicating what it stands for and ensure that the brand image is consistently conveyed to its customers. It should call for seamless integration of all channels to ensure optimum customer satisfaction, regardless of the channel being used. Most of the retail banks are witnessing a tremendous expansion in their customer

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base. In a service industry the value can be delivered at the moment of interaction with the customers.

Banks require having requirements of the employees who are well informed regarding the products and have the necessary soft skills to deal and satisfy the customers. It challenges for the bank to upgrade their existing manpower and retention or lock in the best talents for having competitive advantage in terms of human resources.

Obtainable Services

1. Information on financial products, services and where they are available.
2. Guidance on opening a bank A/C.
3. Information on products of bank including interest rates and charges.
4. Information on managing savings.
5. Guidance about management of existing debt.
6. Information on likely avenues of investment.

CONCLUDING REMARK

Thus, the researcher is observed that the banking sector is offering new services. It also highlights on the rearward area of the civilization. The conservative scenario of banks is rapidly altering. The retail banking has expanded huge impetus in India. There is vast opportunity as well as challenges for retail banking in India. The changing portfolio of retail banking in India has many dimensions. There is a need of constant innovation in retail banking. Banks need to use retail segment as a growth trigger. There is a noticeable change in the number and nature of products being tossed up along with the way in which banking services are being offered. Banks requires product development and differentiation, innovation and business process re-engineering, micro planning, marketing, prudent pricing, customization, technological up gradation and cross selling. The competitive advantage in retail banking that would help each bank to reach out and retain the customer. The product differentiation will provide a bank with an edge over competition.

The retail segment can survive only if it is competitive. These challenges demand a well planned and implemented strategy to cope with the changing business environment. These challenges can be converted into opportunities by enhancing the internal capabilities and providing the innovative products and services fulfilling the diverse needs of the customers. The future growth of the retail banking sector would be the outcome of the strategies of today. Given the size advantages, diverse customer base and scope for future expansion, there is need for evolving a systematic approach to retail banking.

It is observed that banks in India moving towards sustainability through innovative service operations and offerings. The sample considered here for analysis has proved this point very clearly. So the banks must create and sustain an environment that

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promotes creativity. At last, the researcher observed that innovation might give the better success to the banking sector. It is one of the best policies and the key of success of any bank.

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THE EMERGING ROLE OF THE INDIAN BANKING SECTOR IN E-COMMERCE

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INTRODUCTION

Global retail e-commerce sales were estimated to be at 5.2 trillion dollars in 2021. By 2026, this amount is expected to have increased by 56%, totaling roughly 8.1 trillion dollars (Chevalier, 2022).According to the India Brand Equity Foundation, India's e-commerce sector is anticipated to reach US$ 111 billion by 2024 and US$ 200 billion by 2026.Due in large part to the "Digital India" campaign, there were 784.6 million internet connections in India as of September 2020. (aneshan, 2021). With the widespread use of E-POS,UPI, and other payment systems, the nation is now moving beyond conventional payment methods. According to the RBI, the volume and value of all digital payments rose by 216% and 10%, respectively, in March 2022 compared to March 2019 (How digital payments are driving India's e-commerce, 2023; Placeholder2).

The majority of online consumers (49%) use digital or mobile wallets as their preferred payment option, making them the most widely used payment method globally (Financial Institutions and Merchants, 2022).

India's real-time payment growth is still quite high. Using the Unified Payments Interface (UPI), the Instant Payment Service (IMPS) from the National Payment Corporation of India (NPCI) powers an ever-expanding array of API-overlay services, including invoice in a box allowing businesses to communicate invoices ahead of a transaction. Sharing payment links through SMS, email, and WhatsApp are examples of corporate use cases. Other examples include collecting payments via website or mobile and paying out and issuing refunds to the originating UPI ID.

In the last year, 93% of Indian customers utilized at least one digital payment option, and 96% of them expect to do so in the upcoming year. Due to the perception that digital payments are just as safe as more conventional payment methods like cash, consumers think security is the most crucial consideration when selecting a payment method (Indians View Digital Payments as Secure as Traditional Payments, 2022).

(Financial Institutions and Merchants, 2022) Report shows the global payment method

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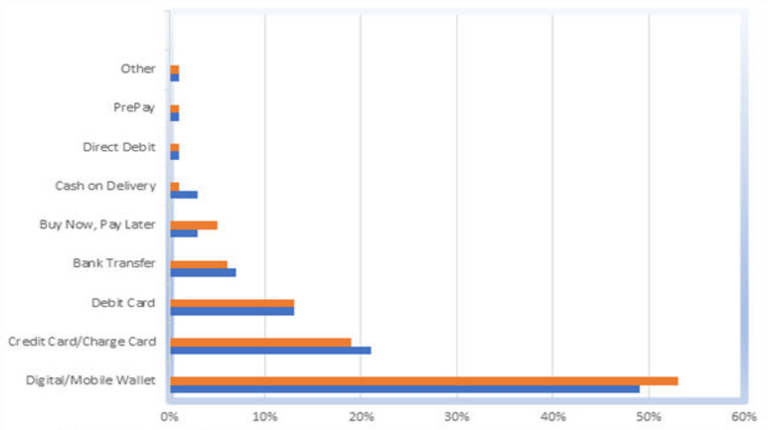
Table-1

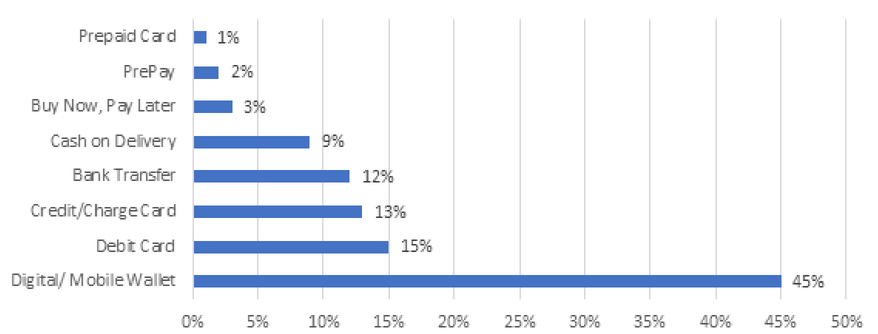


	Digital/Mobile Wallet	Credit Card/Charge Card	Debit Card	Bank Transfer	Buy Now, Pay Later	Cash on Delivery	Direct Debit	PrePay	Other
2025	53%	19%	13%	6%	5%	1%	1%	1%	1%
2021	49%	21%	13%	7%	3%	3%	1%	1%	1%

2025 2021

(Financial Institutions and Merchants, 2022) report shows the Indian payment method

Table-2



	Digital/ Mobile Wallet	Debit Card	Credit/Charge Card	Bank Transfer	Cash on Delivery	Buy Now, Pay Later	PrePay	Prepaid Card
2021	45%	15%	13%	12%	9%	3%	2%	1%

2021

By providing internet banking to its clients, ICICI Bank was the first bank to encourage its usage in 1996. Due to falling internet costs and rising interest in electronic media, online banking was first introduced in 1999. Following suit were other institutions including HDFC, Citibank, IndusInd, and the now-defunct Times Bank (Thomaskutty. M. O.*, 2022)

The IT Act, of 2000 was enacted by the Indian government and went into force on October 17, 2000. It allowed electronic transactions and other types of electronic commerce legal validity. To ensure that E-banking grows responsibly and that E-banking-related concerns do not endanger financial stability, the Reserve Bank

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continuously monitors and reviews the legal requirements and other aspects of E-banking (Mendo, 2005).

Forms of E-Banking (Rajput, 2011)

1. Internet banking
2. Electronic funds transfer system
3. Investment through internet banking
4. Automated teller machines
5. Debit cards
6. Credit cards
7. Bill payment service
8. Applying for/claiming insurance
9. Smart cards
10. Mobile banking

Internet banking offers three stages of owned services: first, information services, where the bank only posts information about financial services on its website; second, communication services, where customers can effectively communicate on the website; and third, transactions, which have allowed customers to conduct virtual financial transactions like checking balances, transferring funds, or making different types of payments (Foon, 2011).

OBJECTIVE

- How E-Banking grow in India
- How E-banking helps to grow the E-commerce

LITERATURE REVIEW

(Rukhaiyar, 2022)According to the most recent analysis by GoKwik, a start-up specializing in offering check-out solutions to digital players, cash payments remain the most popular payment option among E-commerce users, with the difference between cash payments and the well-liked UPI (Unified Payment Interface) option pegged around 30% in the second quarter of 2022.According to data from GoKwik, UPI was preferred by roughly 20% over COD in the previous year, but in the second quarter of 2022, 64% of all orders placed on its network were done thus.

(Syed Imran Zaman, 2022) Digital banking is increasingly becoming more prevalent in underdeveloped nations. This study examined how SCR affected digital banking in the e-commerce industry. The study's objective is to review prior research and identify the critical elements for evaluating digital banking practices and their effects on raising service SCR. The study identified and evaluated sixteen pertinent variables that are

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crucial for determining the outcome and comprehending the connection between banking digitization and service SCR. The MCDM technique, used in this work to combine ISM and DEMATEL techniques, is used to ascertain the link between the components. Because ISM and DEMATEL methodologies match and accomplish the goals of this research, they are employed. These two strategies produce the results needed for the implementation of digital banking to attain service SCR.

(Heng, 2001)The purpose of the essay is to demonstrate how e-commerce has the potential to change the way that banking and financial institutions operate. First, banks and financial institutions may sell their products to clients using the technology and business model of e-commerce. Second, e-commerce offers banks a chance to expand their product and service offerings to meet e-demands. commerce's Finally, the e-commerce-related change in the business landscape offers the chance for institutional advancements in banking and finance, which might help build a more stable basis for the global financial system. The second and third elements are the main topics of the essay.

(Kumar, 2020) In the late 1980s, information technology was introduced to the Indian banking industry. Yet, the IT revolution is currently in a more intensive and significant phase, which might potentially alter not just the banking industry but also the general makeup and course of the economy. Following the advent of Technology and the internet, the modernization of the banking industry has been advantageous for banks and clients alike. Nowadays, banking transactions are not just conducted in physical locations; they may also be completed on mobile devices like smartphones and tablets. The term "Digital Banking" may be an adequate description of the present stage of banking.

DATA

Coordinated efforts of the Government with all stakeholders have led to significant growth in digital payments, as given below:

Financial Year	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Digital Transaction Volume (in crore)	2,071	3,134	4,572	5,554	8840
Digital Transaction Value(in lakh crore)	1,962	2,482	2,953	3,000	3,021

(*Source:*RBI, DigiDhan Dashboard)

(TOWARDS A DEVELOPED INDIA, 2022)

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India's Digital Payments Landscape

Increase in digital payments by volume from 2017-18 to 2021-22	44%
Digital transactions in India to date	60+ Billion

Representation of Digital walletsin regional E-commerce Transaction value 2021	68.5%
Expectation to reach Digital wallet value transactions in 2025	72%

Credit Card Payment for E-commerce shopping

Japan	58.3%
South korea	56%
India	13%

THE CHALLENGES OF E-COMMERCE

ATM offerings- The most popular electronic banking service in India may be this one. India presently has more than one lakh (100000) ATMs since it first opened in the middle of the 1990s. Private banks, headed by ICICI Bank, took the initiative and have worked hard to spread it. The problems with ATM services, on the other hand, are unique.

- **Inadequate Infrastructure-** Rural and semi-rural areas do not have access to ATM services till today.
- **Safety concern**- Rural areas differ from urban areas in that guards are less common and ATMs are typically located in busy areas. The machines are laden with catch, making them easy targets if not well protected. It is particularly troublesome since there is no relationship to the state police structure, in contrast to other nations throughout the world.
- **Working environment-**India is amulti-ethnic and linguistic nation. Our literacy rates are not very high. It becomes challenging to have instructions shown in many languages. Technology has, however, offered a solution to this issue. Yet, those who lack literacy are unable to profit from technology, and ATMs cannot guarantee consistent performance from all users, leading to significant wear and tear.

Debit and Credit Card services

One of the bank services that has grown the most over the past 1.5 decades is the use of credit/debit cards. While the new generation of Indian private sectors banks, like ICICI and HDFC, received the largest benefits from this breakthrough, Western banks like Citibank and Standard Chartered were among the first to provide them (especially credit cards). Hence, plastic money began to permeate the Indian economy, particularly luring

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young, middle-class, literate urbanites. They are, nevertheless, also distinguished by a variety of challenges.

- **Pin protection-**That is a huge challenge to go beyond. All that is necessary to withdraw money from a card is a four-digit PIN (Personal Identification Number). This more effectively streamlines labor for an electronic system. Unfortunately, due to the limitations of the human mind, it is difficult to remember this number, especially for illiterate and creative people alike. Even with today's technology, a four-digit code with only 10,000 variations is fairly simple to crack. Fingerprints, on the other hand, are a biometrics-based approach.
- **Swipe and signature authentication-**Most debit/credit cards are swiped to show a fund transfer when shopping. Although a slip is made for customers to sign, there haven't been many instances in which the bank has counted signatures when resolving disputes, and stores haven't been able to do so either because most customers don't sign at the back of their cards. Due to this, both consumers and marketers loathe card swipes, especially in small towns. The disputes are quite difficult to settle.
- **Fee and Services-** Some banks are taking charges for their debit card services also.

Internet Banking

- **Lack of Online banking access-**Even when done from home, internet banking is still the quickest and most practical way to do business, yet the nation lacks internet banking access. Most rural and semi-urban areas are still unconnected or have only sporadic connections. Banks are unable to resolve this issue.
- **Internet services bandwidth-**Bandwidth remains a problem, even in areas with good access. Although satellite connection and VSAT are accessible to bank branches in this region, the consumer does not have personal access to these services. Customers get impatient as a consequence, and connectivity is lost. Also, it increases customer dissatisfaction and foot traffic at branches**.**
- **Safety and security-**This continues to be the major concern with Internet banking worldwide. Although the Central Bank of India has given directions in this regard, the issue continues to affect Indian banks as well as the people who use their services. Although some smaller banks have previously made concessions on this issue, despite Banks and Customers abiding by standards and rules, fraudsters have continued to develop new strategies to evade Bankers and Legislators alike.

CONCLUSION:

A critical step in any E-commerce process is making a payment. For success, getting this correctly is essential. This has led to a wide range of new prospects for many businesses. By helping businesses to streamline their operations, improve service, and

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save costs, fintech companies are reviving the e-commerce sector. Throughout e-commerce platforms, digital payments have expanded dramatically, and in the next years, we can anticipate this growth to accelerate further. E-potential commerce is amazing.

Withthe increasing Growth of E-commerce now people are using more E-banking services for shopping on E-commerce websites. UPI payments are much more popular in India.

Even if the electronic company's ultimate goal is the same as the conventional business's, the way they go about achieving it is different. Networking has given e-business a boost since information sharing is a crucial component of the commercial sector. In context, this technology has opened up new avenues. Both nationalized and private banks agree that adopting e-business as a strategy is one of the most crucial decisions the banks have made in their growth because of the enormous benefits that e-business adoption brings. 'Quality of service' is a term of art.

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ROLE OF MICROFINANCE ON POVERTY ALLEVIATION AND EMPLOYMENT GENERATION IN DHUBRI DISTRICT OF ASSAM

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INTRODUCTION

India is a largely populated developing nation where poverty and unemployment are the most prominent issues faced by the country. According to the Global Multidimensional Poverty Index 2022, in India 16 percent of its total population living in below poverty level in 2020-21, this is 228.9 million people (MPI report, released by UNDP). The main cause of deep-rooted poverty and unemployment is unsustainable development, unsustainable finance and lack of availability of sustainable finance. Like India, Assam is also facing the problems of poverty, unemployment, low income, low level of living standard and poor quality of human capital. In recent decades microfinance has played important role in the alleviation of above problems in the world, India and also in Assam. In this study we will discuss the role of microfinance in poverty alleviation and employment generation in Dhubri district of Assam.

OBJECTIVES OF THE STUDY

a) To analyze the role of Micro-finance in Dhubri district of Assam, in the fields of poverty alleviation and employment generation.

b) To analyze benefits derived by people engaged in microfinance activities in Dhubri district.

HYPOTHESES OF THE STUDY

a) Microfinance and Self-Help Groups have been helping in employment generation in Dhubri district of Assam.

b) Microfinance helps in income generation of the people of Dhubri district which is helpful in their poverty alleviation.

RESEARCH METHODOLOGY

1. Type of Research

The nature of the research, for the study has used exploratory research to understand the real scenarios of microfinance activities at the grass root level and also to test the hypothesis formulated for the proposed study.

2. Sources of Data and Data Collection Method

The study usually based on primary data which is collected through the schedules and questionnaire method. Group discussion and observation method has also used to collect data. Content or document analysis will also be used as a source.

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3. The Sample Size

The scope of proposed research work is covers all the two subdivisions of Dhubri district namely, Dhubri and Bilasipara. On the basis of information collected from different blocks and banks about people associated with microfinance, 120 individuals are selected for sample on random sampling basis.

LITERATURE REVIEW

Sarmah, G. N and Das, D. K. (2012) attempt to analyze the rule of microfinance and Self-Help Groups (SHG) for the socio economic development of the poor people in Lakhimpur District of Assam. For collecting the primary data a total of 50 SHGs and five members from each SHG (50*5=250 respondents) were randomly selected covering the entire Lakhimpur District. From the study it has been found that after joining the SHGs the poor rural people can increase their income and improve their standard of living by performing economic activities independently.

Robinson (2001) has studied the Bank Rekyat Indonesia's (BRI) unit desa programme in Indonesia. He has found that the poverty of Indonesia has reduced from 40 per cent in mid 1970s to about 11 per cent in 1996 due to the programme.

Karmakar (2002), stated that SHGs as an approach towards alleviation of poverty. According to him poor people hold tentative and uncertain behavior while, the group membership helps in removing this rough edge behavior pattern. SHGs work on the principle of cooperation and mutual help which tries to fulfill the individual member's financial and social requirements.

S.Z Hussain and J. Shankari, (2008) studied the role of Self Help Groups in Assam on transforming rural economy by creating employment opportunity and generating income.

D. Majumdar (2010) studied the micro finance and SHGs scenario in different districts of Assam and found that nationalized and rural banks are playing a significant role in employment and income generation in Assam.

1. PROFILES OF RESPONDENTS

1.1 Gender of respondents

Male and female both are engaged in microfinance activities. In the following table shows the gender wise distribution of the respondents.

Table 1.1: Gender wise distribution of respondents

Sr. No.	Gender of respondents	No. of respondents	Percentage
1	Male	56	46.67
2	Female	64	53.33
	Total	120	100

Source: Compiled from primary survey data.

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Table 1.1 shows that majority of the respondents i.e. 53.33 percent were female. There were only 46.67 per cent respondents were male. So we can say that a large number of female are also engaged in microfinance activities in Dhubri district for their livelihood.

1.2 Category wise distribution of respondent

In Dhubri district people associated with the microfinance belong to different categories.

Table 1.2: Category wise distribution of respondents in Dhubri district (N=120)

Sr. No.	Category of respondents	Number of respondents	Percentage
1	General	68	56.66
2	OBC	26	21.67
3	SC	24	20.0
4	ST	02	1.67
	Total	120	100

Source: Compiled from primary survey data.

1.3. Highest Educational Qualification of the Respondents in Dhubri district

The actual education level of the respondent is presented in the following table 1.3.

Table 1.3: Respondents Education Level in Dhubri district

Sr. No.	Respondent education level	Number of respondent	Percentage
1	Illiterate	13	10.83
2	Primary	51	42.50
3	Matriculate	48	40
4	Graduate	07	5.83
5	Postgraduate	01	0.84
	Total	120	100

Source: Compiled from primary survey data.

2. Pattern of Microfinance Availability

In the study of Dhubri district, we found better availability of microfinance. The availability of microfinance in Dhubri district can be clubbed into three following categories.

❖ Direct availability of microfinance,

❖ Microfinance through Self-Help Group (SHGs), and

❖ Availability of microfinance through Kisan Credit Card (KCC).

In my study 30 respondents are enrolled as direct microfinance beneficiaries, 48 respondents are using microfinance through self-help groups (SHGs) and 56

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respondents are using microfinance through kisan credit card (KCC). It is noted that there were respondents who had availed more than one source of microfinance. The detailed analysis of the availability of microfinance in the Dhubri district is presented below.

2.1. Direct Availability of Microfinance

Direct availability of microfinance includes- own savings, private loan, government loan, commercial bank loan and other types of microfinance facilities. Other type of microfinance includes insurance, pension funds and money transfers.

2.1.1. Amount borrowed through direct microfinance

Table 1.4: Amount borrowed through direct microfinance (in Rs.)

Sr. No.	Amount borrowed	Number of Respondents	Percentage
1	Less than 10000	7	26.92
2	10000 to 20000	10	38.46
3	More than 20000	9	34.62
	Total	26	100

Source: Compiled from primary survey data.

Table 1.4 shows that the maximum borrowers borrowed less than Rs.20000 through direct microfinance. By using this amount they were starting occupation and become self-employed.

2.1.2. Impact of direct Microfinance on monthly income

In the case study of Dhubri district we categorize all data in to five categories.

Table 1.5: Increase monthly income of respondents (n=30)

Sl. No.	Increase monthly income (in Rs.)	Number of respondents	Percentage
1	Less than 1000	5	16.67
2	1000 to 3000	12	40
3	3000 to 5000	6	20
4	More than 5000	3	10
5	No change	4	13.33
	Total	30	100

Source: Compiled from primary survey data.

Table 1.5 shows that there are 40 percent of the total respondents whose monthly income increased Rs.1000 to 3000. There are 10 percent respondents reported that their monthly income increased much higher and it was more than Rs. 5000 and only 13.33 percent respondents reported no change in their monthly income due to the direct microfinance.

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2.1.3. Members engaged in the occupation started by Direct Microfinance:

Table 1.6: Number of members engaged on the occupation (n=30)

Sl. No.	No. of members engaged	No. of respondents	Percentage
1	Only self-engaged	19	63.33
2	Up to 3	8	26.67
3	More than 3	3	10.0
	Total	30	100

Source: Compiled from primary survey data.

Table 1.6 shows that majority of the respondents i.e. 63.33 per cent reported that they were only self engaged whereas there were 26.67 percent respondents who employed or engaged up to three people and only 10 per cent respondents who employed or engaged more than three people in their business.

2.2. Microfinance through Self- Help Groups (SHGs)

The Self-Help Group (SHG) is a group of association of people formed for attaining some common goals. These are groups of 10 to 20 members, which have similar identity, heritage, caste or traditional occupations and come together for a common cause and manage resources for the benefits of the individuals. The self-help groups (SHGs) have very effective role in mobilizing microfinance and its beneficiaries. In India SHGs are important tools of the microfinance extension.

2.2.1. Obtained Assistance

The SHG members generate savings and on the basis of the strength of their savings and occupation banks issue loan lump-sum 40 per cent assistance only if they repaid the previous loan properly. Table 1.7 shows the amount obtained from the banks in the form of the assistance.

Table 1.7: Amount obtained as assistance (n=48)

Sr. No.	SHG obtained assistance	No. of respondents	Percentage
1	Less than Rs.25000	7	14.58
2	Rs.25000 to Rs.50000	22	45.84
3	Rs.50000 to Rs.100000	6	12.5
4	More than Rs.100000	13	27.08
	Total	48	100

Source: Compiled from primary survey data.

2.2.2. Effect of the SHG on monthly income of the respondents

The Self-Help Group members are starting the occupation with the help of microfinance and they realize that their monthly income increases. Table 1.8 represents the increase in monthly income of the respondents. For the analysis of the data we categorize the increase in income in to five groups.

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Table – 1.8 Monthly income increases of the respondents through SHG

Sr. No.	Monthly income increase (in Rs.)	Number of respondents	Percentage
1	Less than 500	9	18.75
2	500 to 1000	18	37.5
3	1000 to 2000	11	22.92
4	More than 2000	3	6.25
5	No change	7	14.58
	Total	48	100

Source: Compiled from primary survey data.

2.3. Microfinance through Kisan Credit Card (KCC)

The kisan credit card scheme was launched in 1998-99. The scheme was formulated by National Bank for Agriculture and Rural Development (NABARD) for providing timely and adequate credit support to the farmers for their production needs in a flexible and cost effective manner.

2.3.1. Increase in monthly income through KCC

Table 1.9 shows the average increase in monthly income of respondents while using credit available by the KCC issued to them.

Table 1.9: Increment of monthly income of the respondents

Sr. No.	Monthly income increase(in Rs.)	Number of respondents	Percentage
1	Less than 1000	10	17.86
2	1000 to 3000	27	48.21
3	3000 to 5000	14	25
4	More than 5000	05	8.93
	Total	56	100

Source: Compiled from primary survey data.

Table 1.9 shows that there are 17.86 percent respondents whose monthly income increment less than Rs. 1000 and there are 48.21 percent respondents whose monthly income increment is between Rs.1000 to Rs.3000 and only 8.93 per cent respondents whose monthly income increases more than Rs.5000.

2.3.2. Number of persons employed in the occupation started by the KCC money

Table 1.10: KCC employing the number of persons (n=56)

Sl. No.	No. of persons employing	No. of respondents	Percentage
1	Only oneself	35	62.5
2	1 to 3 persons	16	28.57
3	More than 3 persons	5	8.93
	Total	56	100

Source: Compiled from primary survey data.

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Table 1.10 shows that majority of the respondents i.e. 62.5 per cent having the KCC reported that they do not employ any other person in their business. There are 28.57 per cent respondents who reported that they employed 1 to 3 persons and only 8.93 per cent respondents reported that they employed more than 3 persons in their occupation.

MAJOR FINDINGS AND CONCLUSION

In the above analysis, it is found that majority of the microfinance beneficiaries are female, i.e., 53.33 per cent and remaining 46.67 per cent are male beneficiaries. The level of education is not up to the mark because in survey we found that there are 5.84 per cent of the total respondents having graduation and only 0.83 per cent is post graduate.

During the study of Dhubri district there are 30 respondents reported that they availed the microfinance through the direct mode and 93.33 per cent of these respondents reported that they got benefit. There are around 63 per cent respondents reported that they are only self employed and remaining 37 percent reported that they employed more people in their occupation.

The main impact of SHGs is that it increases the saving tendency among its members and deposits all savings in to a common bank account. With this its members can borrow according to their needs and when a significant amount is deposited in the account, Bank provides credit plus assistance on savings. By using this money around 68 per cent respondent reported that there monthly income increases more than Rs. 500.

The Kisan Credit Card (KCC) scheme also provides microfinance facility to small farm holders. Almost 83 per cent respondents used the KCC money efficiently and reported that their monthly income increased more than Rs.1000. More than half of the respondents (62.5 percent) reported that they used all KCC money for the self employment and all other respondents (37.5 percent) reported that they also employed other people.

In the overall case study of Dhubri district of Assam, we have found that 92.5 per cent respondents accept that the microfinance has played a significant role in poverty alleviation because their income has increased with the help of microfinance. After an increase in income their consumption, calorie intake and socio-economic status also increased. Thus, we found a better role-playing microfinance in poverty alleviation in Dhubri district of Assam.

In the overall case study of Dhubri district, we also found that 95.0 percent respondents have accepted that their employment level have increased with the help of microfinance. Some respondents only self-employed and some are employed more people in their occupation started. By this data, we can say that microfinance also playing a better role in employment generation in Dhubri district of Assam.

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So it can be conclude that all these types of microfinance is very successful in increasing income and employment generation for illiterate, semi-literate and unskilled population of Dhubri district. It is also very helpful in reducing the level of poverty and increasing the monthly income of the people, so their socio economic condition and living standard improves.

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GREEN BANKING: SUSTAINABILITY ISSUES IN BANKING SECTOR

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INTRODUCTION

In the 21st century, the pace of globalization has become momentum. During this rat race of growth and development, somewhere we are neglecting the importance of green play in our life. Our developmental activities not only create damage to our existence but also put a big question mark on the existence of future generations. In this scenario, it becomes inevitable to focus on various measures and techniques which will assist us to achieve our objectives to become promoters of greenery. The banking sector is pivotal in economic development. Eco-friendly activities have become an inseparable part of economic activities and the banking sector is not an exception. Green banking is the use of sustainable techniques, methods, and habits. The main objective of this paper is to understand the meaning and scope of Green Banking in India and the various challenges faced by the banking sector in actual implementation. The research is based on secondary data. There is also a need to create awareness, adopt and follow the footprints of green banking to achieve sustainable economic development in the long run.

SUSTAINABILITY

Sustainability is defined by various authors from time to time. According to the famous Brundtland Commission's report, sustainability means, "Meeting the needs of the present without compromising on the needs of future generations to meet their needs."

The idea often includes three pillars which are economic, environmental and social concepts. There must be an interaction between these three sectors. It should lead to synthesizing of three major activities- corporate sector profit-oriented activities (for achieving economic goals) the social welfare-oriented activities (for achieving social goals) and the environmental balance (for the planet earth).

OBJECTIVES OF THE STUDY

- To highlight the meaning of Green Banking.
- To understand the need for Green Banking.
- To provide the benefits of Green Banking.
- To find out the necessary steps for the adoption of Green Banking in India.

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Green Banking Definitions-

“Green banking”, as a concept, covers several different areas, but in general refers to how environmentally "friendly" the bank is, and how committed to green and ethical policies they are (Savu, 2012).

Green banking means combining operational improvements, technology, and changing client habits in the banking business (Biswas, 2011).

“Green Banking refers to the banking business conducted in a selected area and manner that helps the overallreduction of external carbon emission and internal carbon footprint”, (Bahl, 2012b).

According to Indian Banks Association (IBA, 2014), Green Bank is like a normal bank, which considers all the social and environmental/ecological factors intending to protect the environment and conserve natural resources. It is also known as the ethical bank or sustainable bank. Therefore, Green banking indicates reducing the use of non-renewable energy & materials and increasing the use of renewable or recyclable energy & materials to keep the environment green and socially friendly. “Green Banking” is a type of banking that provides sustainable financial services. Green Banking can provide these sustainable financial services by using green finance to promote sustainability in the following areas:

- Lending to companies and individuals who are committed to environmental responsibility.
- Reducing the operational carbon emission through its operations.

BENEFITS OF GREEN BANKING-

Benefits of Green Banking:

The Following are the Major Benefits of Green Banking

- It will focus on activities related to their banking business to become environment friendly which is good for our future generations.
- It enhances customers’ consciousness ofthe environment by arranging awareness development programs.
- Create an image of the bank by protecting the environment.
- It controls operational costs due to less consumption of office stationeries, energy, water, etc.
- It includes environmentally friendly lending options.
- It provides a cheaper rate of interest for lending.
- It creates awareness in the mind of people for various issues like global warming.
- It leads to control over health hazards through the utilization of eco-friendly devices.

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- It improves the efficiency and productivity of manpower through the effective utilization of available resources.
- It creates a conducive atmosphere for the bank to work with innovative banking products.
- It motivates current customers and employees to use environment-friendly products, resources, and technology.

Emerging Trend for Green Banking

The green banking practices include Green Products and Services, Green Processes, Green Strategies, and Green Infrastructure (Green IT and Green Building) which have been discussed below in detail-

- Electronic Banking and telephone banking.
- Automatic payment-making systems.
- Electronic or paperless account statements.

SOME POTENTIAL GREEN BANKING PRODUCTS

Online Banking

Online banking facilitates the customer to deposit, withdraw and pay bills through the secured bank website. It controls the wastage of paper, saves gas and carbon emissions, printing costs and postal expenses, etc.

Mobile Banking

It is paperless banking. Mobile banking is a system thatprovides you with various functions like balance checks, account transactions, payments, credit applications, etc. through the use of a mobile phone.

Tree Plantation Project

Under the guidance of forestry department specialists, every bank and its employee should participate in volunteer activities like planting trees.

Green Credit

It means focusing on the benefits of the environment and restricting loans to projects which are harmful to the environment and increasing loans to eco-friendly projects.

Green Marketing

It means the marketing of social and eco-friendly products and enhancing their usage.

Biogas Plant

It is a renewable energy source that encourages people to use green power and also supports agricultural allied activities like livestock and poultry.

Phone banking or mobile banking:

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It facilitates the customer to have access to their account information through their mobile phone and promotes paperless banking.

Atm

It provides customers the facilities like checking account balances, withdrawals, and changing their PIN. These all lead to paperless banking.

Solar Energy

It promotes the use of renewable energy sources and banks can extend loans to such projects as solar panels, solar kitchens, solar electricity, etc.

Green Loans

The bank can support the eco-friendly project by making a provision of loans to activities such as green car loans, green commercial building loans, etc.

History of Green Banking in India

India started emphasizing green finance as early as 2007. In December 2007, the Reserve Bank issued a notification on "Corporate Social Responsibility, Sustainable Development, and Nonfinancial Reporting – Role of Banks" and mentions the importance of global warming and climate change in the context of sustainable development. In 2008, The National Action Plan on Climate Change (NAPCC) was formulated with a vision to outline the broad policy framework for mitigating the impact of climate change.

Publication Dates of Green Banking Adopted in Indian Banks

Green Banking implementing year	Name of the bank operating in India
1996	Union Bank of India
2003	Citi Group INC, HSBC< ING Vyasa, RBS, Royal Bank of Canada, Standard Charted.
2005	Yes bank, Corporation Bank
2006	Bank Of America, JP Morgan
2007	ICICI, OBC, SBI
2008	Bank Of Baroda, Karnataka Bank, Industrial Bank, Dena Bank
2009	HDFC, Indian Overseas, Indus land Bank, PNB, ABN Amro, Karur Vyasa, Andhra Bank
2010	Axis Bank, Kotak Mahindra, South Indian Bank
2011	Canara Bank, IDBI, EXIM
2013	IDFC

According to RBI, (IRDBT, 2014), green banking is to make internal bank processes, physical infrastructure, and IT infrastructure as effective and efficient as possible, with

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zero or minimal impact on the environment. They introduced green rating standards for Indian banks, which are termed Green Coin Ratings.

The Reserve Bank of India (RBI) published its 'Statement of Commitment to Support Greening India's Financial System – NGFS' on November 3, 2021, to contribute towards global response for meeting the climate goals.

REVIEW OF LITERATURE

Jeucken (2001) highlighted important differences between regions, countries, and banks regarding sustainable banking.

Chowdari Prasad (2002) has studied the Impact of Economic Reforms on Indian Banking and suggested how the banking sector will face the changes and challenges.

Hopwood, 2005, highlighted the need for change it would be agreed that transformation in the usual model for sustainable development is essential to understand the evolution of the banking sector towards sustainability.

McKinsey & Co. (2007) On top of all these, there is certainly the aspect of profitability and productivity for all these banks to achieve.

Douglas (2008) found four key findings: (a) banks are increasingly discussing climate change business opportunities in their annual reports, (b) twenty-eight of the forty banks have calculated and disclosed their greenhouse gas emissions from operations, (c) growing demand for climate-friendly financial products and services is leading banks into new markets, and (d) investment banks have taken a leading role in supporting emissions trading mechanisms and introducing new risk management products.

Sudip Kar Purkayastha (2010) Customer Satisfaction, particularly at a time there is stiff competition amongst the different types of banks, i.e., Public, Private, Foreign, and others.

Mohmed Aminul Islam (2010) Green Banking is also gaining importance in recent times. While the bankingindustry is undergoing computerization, networking, and the offering of online banking are naturally gaining momentum.

Ela Sen (2010)Besides several benefits of computerization like speed, accuracy, ambiance, efficient handling of sizeable business, etc., there is a factor like paperless business resulting in waste management, eco-friendliness, and pollution control.

Goyal KA and Vijay Joshi (2011) On One side bankers are expecting more business through customer satisfaction but on the other side, the technology effect makes the customers not come to the bank but the bank is going to the doorstep of the customers.

Nigamanda Biwas (2011) interpreted Green Baking as combining operational improvements, technology, and changing client habits in the marketplace. Adoption of greener banking practices will not only be useful for the environment but also benefit in

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greater operational efficiencies, a lower vulnerability to manual errors and fraud, and cost reductions in banking activities. He stated that the concept of green baking will be mutually beneficial to the banks, industries, and economy

Alice Mani (2011) indicated that as Socially Responsible Corporate Citizens (SRCC), banks have a major role and responsibility in supplementing governmental efforts toward substantial reduction in carbon emissions. Banks' participation in sustainable development takes the form of Green Baking.

(UNEP) Green Finance or Green Banking refers to diverse financial services and products provided by financial institutions for sustainable development (UNEP FI, 2007).

Green finance was first raised at the beginning of the 1990s when the United Nations Environment Program (UNEP) worked with industry to develop environmental management strategies that they were convinced that the financial industry maintaining their businesses might have a significant influence on the environment (UNEP FI, 2010). This concept has been mentioned for several years. But to date, it has not yet been normatively defined by any international bodies, as it depends on a specific financial entity allocating capital to a specific purpose with integrating environmental and sustainability factors. There are some major concerns about environmental issues. Therefore, the organization needs to pay attention to its outputs whether they are violating environmental issues or not. At SBI Bank, it is believed that profit should not be earned at the expense of the world's most pressing environmental problems.

Jha & Bhome (2013) did an empirical study on the steps that can be taken for going green in the banking sector and to check the awareness among bank employees, associates, and the general public about the green banking concept. They did this study by collecting data from 12 bank managers, 50 bank employees, and 50 general customers. The authors thought that online banking, green loans, power-saving equipment, green credit card, use of solar and wind energy, and mobile banking were some of the strategies that should be followed for going green.

Dharwal & Agarwal (2013) studied that green banking is key in mitigating credit risk, legal risk, and reputation risk. The author suggested some green banking strategies like carbon credit business, green financial products, green mortgages, carbon footprint reduction (paperless banking, energy consciousness, mass transportation system, green building), and social responsibility services towards society.

Malu, Agrawal, & Jajoo (2014) studied those banks can play an important role in reducing the carbon footprint in society. Earlier economic development means reducing poverty, inequality, and unemployment in society, but the concept of Economic development had changed to Sustainable development which means development that

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meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission Environment and Development 1987).

Sharma, Gopal, et al. (2014) attempt to study the level of consumer awareness of the Green Banking initiative in India with special reference to Mumbai. From the primary survey, they conducted they find that surprisingly even those people who are using online facilities provided by their banks nearly three fourth of them are unaware of the term Green Banking.

Jaggi (2014) studies the initiative by SBI and ICICI on Green Banking. SBI has introduced a Green Channel Counter, no queue banking, enhanced commitment towards achieving carbon neutrality, online money transfer, and wind farms. The Green Products and Services initiative of ICICI Bank includes instant banking (anytime, anywhere), vehicle finance, and home finance.

Nath, Nayak, et al. (2014) attempt to study the green rating standard given by RBI, the World Bank's environmental and social norms, and the initiative taken by the banks in adopting green practices. They also list strategies for adopting Green Banking. Green Rating Standard is known as Green Coin Rating.

Yadav and Pathak (2013) study the Green Banking approaches opted by private and public banks for environmental sustainability. Using the case study approach, they find that Indian banks have understood the relevance of taking positive steps toward the environment.

Bahl (2012) highlights the means of creating awareness about Green Banking to ensure sustainable growth. Garrett's ranking technique is used to analyse the most significant strategies in respect of Green Banking. If the goal is to attain sustainable development, this can be achieved only through creating awareness and imparting education.

CONCLUSION

Sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost-efficient regulations and economic instruments. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as the banking sector. In a globalized economy, industries and firms are vulnerable to stringent environmental policies, severe lawsuits, or consumer boycotts. Since the banking sector is one of the major stakeholders in the Industrial sector, it can find itself faced with credit risk and liability risks. Further, the environmental impact might affect the quality of assets and the rate of return of banks in the long run. Thus, the banks should go green and play a proactive role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, and use of appropriate technologies and management systems.

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SUGGESTIONS

1. To integrate sustainability concerns specific policies are needed to modify the current management processes.
2. Develop and Spread the News on a Website Reducing the carbon footprint by mass transportation.
3. Inform through the Intranet and Public Website of the Bank.
4. Making consumers increasingly awareness via their website of green banking,
5. Creating media recognition for clients.
6. Subscription to clients with environmentally biodegradable benefits.
7. By funding environment-friendly projects more and more and conducting Bank's Social Responsibility programs.

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BANKING SECTOR REFORMS AND PUBLIC DEBT

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INTRODUCTION

Banking sector reforms started with the goal to improve the overall performance of the Indian banking sector. In the context of economic liberalization and growing trend towards globalization, different banking sector reforms have been introduced in India to improve the operational efficiency and to promote the health and financial reliability of banks so that India banks can meet internationally accepted standards of performance. The make Indian banks, internationally competitive and encourage them to play an effective role in accelerating the process of growth reforms play a key role. The reforms in the banking sector in India intended to enhance the stability, efficiency and effectiveness of banks. It removes the operational rigidities in the credit delivery system and ensures allocation efficiency and achievement of social objectives. The reforms have been strengthening the measures which are aimed at reducing the vulnerability of banks in the face of fluctuations in the economic environment. These included capital adequacy, income recognition, asset classification, provisioning norms, exposure norms, and enhanced levels of transparency and disclosure standards.

OBJECTIVES

1. To study the structure of banking industry, history of banking sector reforms and the various reasons behind the banking sector reforms in India.
2. To discuss the various committees and their recommendations towards the banking sector reforms
3. To identify the challenges of post reform and to suggest the possible remedial measures

LITERATURE REVIEW

Shivamagi (2000), in his article discussed the reforms required in rural banking. He found that although rural banking in India has made tremendous quantitative progress, its quality is a different matter. He further stated that to be suitable for and effective India, a rural banking system should be able to operative at the village level, advance a tailor made package of credit with a consumption component and closely monitor its disbursement to a large number of farmers in varied villages and provide technical guidance and marketing support.The summarised that the policy makers should give thrust to the nurturing of special skills in institutions, a positive management attitude and a culture conductive to healthy rural banking. Shete (2003) presented in his study those priority sector advances of banks during the post reform era, despite the expansion of scope/areas of priority sector definition. Arora and Kaur (2006) stated that banking

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sector in India has given a positive and encouraging response to the financial sector reforms. Entry of new private banks and foreign banks in India has shaken up public sector banks to face tough competition. Sanjeev Kumar (2010) in his thesis observed the performance measurement system in India Banking Sector in CAMEL's framework and explained that VAMEL framework is an important performance measurement system based ondifferentratios used to find out ranking of the banks.

HISTORY OF BANKING SECTOR REFORMS IN INDIA

Pre Independence: Modern banking in India started with the establishment of the General Bank of India in 1786. In 1806, the East India Company established the primary Presidency Bank in Kolkata.

Another two more banks were established in 1840 and 1843 named Bank of Bombay and Bank of Madras. Reserve Bank of India (RBI) was established on April 1, 1935, with the enactment of 50 of the Reserve Bank of India Act 1934. The theme of establishing the Reserve Bank as stated in the preamble to the RBI Act 1935 was to regulate the issue of bank notes and the keeping of reserves with a view of securing monetary stability in India.

Post Independence: Even after independence, the banks were mainly urban-oriented and were beyond the reach of the rural population. A large section of the rural population still had to look upon the money lenders as their resort for credit. That's why the government decided to nationalize all the major banks in India. The first Nationalization took place in 1969 and the second in 1980.

REASONS BEHIND THE BANKING REFORMS IN INDIA

The Indian economy witnessed a series of difficulties like uncertain political situation, persistent fiscal imbalance, double digit inflation, the balance of payments crises etc. Growth of real GDP decelerated to some extent because of lower industrial growth and partly because of the slowdown in agriculture. The industries were affected because of lower government investment, non-availability of inputs due to import compress, recession prevailed in the industrial economy due to the downfall of demand in the markets of Kuwait and Iraq in the wake of Gulf crises and the collapse of the erstwhile Soviet Union.

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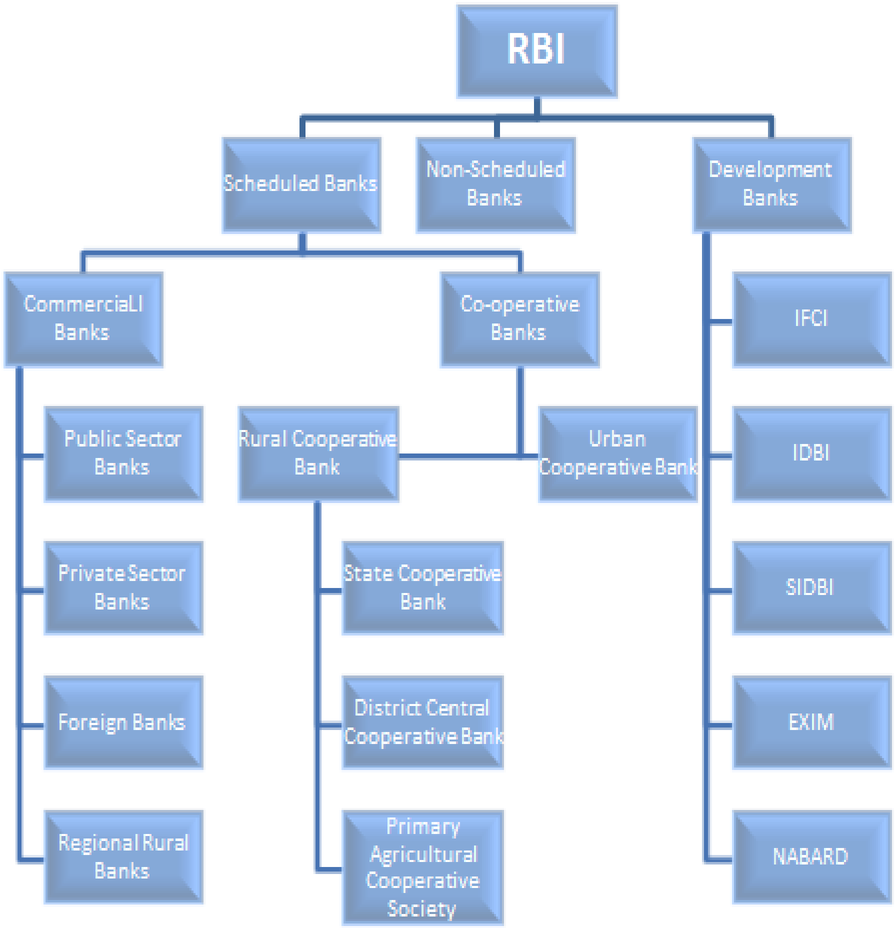
STRUCTURE OF INDIAN BANKING INDUSTRY



Reforms in the Banking Sector were introduced on the Basis of the Recommendations of Different Committees.

1. The first Narasimhan Committee in 1991
2. The Verma Committee in 1996
3. The Khan Committee in 1997
4. The Second Narasimhan Committee in 1998

1. The First Phase of Reforms

The banking sector reforms are directed toward improving the policy framework, framework, financial health and the institutional framework

Change in Policy Framework

Improvement in policy framework has been undertaken by decreasing the Cash Reserve Ratio (CRR) to the initial standard and phasing out Statutory Liquidity Ratio (SLR) deregulation of interest rates, widening the scope of lending to priority sectors and by linking the lending rates to the size of advances.

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Improving Financial Health

Attempts to improve the financial accuracy of the banking sector have been made by prescribing prudential norms. Moreover, steps have been taken to reduce the proportion of Non-Performing Assets (NPSs).

Improvements of Institutional Framework:

i. Recapitalisation

ii. Creating a competitive environment and

iii. Strengthening the supervisory system

2. The Second Phase Reforms

The first phase of the bank sector reforms is completed. The second generation reforms which are in progress concentrate on strengthening the very establishment of the banking system in three ways by reforming the structure of the banking industry, technological up gradation and human resource development.

Prudential Regulation

There are two types of banking regulations economic and prudential. In the pre reform era the Reserve Bank of India regulated banks by imposing constraints on interest rates, narrowing entry norms and directed lending to ensure judicious end use of bank credit. However, such economic regulation of banks troubled their productivity and efficiency. Hence, the RBI switched over to prudential regulating which calls for imposing minimum limit on the capital levels of banks. The objective is to maintain the wealth of banks in particular and to ensure the reliability of the financial system in general. It allows much greater scope for the free play of market forces than what is permitted by economic regulations alone. On the basis of recommendations of the Committee on Banking Sector Reforms, April 1998 (the second Narsimhan Committee) the RBI issued prudential norms. The main purpose of setting such norms was to make sure of financial safety, soundness and solvency of banks. These norms are directed toward ensuring that banks carry on their operations as prudent entities are free from undue risk taking and do not violate banking regulations in pursuit of profit.

The Main Focus of Reforms Was in Three Areas

i. **Non Performing Assets (NPAs):**One severe problem faced by the public sector banks in the 1990s was a high proportion of NPAs. An NPA is an asset from which income is overdue for more than six month. According to the second Narasimhan Committee report in 1998, No other single indicator reflects the quality of assets and their impact on banks viability than the NPA figures in relation to advances. The gross NPAs of scheduled commercial banks increased over the period March 31, 1998 to March 31, 2002 from Rs 51,815 crores to Rs 70,m924 crores Gross NPA of public sector banks were also correspondingly higher. However, the share of PSBs in total NPA declined from 90% to 80% during the period (1998 – 2002). Furthermore,

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there was a turn down in the ration of gross NPAs and net NPAs measured as percentage of advances as well as assets. These ratios represent the quality of banks assets and are thus taken as measures of reliability of the banking system. Gross and net NPAs as a proportion of gross advances and total asset of SCBs declined substantially during this period. However, the ratio of gross and net NPAs as a proportion of gross advances and of total assets increases significantly for new private sector banks from 2001-02 due to the merger of strong banks with weak banks. But the origin of increase in NPAs is the increasing the percentage of bad debt. In case of some banks, net NPAs even exceeded their net worth. This means that such banks had negative net worth.

ii. **Capital Adequacy Ratio:**Banking sector reforms were initiated by implementing prudential norms consisting of Capital Adequacy Ratio (CAR). The core of such reforms has been the expanding of prudential norms to the internationally accepted standards. In 1988 the Basel Committee for international banking supervision made an attempt worldwide to reduce the number of bank failures by tying a bank's CAR to the riskiness of the loans it makes. Throughout the world, commercial banks are under the legal commitment to maintain minimum capital funds for safety purpose. The reason is that a bank's capital base is significantly important for its long term variability. It also acts as a shock absorber in the medium term since it gives the power to absorb shocks and thus avoid the risk of bankruptcy.

iii. **Diversification in Bank Operations:**During the period of economic liberalisation Public Sector Banks have diversified their activities significantly. They have moved in new areas such as mutual funds, merchant banking, venture capital funding and other Parabanking activities such as leasing, hire purchase, factoring, for fainting and so on, the main objective has been to gain profits by deriving maximum economies of scale and scope, expanding customer base and providing various types of banking services under one umbrella. Many banks such s the SBI have become a one stop financial services centre.

Post Reform Challenges of India Banking Sector

Indian Commercial Banks have made good progress in all performance parameters including annual deposits and credit growth, profitability and declining trend in NPAs, with overall capital adequacy reaching 16 percent as on 31st March 2012. Comfortable levels of public deposit in the BankingSector ensured most Banks to have a comfortable liquidity profile.

Banks have benefited from good economic growth during the last decade, implementation of Sarfaesi Act, setting up of Credit Information Bureaus, leveraging latest technology and infrastructure, updating of risk management processes etc. Have all contributed towards the overall improvement. However, some adverse have also been faced by the Indian Banking Sector like slowdown in economy during 2008-09, tight liquidity position, was hikes in the banking system, higher provisioning and capital requirements etc. Gross NPAs are on the rise since 2010-11 due to weakening of credit profiles of borrowers, because of following factors among others.

Indian Commercial Banks are facing at present, several challenges including deregulation of savings rates, together monetary policy, increases stressed assets, especially in secotors like aviation, micro finance, state utilities, infrastructure sector, implementation of BASEL III requirements etc.

The other Challenges Include

With changing global economic situations, demand for speedy, secure and effective service delivery from beneficiaries, information and communication revolution, big bank long gestation infrastructure projects, the problems of banking system undergone drastic changes.

1. Bad loan
2. Cyber threats
3. Twin balance sheet
4. Bank scam
5. The new bankruptcy code
6. Non Performing Assets
7. Requirements of Reserve Ratio
8. Increasing Competition and funding sources

With the growing penetration of computers and smart phones and increasing access to the internet, Indians are taking digital channels for their banking purposes for which cybercrime is becoming a major threat/ the RBI classifies bank fraud as transactions involving any cheating, negligence misappropriation of funds or forged documents.

The Public sector banks are hampered with the high Non Performing Assets while some of the business houses are also under stress due to sluggish global demand. This is called Twin Balance Sheet Syndrome Problem. This leads to incomplete transmission of the monitory policy, unwillingness of banks to lend credit on account of rising NPAs affecting credit growth in turn economic activity.

Suggested Remedies to Be Followed By Indian Banking Sector to Overcome the Challenges

1. The level of competition should be gradually increased within the banking sector while simultaneously introducing international top practices in prudential regulation, supervision and implementation.

2. Special emphasis should be placed on building up the risk management capabilities of Indian banks while measures were originated to ensure flexibility, operationalautonomy and competition in the banking sector.
3. Vigorous steps and measures must be taken to improve the institutional arrangements including the legal framework and technological system.
4. Increase the emphasis on corporate governance
5. Consolidation of banks could be achieved through merger or share purchase
6. Improve credit appraisal capability of banks especially project appraisal, post sanction monitoring and its implementation
7. Mandatory forensic audit pre sanction ofloans for specific class of borrowers to prevent diversion of funds

CONCLUSION

To line up with the changing environment, each country makes its own economic policy and India is not the exception. New economic policy (Liberalization, Privatization and Globalization) is responsible to change the economic environment in India also. To meet these dynamic changes, economic structure in the form of finance, money and capital market, is changing time to time and banking is also one of them, before the economic reforms, there were so many deficiencies and rigidities in the Indian economy. The Indian financial sector was on the crossroads. To remove the severe crises of 1991 and to improve the performance of the Indian commercial banks, first banking sector reforms were introduced in 1991 and after their success government gave much importance to the second phase of the reforms in 1998. After the gap of six years now it had become imperative to modify some of the old reforms and introduced some new reforms in the global age. Suggested third phase of reforms will help to strengthen the ongoing economic reforms by identifying different challenges and to be included the necessary remedies to overcome.

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CHALLENGES OF FOOD SECURITY IN INDIA

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INTRODUCTION

In the history of the world, there have been frequent famines, as well as major wars. Epidemics of different diseases are widespread. A lot of people have died in it. The number of hunger victims is more than all these. 12 percent of the world's population does not have enough and healthy food for two meals a day. Inequalities in the distribution of wealth and income and the lack of welfare schemes in poor countries further reduce food availability. In every country, food consumers outnumber food producers. Hunger is related to education and employment opportunities. Food insecurity is an issue related to equity, rights and social justice. There is a direct relationship between hunger, poverty, agricultural productivity, and sustainability. Three-quarters of the world's poor live in rural areas and earn their living solely from agriculture. Hunger and child malnutrition are higher in rural areas than in urban areas due to the higher proportion of the rural population who earn their income solely from subsistence agriculture.

What is Food Security?

Roughly speaking, food security is the availability of adequate, timely and wholesome food of good quality to all citizens for twelve months. Access to such food is everyone's basic human right. Food security is the availability of food at a reasonable cost when all people need sufficient food.

The definition or concept of food security was presented in various conferences at global level. According to the Food and Agriculture Organization of the United Nations, "Food security is the physical and economic availability of sufficient, safe and wholesome food at all times to meet the dietary needs, fulfillment and food preferences of all people for an active and vigorous life (1983)".

According to the World Development Report "Food security is the availability of food for all for a healthy and active life at all times (1986)".

According to the Food and Agriculture Organization (FAO), food security occurs when all people have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

Food security is the provision of assuredly adequate food to people who are deprived of basic nutrition.

In short, the concept of food security requires the provision of basic and healthy food to the people of the country. It is necessary to create the ability and purchasing power of people to get food in socially acceptable ways. That is, food security requires people to

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have enough income to buy enough food. Because around 25 crore people are hungry in the world due to poverty and around 200 crore people do not have enough food on time due to uncertain income. Also, about 17 thousand children die every day and about 6 million children die every year due to lack of adequate and healthy food.

Food Security in India

Food security is one of the major concerns in India. According to UNO, there are nearly 195 million malnourished people in India. India ranks 68 out of 113 major countries in the 2022 Food Security Index ranking.

According to the country ranking of 113 countries assessed by the Global Food Security Index (GFSI) in 2020, India is ranked 71 out of 113 countries. The ranking is based on four criteria: affordability, availability and quality and safety.

According to the Global Hunger Index, 2020, India's ranking improved to 94th out of 107 countries but far behind countries like Bangladesh, Pakistan and Nepal.

According to the State of Food Security and Nutrition in the World, 2020 report, the prevalence of under nutrition in the total population in India has declined from 21.7% in 2004-06 to 14% in 2017-19.

India, the second most populous country in the world, has achieved self-sufficiency in food grain production in recent years. Despite this, India continues to have high levels of poverty, food insecurity and malnutrition. About 21.25 percent of people in India have a daily income of less than US$1.90 i.e. a quarter of all undernourished people in the world live in India. Per capita income has tripled over the past two decades, yet minimum food intake has declined. The gap between the rich and the poor has widened during this period of high economic growth. India ranks highest in terms of hunger among all countries in Asia. Lack of adequate food reduces the labor force of the people and their income decreases. As priority is given to food, there is no income left for education, health, savings. As a result, poverty alleviation is hampered.

Food Security Act

After India's independence, the government appointed the Foodgrain Policy Committee in 1947 to solve the foodgrain problem. After 1951, efforts were made to reduce dependence on foreign countries for food through economic planning. Through Green Revolution, India has become self-sufficient in food grains. This has made it possible to provide adequate supply of food grains to the rapidly growing population. India has achieved self-sufficiency in foodgrains at the national level. But it is seen that India has failed at the family level. Many families are still starving. Especially people living in mountain valleys, remote areas and places with poor communication facilities struggle to manage to get two meals a day. For them, the concepts of healthy food, sufficient food, healthy food are mirages. Although the Indian economy is growing steadily, the rate of malnutrition is also high. Due to the high rate of poverty, most of the people are

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facing food problems. Apart from this, food wastage is a subject of research. In urban areas, there is a large amount of food wastage due to queues in various events, especially parties held in five star hotels. Among the wealthy, it is considered a sign of inferiority to completely eliminate food from the plate.

A bill was introduced in the Lok Sabha on 7 August 2013 to provide the right to food to every citizen of the country. The Indian Parliament enacted the National Food Security Act on 02 September 2013.This Act seeks to provide subsidy on foodgrains. About two-thirds of India's population of 1.35 billion is subsidized by the government.

Food Security and Indian Agriculture

Agriculture has always been central to Indianness. Agriculture has a tradition in India and it is a way of life here. As a nation we can only prosper if our agriculture sector is developed. Sustainable development and food security are closely related. Although there has been progress in the agriculture sector in the last 75 years, there is a need to adapt our agriculture to new needs and new challenges in the future. “Innovative concepts should become the main driver of agricultural development and protect our farmers from climate change crisis and fluctuations in food prices. The United Nations has unanimously accepted India's proposal to declare 2023 as the International Year of Millet-Coarse Grain. In a world facing challenges of food scarcity, water scarcity and climate change, focusing on millet cultivation is a good solution.

Agricultural challenges in the way of food security

Even in today’s very advanced times, there is still no alternative to food. In times of famine, food is needed to satisfy hunger and for that agriculture and farmers are equally important for non-agricultural occupation. There is a mountain of problems and obstacles in front of agriculture. It will be difficult to implement the Food Security Bill if agricultural production is not increased. Irrespective of the political party, the rulers are following the policy of customerization as per convenience. But while doing this, the attitude towards the food-giver farmer should not be that of a happy food-giver, but at least that of a food-giver should be a lively one. Only if the farmer survives will agriculture survive and only if agriculture survives will everyone be fed.If adequate food security is to be achieved, it is necessary to increase agricultural income. But there are many challenges in increasing agricultural income.

- **Climate Change**

A changing climate has increased the challenges facing agriculture. In the coming decades, changing climate and environmental stressors will have significant but uncertain impacts on global food security. As the temperature rises due to climate change, there is a risk of food shortages caused by the heat. Climate change is predicted to increase the number of extreme events like droughts and floods. This will have many effects on agriculture. According to Climate and Development Knowledge Network

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Reports, impact of climate change on agriculture includes changes in productivity and livelihoods, economic losses and impacts on infrastructure, markets and food security.

- **Additional use of Chemical Fertilizers**

The serious issue of presence of chemical fertilizers and pesticides in agricultural products is often raised. Chemical fertilizers are used in agriculture. These chemicals slow down the process of converting complex nutrients into simple nutrients needed by crops as they kill beneficial soil microorganisms. As a result, the amount of chemical fertilizers and pesticides has to be increased during the next crop and a kind of vicious cycle is created.

- **High Prices of Fertilizers and Seeds**

The prices of inputs required for agricultural products are increasing steadily. Especially in recent times, there has been a huge increase in the prices of fertilizers, pesticides and seeds. So the farmer is in trouble. A question has arisen as to how the farmers should farm. In such a situation, the mentality of the farmers to get out of the agriculture business is becoming. If this happens, the production will decrease and also it will be difficult to achieve food security.

- **Decreasing Prices of Agricultural Produce**

Due to the increasing inflation of the inputs required for agricultural production and on the contrary, the low market price of the agricultural produce, the agriculture business is in crisis. Due to falling prices of agricultural commodities, many crops do not generate income equal to the cost of production. Sometimes there is no production or very little production due to natural calamities. Sometimes the farmers are in debt due to falling market prices despite getting abundant production with the help of nature.

- **Changes in Land Use**

With the increase in population, land use for residential and industrial purposes is increasing. Therefore, the size of the agricultural sector is decreasing day by day. Therefore, inferior type of land is being brought under cultivation for cultivation. But the quantity of production obtained from such land is small. Apart from this, the forest area is also decreasing. Due to this, the rate of drought has also increased. Achieving food security in such a situation is going to be a challenge.

- **Loss of Biodiversity**

Biodiversity and genetic diversity are slowly disappearing after human intervention in biodiversity. In order to get more production in agriculture, the practice of growing a single crop over a wide area has started to increase. Most of the problems in agribusiness are caused by planting a single variety over a wide area. 80% of the food for human consumption comes from only twenty species of plants, but 40,000 species are in actual human consumption. These include shelter, food, fruits, medicines, and clothing. There is no doubt that Earth's biodiversity is still meeting the needs of a

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growing population, but the diversity of human consumption species is rapidly diminishing. It's time to think about it.

- **Ignorance of Agricultural Research**

India is decades behind the US and European countries in developing new technologies in the field of agricultural research. Today the government is doing things for food security. But on the other hand it is providing very little funding for research. Currently only 0.6 percent of the country's gross national income (agro GDP) is being spent on research. In order to achieve food security of the country, there is an urgent need for India to reform its agricultural policy, especially its research programme. Indian agriculture has huge potential, but so far the production has not been taken up to this capacity. India will not starve if research is done according to market demand, if proper policy is implemented. That is, the challenge of food safety can be met.

- **Government Policies**

The government is deregulating the prices of goods and services related to agricultural production. Export ban on agricultural products? Due to the two-pronged policy of the government, the agricultural business is losing money. A farmer is looking to move away from farming. Now henceforth agricultural production will increase only when the income of farmers increases. That is, if their goods get a fair price on the basis of cost of production, the farm income will increase only if the cost is deducted.

- **Misuse of water and Cultivation of Food Grains**

Taking cash crops because water is available and not growing food grains has become a part of the mentality of some economically strong and socially active farmers in the current situation. Water is as essential as land scarcity in relation to food grain production. It is seen that food grains cannot be grown even as land is available but there is no water. According to the estimates of the World Council, there will be a 40 percent increase in water consumption in the next 20 years. 17 percent more water is required than the available water for growing food grains.

Measures to make food Security Schemes Successful

There is a need for the government to pay special attention to Indian agriculture in order to provide good quality food to the Indian citizens and to make the food security scheme a success. The following measures can be taken for this.

1. Increase in irrigation facilities.
2. Supply of cheap agricultural inputs for agriculture.
3. Providing uninterrupted power supply.
4. Overuse of higher yielding seeds.
5. To make efforts to fetch fair prices for agricultural produce.

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6. To develop an efficient mechanism to monitor all the above matters,

7. Provision of godowns for food grain storage.

8. Making public distribution system efficient

9. Controlling inflation.

10. Reduction of regional disparities in food production.

SUMMARY

The demand for agricultural produce in the country is continuously increasing. People's diet has changed. Also, as the purchasing power has increased, people have started buying more and more agricultural products. Recognizing these changing trends, there is a need to cultivate more yielding crops that are resilient to climate change. Due to climate change, agriculture has faced a big challenge, the ability to deal with it can only be gained through research work. In the future also there is a need for research in the field of increasing the productivity of crops, reducing production costs, improving crop diversity, cropping patterns, increasing the value of agricultural products.

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AGRICULTURAL AND FOOD SECURITY IN INDIA

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INTRODUCTION

Agricultural and Food security and its importance in India: Agricultural and Food security refers to the availability, access, and utilisation of sufficient, safe, and nutritious food for all individuals in a population. Agricultural and food security is crucial in India because it is a predominantly agricultural country, where a significant portion of the population depends on agriculture for their livelihoods. The importance of agricultural and food security in India can be summarised as follows: 1. Food security: Ensuring that everyone has access to adequate and nutritious food is essential to promote human health and well-being. In India, food security is a significant concern due to poverty, inadequate infrastructure, and natural disasters such as droughts and floods. 2. Economic growth: Agriculture is a significant contributor to the Indian economy, with approximately 50% of the workforce employed in the agricultural sector. Ensuring agricultural and food security can lead to increased productivity and incomes, as well as improved trade opportunities. 3. Environmental sustainability: Agricultural practices that are environmentally sustainable are necessary to ensure that land, water, and other natural resources are used in a manner that is not harmful to the environment. This is essential for long-term food and agricultural security. 4. Rural development: Many rural areas in India are underdeveloped and lack basic infrastructure such as roads, electricity, and water supply. Improving agricultural and food security in these areas can promote rural development by creating employment opportunities and increasing access to basic necessities. In summary, agricultural and food security is critical for India's economic, social, and environmental well-being. By ensuring that everyone has access to sufficient, safe, and nutritious food, promoting sustainable agricultural practices, and investing in rural development, India can achieve its goal of food security and sustainable development. **History of Agricultural and Food security in India:** The history of Agricultural and Food security in India can be traced back to ancient times when agriculture was the primary source of livelihood for the people. The ancient Indian civilisation had well-developed agricultural practices, such as crop rotation, use of manure and irrigation systems, which contributed to food security. During the British colonial period, agriculture was transformed to meet the needs of the colonial rulers. The focus was on the production of cash crops such as cotton, indigo, and opium, rather than food crops. This led to a decline in food security, as Indian farmers were forced to prioritise the production of cash crops over food crops. After India gained independence in 1947, the government recognised the importance of agriculture and food security in the country's development. The Green Revolution, which began in the 1960s, aimed to increase agricultural productivity through the use of high-yielding varieties of crops,

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irrigation, and chemical fertilisers. The Green Revolution was successful in increasing food production, but it also had negative impacts on the environment and led to a shift towards monoculture farming. In the 1990s, India began to adopt policies that focused on sustainable agriculture and food security. The National Food Security Act of 2013 was a significant step towards ensuring that all Indians have access to adequate and nutritious food. The government has also invested in improving rural infrastructure, promoting organic farming, and implementing sustainable agricultural practices. Despite the progress made in recent years, challenges such as climate change, land degradation, and water scarcity continue to threaten agricultural and food security in India. Therefore, it is essential to adopt policies and practices that promote sustainable agriculture and ensure food security for all Indians.

II. Food Security in India Overview of food security in India: Food security is a major issue in India, given its large population and high levels of poverty. The concept of food security means that all individuals should have access to sufficient, safe, and nutritious food to meet their dietary needs and preferences for an active and healthy life. India has made significant progress in improving food security over the past few decades, particularly with the implementation of various government schemes and programs. The Public Distribution System (PDS), for example, provides food grains to eligible families at subsidised rates through a network of fair price shops. The National Food Security Act, passed in 2013, aims to provide food grains to two-thirds of the population at subsidised rates. However, despite these efforts, food insecurity continues to be a major issue in India, particularly in rural areas and among marginalised communities. The reasons for this include low agricultural productivity, limited access to markets and technology, climate change, and socio-economic factors like poverty and inequality. Moreover, while India is self-sufficient in terms of food grain production, there are still concerns around malnutrition and access to diverse and nutritious food. The country has one of the highest rates of malnutrition in the world, with high levels of stunting and wasting among children under five years of age. To address these challenges, the government has taken steps to improve agricultural productivity, promote sustainable farming practices, and increase the availability of nutritious food. Initiatives like the National Nutrition Mission, the Integrated Child Development Services scheme, and the Mid-Day Meal Scheme aim to improve the nutritional status of vulnerable populations, particularly women and children. Overall, while India has made significant progress in improving food security, there is still a long way to go to ensure that all individuals have access to sufficient, safe, and nutritious food. **Hunger, malnutrition and poverty in India:** Hunger, malnutrition, and poverty are major challenges in India. Despite being one of the world's largest producers of food, a significant proportion of the country's population continues to face food insecurity, undernutrition, and poverty. According to the Global Hunger Index-2020, India ranks at 94 out of 107 countries in terms of hunger and malnutrition. The report highlights the

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prevalence of stunted growth, wasting, and underweight children under the age of five in India, with high rates of malnutrition persisting across different regions and socio-economic groups. Poverty is a key underlying factor driving hunger and malnutrition in India. According to the World Bank, around 22% of the population lived below the national poverty line in 2011-2012. Poverty is closely linked to food insecurity, as many households do not have the resources to purchase sufficient and nutritious food. Moreover, poverty and malnutrition are often exacerbated by other factors like inadequate access to healthcare, sanitation, and education. Women and children are particularly vulnerable to malnutrition and poverty, with high rates of maternal and child mortality, low birth weight, and infant malnutrition. To address these challenges, the Indian government has implemented various programs and schemes aimed at improving food security, reducing poverty, and promoting nutrition. For example, the National Food Security Act provides subsidised food grains to eligible families, while the Mid-Day Meal Scheme provides free meals to school children. However, there is still a long way to go to address the underlying causes of hunger, malnutrition, and poverty in India. This requires a comprehensive approach that includes measures to improve agricultural productivity, promote sustainable and diversified farming practices, and strengthen social protection systems to support vulnerable populations.

III. Challenges Facing Agricultural and Food Security in India Population growth and land use change: Population growth and land use change are two closely linked issues that have significant impacts on agricultural production and food security. As the population grows, there is increasing pressure on land resources, leading to changes in land use patterns that can affect agricultural productivity and food production. In India, the population has been growing steadily over the past few decades, and this has put significant pressure on the available land resources. Land use changes have occurred due to urbanisation, industrialisation, and infrastructure development, leading to the conversion of agricultural land into non-agricultural uses. The loss of productive agricultural land can reduce the amount of food that can be produced, leading to food shortages and increased food prices. Moreover, as the population grows, the demand for food increases, putting further pressure on agricultural land resources. This increased demand for food can lead to the intensification of agricultural practices, such as the use of fertilisers and pesticides, which can have negative impacts on soil health and biodiversity. This, in turn, can impact the long-term sustainability of agricultural production and the resilience of food systems. To address the challenges of population growth and land use change, there is a need for sustainable land use practices that balance the competing demands for agricultural production, conservation of natural resources, and economic development. This requires a comprehensive approach that includes land use planning, conservation and restoration of degraded lands, and promotion of sustainable agriculture practices that increase productivity while reducing environmental impacts. In conclusion, population growth and land use change are

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critical issues that have significant impacts on agricultural production and food security. Addressing these challenges requires a multi-stakeholder approach that includes government policies, private sector investments, and community-based initiatives that promote sustainable land use practices and ensure food security for all. **Climate change and its impact on agriculture:** Climate change is one of the most significant challenges facing the agricultural sector in India and around the world. Climate change refers to the long-term changes in temperature, precipitation patterns, and extreme weather events that are caused by human activities, primarily the burning of fossil fuels. The impact of climate change on agriculture is significant, as agricultural production is directly dependent on climate and weather patterns. Changes in temperature and rainfall can affect crop growth, pests and diseases, and water availability, leading to decreased yields and reduced food security. In India, climate change is expected to impact agriculture in several ways, including: 1. Changes in rainfall patterns: Climate change is expected to cause changes in the amount and timing of rainfall in India. This can impact the availability of water for irrigation and crop growth, leading to reduced yields and lower agricultural productivity. 2. Increased frequency of extreme weather events: Climate change is expected to lead to more frequent and severe weather events, such as droughts, floods, and heatwaves. These events can cause significant damage to crops and livestock, leading to reduced yields and lower agricultural productivity. 3. Spread of pests and diseases: Climate change can lead to the spread of pests and diseases, as warmer temperatures and changes in rainfall patterns create favourable conditions for the growth and spread of these organisms. This can lead to reduced crop yields and increased food insecurity. 4. Soil degradation: Climate change can also lead to soil degradation, as changes in rainfall patterns and extreme weather events can cause erosion and nutrient depletion. This can impact the long-term sustainability of agricultural production and the resilience of food systems. To address the impacts of climate change on agriculture, there is a need for concerted efforts to promote sustainable agriculture practices that increase resilience and reduce greenhouse gas emissions. This includes measures such as conservation agriculture, agro-forestry, and the use of drought-tolerant and climate-resilient crop varieties. Additionally, there is a need for policy interventions that support climate-smart agriculture practices and promote adaptation and mitigation measures to address the impacts of climate change on agriculture.

Soil Degradation and Nutrient Depletion: Soil degradation and nutrient depletion are significant challenges that impact agricultural productivity and food security in India. Soil degradation refers to the loss of soil productivity and functionality, resulting from natural and human-induced processes such as erosion, salinization, compaction, and acidification. Nutrient depletion occurs when the soil loses essential nutrients such as nitrogen, phosphorus, and potassium, which are necessary for plant growth and development. Soil degradation and nutrient depletion can have several negative impacts

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on agricultural production, including reduced crop yields, increased soil erosion, and decreased soil fertility. In India, soil degradation and nutrient depletion are significant concerns, as they can lead to food shortages, lower agricultural productivity, and increased poverty and hunger. To address these challenges, there is a need for comprehensive and sustainable approaches to soil management. This includes measures such as conservation agriculture, integrated nutrient management, and soil health management practices. Conservation agriculture practices involve reducing soil disturbance, maintaining soil cover, and rotating crops, which can help to improve soil health and prevent erosion. Integrated nutrient management involves using organic and inorganic fertilisers, improving soil fertility, and optimising nutrient use efficiency. Soil health management practices focus on maintaining soil health and fertility through regular monitoring and analysis of soil properties. In addition, there is a need for policy interventions that support sustainable soil management practices and promote the adoption of these practices by farmers. This includes measures such as subsidies for the adoption of conservation agriculture practices, promotion of organic farming, and support for research and development in soil health management.

Water Scarcity and Irrigation Challenges: Water scarcity and irrigation challenges are significant barriers to agricultural productivity and food security in India. With a rapidly growing population and increasing demand for water for domestic, industrial, and agricultural uses, water scarcity is becoming an increasingly pressing issue in many parts of the country. India has one of the largest irrigation systems in the world, but many challenges remain in ensuring sustainable and effective irrigation practices. Some of the key challenges related to irrigation in India include: 1. Limited access to water: Many farmers in India do not have access to reliable and adequate water supplies for irrigation. This can lead to reduced crop yields and lower agricultural productivity. 2. Inefficient use of water: In many cases, irrigation systems in India are inefficient, leading to wastage of water and reduced agricultural productivity. This is often due to outdated irrigation infrastructure, poor maintenance, and inadequate monitoring and management. 3. Groundwater depletion: Groundwater is a critical source of irrigation water in India, but excessive pumping is leading to groundwater depletion in many parts of the country. This can lead to reduced availability of water for irrigation and other uses, as well as environmental impacts such as land subsidence and salinisation. 4. Climate change: Climate change is expected to impact water availability and quality in India, further exacerbating water scarcity and irrigation challenges. To address these challenges, there is a need for a comprehensive approach to water management that includes sustainable irrigation practices and efficient use of water resources. This includes measures such as the promotion of drip irrigation, use of efficient irrigation systems, and adoption of water-saving technologies. Additionally, there is a need for policy interventions that support sustainable water management practices and promote the adoption of these practices by farmers. This includes measures such as subsidies for

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the adoption of efficient irrigation systems, promotion of water harvesting and conservation, and support for research and development in sustainable water management.

IV. Opportunities for Agricultural and Food Security in India Diversification of crops: Diversification of crops in India can have a significant impact on agricultural and food security. The country is heavily dependent on a few crops, such as rice, wheat, and sugarcane, which makes its food system vulnerable to shocks, such as weather-related disasters or disease outbreaks. By diversifying crops, farmers can reduce their reliance on a single crop and spread their risk. This can lead to more stable incomes, as well as increased resilience to shocks. Additionally, diversification can also lead to increased productivity and soil health, as different crops can have different nutrient requirements and can help break disease cycles. Furthermore, diversification can also have a positive impact on food security by increasing the availability of diverse and nutritious food options. This can be especially important for vulnerable populations, such as children and pregnant women, who need a variety of nutrients for optimal health. However, diversification can also present challenges, such as access to markets and infrastructure for new crops, as well as technical knowledge and financial resources. It is important that farmers have access to the necessary resources and support to successfully diversify their crops.

Agro-forestry and integrated farming Systems: India is home to a large number of small and marginal farmers who are vulnerable to weather-related shocks, such as droughts and floods, and who often struggle to make a living from agriculture. Agroforestry and integrated farming systems can provide these farmers with a range of benefits, such as: 1. Increased productivity: By integrating trees, crops, and/or livestock, farmers can increase their productivity and reduce waste. For example, trees can provide shade for crops, which can reduce water stress and improve yields. 2. Diversification: Agroforestry and integrated farming systems can provide farmers with a range of products to sell, such as timber, fruits, and vegetables, which can help to diversify their income and reduce their risk. 3. Soil health: By adding trees to their farms, farmers can help to improve soil health by reducing erosion, increasing nutrient cycling, and adding organic matter to the soil. 4. Climate change mitigation: Trees sequester carbon from the atmosphere, which can help to mitigate climate change and reduce the impact of weather-related shocks on farmers. 5. Increased biodiversity: Trees provide habitat for a range of wildlife, which can help to support ecosystem services, such as pollination and pest control. 6. Reduced environmental impact: Agro-forestry and integrated farming systems can help to reduce the environmental impact of agriculture by reducing the use of synthetic inputs and improving soil health. 7. Food security: By providing farmers with a range of crops and products, agro-forestry and integrated farming systems can help to improve food security in India, especially in rural areas where access to diverse and nutritious food is often limited. However, the implementation of agro-forestry and

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integrated farming systems requires careful planning and management, as well as access to the necessary resources and support for farmers. With the right support, these approaches can have many benefits for agricultural and food security in India.

Sustainable Agricultural Practices: India is the world's second-largest producer of food, and sustainable agriculture practices can help to increase productivity, improve soil health, and reduce the environmental impact of agriculture. Some of the sustainable agricultural practices that can be implemented in India are: 1. Conservation agriculture: This involves minimising soil disturbance, maintaining soil cover, and rotating crops to improve soil health and reduce erosion. 2. Agroecology: This approach involves the integration of ecological principles into agriculture to promote the health of ecosystems and reduce the use of synthetic inputs. 3. Organic farming: This involves the use of natural inputs, such as compost and manure, to fertilise crops and reduce the use of synthetic inputs. 4. Integrated pest management: This approach involves the use of a range of techniques, such as crop rotation and the use of natural predators, to control pests and reduce the use of synthetic pesticides. 5. Agroforestry: As mentioned earlier, this involves the integration of trees with crops and/or livestock on the same plot of land to provide multiple benefits, such as increased biodiversity, soil health, and climate change mitigation. Implementing sustainable agricultural practices requires access to the necessary resources and support for farmers, such as technical knowledge, financial resources, and market access. Sustainable agriculture practices can help to improve agricultural and food security in India by:

1. Increasing productivity and reducing waste
2. Improving soil health and reducing erosion
3. Promoting biodiversity and ecosystem services
4. Reducing the use of synthetic inputs and the environmental impact of agriculture
5. Diversifying income sources for farmers
6. Enhancing food security by promoting the production of diverse and nutritious crops

Organic Farming: Organic farming has the potential to significantly impact agricultural and food security in India. India is one of the largest producers of organic food in the world, and the organic farming sector is rapidly growing due to increased demand for organic food products both domestically and internationally. Organic farming involves the use of natural inputs, such as compost and manure, to fertilize crops and reduce the use of synthetic inputs. It also emphasizes the use of cultural and biological practices, such as crop rotation, intercropping, and integrated pest management, to manage pests and diseases. Implementing organic farming practices can have a number of benefits for agricultural and food security in India, including: 1. Improved soil health: Organic farming practices improve soil health by increasing

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organic matter, promoting microbial activity, and reducing soil erosion. 2. Increased productivity: Organic farming can lead to increased productivity and yield stability by improving soil fertility and reducing crop stress. 3. Reduced environmental impact: Organic farming practices reduce the environmental impact of agriculture by reducing the use of synthetic fertilizers and pesticides, which can contribute to soil and water pollution. 4. Diversification of income: Organic farming provides farmers with opportunities to diversify their income by producing high-value organic crops and products. 5. Food security: Organic farming can improve food security by promoting the production of diverse and nutritious crops and by reducing the environmental impact of agriculture, which can lead to more sustainable and resilient food systems. Implementing organic farming practices requires careful planning and management, as well as access to the necessary resources and support for farmers. Organic farming often requires more labor and management compared to conventional farming practices, and farmers need access to markets that are willing to pay a premium for organic products.

Role of Innovation and Technology in Improving Agricultural Productivity: Innovation and technology can play a crucial role in improving agricultural productivity by enhancing efficiency, reducing production costs, and improving the quality of crops. In India, where agriculture is a key contributor to the economy and a source of livelihood for millions of people, the role of innovation and technology in improving agricultural productivity cannot be overstated. Some of the ways in which innovation and technology can improve agricultural productivity in India include: 1. Precision agriculture: Precision agriculture uses technology such as sensors, drones, and GPS to collect data about crop health, soil moisture, and other important factors, which can be used to optimise crop production. 2. Mechanization: Mechanization, including the use of tractors and other farm machinery, can reduce labor costs, increase efficiency, and improve crop yield. 3. Biotechnology: Biotechnology can be used to develop crops that are resistant to pests and diseases, as well as crops that are more nutritious and have longer shelf lives. 4. Irrigation: Innovative irrigation technologies, such as drip irrigation and sprinkler irrigation, can help to conserve water and improve crop yield. 5. Farm management software: Software applications that help farmers to manage their farms more efficiently, by tracking crop production, input use, and financial data, can improve decision-making and increase productivity. 6. Climate-smart agriculture: Climate-smart agricultural practices, such as conservation agriculture and agro-forestry, can help farmers adapt to the impacts of climate change and increase resilience.

Trade opportunities in agricultural and food products: India is one of the world's largest producers and consumers of agricultural and food products. With a rapidly growing population and increasing demand for food, there are significant trade opportunities in this sector. Here are some potential areas for trade: 1. Grains and cereals: India is a major producer and consumer of grains and cereals, including rice, wheat, maize, and millets. There is a significant demand for high-quality grains and

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cereals, both for domestic consumption and for export to other countries. 2. Dairy products: India is the world's largest producer of milk and has a rapidly growing dairy industry. There is a significant opportunity for the export of dairy products, including cheese, butter, and yogurt. 3. Spices: India is known for its rich variety of spices, including turmeric, cumin, coriander, and cardamom. There is a significant demand for high-quality Indian spices in the international market. 4. Fruits and vegetables: India is a major producer of fruits and vegetables, including mangoes, bananas, grapes, and tomatoes. There is a significant opportunity for the export of fresh and processed fruits and vegetables, including juices, jams, and pickles. 5. Meat and poultry: India has a growing meat and poultry industry, with a significant demand for high-quality products, including chicken, beef, and pork. There is a significant opportunity for the export of meat and poultry products to other countries. 6. Organic and natural products: There is a growing demand for organic and natural products in India, with a significant opportunity for the export of high-quality organic and natural food products, including fruits, vegetables, grains, and dairy products. To take advantage of these trade opportunities, it is important to focus on quality and consistency in production, as well as meeting international standards for food safety and quality. Additionally, building strong relationships with buyers and partners in other countries is the key to developing a successful agricultural and food trade business.

V. Conclusion and Recommendations In conclusion, agriculture is a crucial sector in India that provides livelihoods for millions of people and contributes significantly to the country's economy. However, despite significant progress, food security remains a major challenge in India due to various factors such as climate change, land degradation, and water scarcity. It is therefore essential to focus on improving agricultural productivity and food security in India through sustainable farming practices, innovative technologies, and investment in agricultural infrastructure. To achieve sustainable agricultural and food security in India, it is important to adopt a multi-stakeholder approach that involves collaboration and partnerships between government, NGOs, private sector, and civil society organisations. This can help to mobilise resources, build capacity, and facilitate knowledge sharing, as well as ensure that agricultural and food security interventions are locally relevant and socially inclusive. Some recommendations for improving agricultural and food security in India include: 1. Encouraging the adoption of sustainable farming practices, such as crop diversification, organic farming, and conservation agriculture. 2. Increasing public investment in agriculture, including irrigation and infrastructure development. 3. Strengthening the capacity of agricultural extension services and farmer cooperatives. 4. Improving food processing, storage, and distribution systems to reduce food waste and increase food security. In conclusion, achieving sustainable agricultural and food security in India is a complex challenge that requires a coordinated effort from all stakeholders. By working together and adopting sustainable and innovative approaches,

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we can ensure that agriculture continues to provide livelihoods and food security for millions of people in India while protecting the environment and building resilience to future challenges.

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FOOD PRICES INFLATION EVALUATION IN INDIA POST PANDEMIC: A FOOD SECURITY PERSPECTIVE

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INTRODUCTION

In India, the three major objectives of economic policy are growth, social justice (equitable distribution of income and wealth), and price stability. Of these, price stability is perhaps the one that can be pursued most effectively by the monetary authorities of the country. The monetary policy of an economy operates through three important instruments, viz., the regulation of money supply, control over aggregate credit, and the interest rate policy. In the pro-reform period, given the largely underdeveloped state of the financial system, the regulated nature of financial markets, and plan priorities, the RBI often resorted to the direct instruments of monetary policy like CRR, SLR, and interest rate for allocating credit and regulating money supply in the economy. Gradual liberalization and globalization of the economy, strengthening and development of the financial system, restrictions on the automatic monetization of fiscal deficit, and various other changes in the economy had made it possible for the RBI operates with the indirect instruments of monetary policy such as bank rate, repo rate, and OMOs (open market operations). Accordingly, there has been a distinct shift in the monetary policy framework and operating procedures from direct instruments of monetary control to market-based indirect instruments in recent years. The monetary authorities are striving hard to curb inflation by adopting several monetary policy measures, the important amongst which are changes in CRR, repo, and reverse repo rate, which directly influences the money supply in the market with immediate effect without creating any distortions in the economy. That is the reason, they are perceived to be the most appropriate by the monetary authorities to curb the existing inflation, and hence changed 16 times during the year 2020 to2022.

Beginning 2021-22: Q2 till 2021-22: Q4, with the exception of few quarters during 2012-13 and 2013-14, food inflation in terms of a wholesale price index (WPI) remained above overall inflation. The quarterly food inflation grew at an average rate of 10.16 percent during this period compared with 6.76 percent for overall inflation. In contrast, during the preceding period of five years between 2019-2020 till2021-22, the overall inflation was generally observed to be higher than food inflation. This was the period when inflation in general was low, and the average quarterly food inflation of 2.63 percent during the period was much lower than the overall inflation rate of 4.90 percent.

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OBJECTIVES OF THE STUDY

- To study the nature and causes of food prices inflation in India
- To examine the effectiveness of monetary policy in ensuring price stability in India
- To study the changing role and importance of selected monetary instruments in India
- To study the impact of food price rise as an obstacle to economic growth.

Comparison of Various Financial Values

The disproportionate response of agricultural and industrial prices to monetary changes, both in the short-run and long-run have been empirically validated by several studies for different countries, for the US, Onlen and Fackler (1989) using a VAR and impulse response function show that an increase in money supply raises agricultural prices relative to the general price level for more than a year implying monetary changes lead to a change in real agricultural prices in both the short- and long-run Saghai Reed and Merchant (2002) extended Frankel's closed economy model to an open commodities for the US economy. They found that monetary changes have both short- and long-run economy framework by including exchange rates to account for international trading of agricultural effects on agricultural prices

Now, we can have a look into the variations in the values of these variables over the period for finding out the reasons behind them. Whether the monetary policy is effective in implementing price and financial stability or not, will be clear from such a comparative analysis. The values of all three items have increased over the years, i.e., net bank credit, broad money, and the price level. We can see the maximum values in the financial year (in 2022-23), i.e., Rs. 16,67,096 crores, Rs. 55,79,567 crore and 242.9 respectively. The values have increased continuously during the period, showing a positive and direct correlation between the three; even though the rate of growth does not seem proportionate. Percentage changes in these values also show a positive picture, but with frequent ups and downs in variations. Credit availability has exhibited its maximum percentage variation as 42 percent during2018-19 and the minimum rate of change was 0.9 percent in 2020-21. WPI has marked its minimum of3.3 in 2021-2022.

Whenever there were price hikes during the years, monetary authorities successfully have made use of all the weapons effectively and prudently, to rein the inflationary pressures and to maintain financially stability in the economy. However, the RBI reduced the CRR continuously many times during the inflationary pressures, and to absorb excess liquidity, the RBI has raised the CRR, SLR, Repo andReverse Repo rates altogether.

Headline Inflation Declined from its Peak

FY22 witnessed lower CPI-Combined(CPI-C) based retail inflation as compared to FY21.Even so, inflation remained on the higher side when compared to the moderation

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seen during the years prior to the pandemic. During FY22, some sub-groups such as'oils & fats', 'fuel & light'and 'transport & communication' reported high inflation. This was mainly driven by supply disruptions caused by pandemic-induced lockdowns. The subsequent year (FY23) began with the Russia-Ukraine crisis that led to high headline inflation rate in April 2022.

In FY23, retail inflation was mainly driven by higher food inflation, while core inflation stayed at amoderate level. Food inflation ranged between 4.2 percent and 8.6 percent between April and December 2022, while the core inflation rate stayed at around 6 percent except in April 2022.

TableV.1: Average Annual Retail Inflation Based on CPI-C (percent)(base:2012=100)

Groups/Sub-groups	Weight	FY20	FY21	FY22	FY23*
Food&beverages	**45.9**	**6.0**	**7.3**	**4.2**	**7.0**
Cereals and products	9.7	2.8	3.8	0.5	9.3
Meatandfish	3.6	9.3	15.4	7.9	4.7
Egg	0.4	4.5	12.9	7.6	-1.0
Milkandproducts	6.6	2.9	5.4	2.8	6.8
Oilsandfats	3.6	2.9	16.0	27.4	5.4
Fruits	2.9	0.7	2.6	6.2	4.4
Vegetables	6.0	21.3	5.8	-7.2	7.6
Pulsesandproducts	2.4	9.9	16.4	6.0	1.8
Sugar and confectionery	1.4	0.8	2.5	2.3	2.7
Spices	2.5	4.4	10.9	5.3	14.9
Pan, tobacco & intoxicants	2.4	4.2	9.9	4.5	2.0
Clothing & footwear	6.5	1.6	3.4	7.2	9.7
Housing	10.1	4.5	3.3	3.7	4.1
Fuel and light	6.8	1.3	2.7	11.3	10.5
Miscellaneous	28.3	4.4	6.6	6.7	6.3
Household goods and services	3.8	3.1	3.0	5.8	7.5
Health	5.9	6.2	5.1	7.5	5.8
Transport and communication	8.6	2.4	9.9	10.1	6.4
Recreation and amusement	1.7	4.9	5.1	6.5	6.4
Education	4.5	5.5	2.8	2.9	5.2
Headline Inflation	100.0	4.8	6.2	5.5	6.8
Core Inflation	47.3	4.0	5.5	6.0	6.1
Food Inflation	39.1	6.7	7.7	3.8	7.0

Table 1Source::MoSPI, Source: MoSPI,

Note:*April-December,CPI data for December 2022 are provisional

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Retail Inflation Driven by Food Commodities

Retail price inflation mainly stems from the agriculture and allied sector, housing, textiles, and pharmaceutical sectors. Further, the global spill overs, representing the imported inflationchannel, driven by price pressures in energy, mining, chemicals, trade, basic and machinery,reaches the retail segment mainly through the wholesale price inflation. During FY23, 'food &beverages', 'clothing & footwear', and 'fuel & light' were the major contributors to headline inflation–the first two contributing more this fiscal than in the previous one.

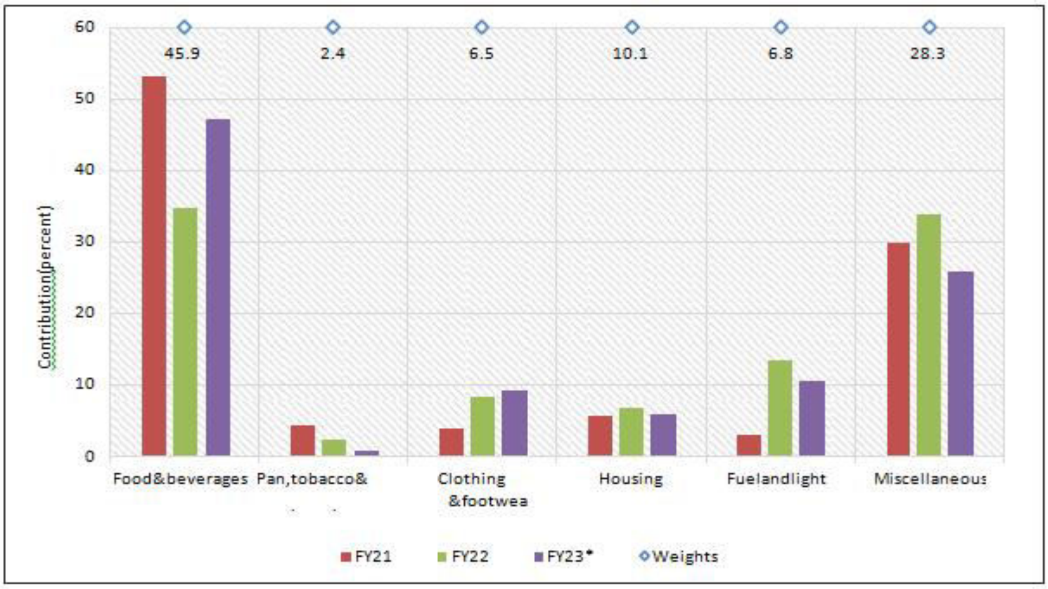

Figure V.4: Retail Inflation Driven by'Food and Beverages'Group

Source:MoSPI

Note:*April-December

Within the 'miscellaneous' group, high inflation was observed in subgroups 'household goods and services' and 'personal care and effects' owing to the revival of consumer demand in the post-Covid-19 period. Moreover, retail inflation in the 'health' sub-group moderated in the current financial year as compared to FY22. However, inflation in the 'education' subgroup surged on account of schools reopening for in-person classes after the pandemic.

Food Inflation Caused by Vegetables and Cereals in FY23

Food inflation based on Consumer Food Price Index (CFPI) climbed to 7.0 per cent in FY23 from 3.8 per cent in FY22. Though the increase in food inflation is broad-based, the major contributors are vegetables, cereals, milk and spices.The RBI forecasts elevated domestic prices force reals and spices in the near term, owing to supply shortages. Milk prices are also expected to spike reflecting high feed costs. Since September 2022, double-digit inflation was observed in cereals.To check the soaring prices of wheat and rice, the government has prohibited the export of wheat products under HSCode1101

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and imposed an export duty on rice. Further, in order to insulate vulnerable sections from the rise in prices, the Government has launched a new integrated food security scheme,‘Pradhan Mantri Garib Kalyan AnnYojana’on1January2023,to provide free foodgrains to more than 80 crore beneficiaries. High inflation in vegetables from April to September 2022 was mainly due to a spike in prices of tomatoes owing to crop damage and supply disruption due to the unseasonal heavy rains in the major producing states of Karnataka, Tamil Nadu, Andhra Pradesh, and Telangana. Inflation in pulses remained muted owing to higher production and measures taken by the government in terms of maintaining a buffer stock and reduction of import duties and cess on pulses. International prices of edible oils surged in FY 22 owing to a shortfall in global production and an increase in export tax levies by various countries. India meets 60 per cent of its edible oils demand through imports, making it vulnerable to international movements in prices. For instance, sunflower oil, which makes up 15 per cent of our total edible oil imports, is procured mainly from Ukraine and Russia. Thus, FY22 saw edible oil inflation on account of international price pressures. However, inflation remained subdued in FY23 because of rationalisation of tariffs and the imposition of stock limits on edible oils and oilseeds.

Rural-Urban Inflation Differential Has Declined

Rural inflation has remained above its urban counterpart throughout the current fiscal year, reversing the trend seen during the pandemic years. CPI-C based food inflation seemsto have cooled down after reaching a high of 8.3 per cent in April 2022 due to a subsequent moderation in global food prices and are ductionin farm in put costs.However, the coolingwas more pronounced for urban inflation, which softened to 2.8 per cent in December 2022. Rural fuel inflation remained lower than its urban counterpart throughout the current fiscal, due to subdued price pressures on traditional fuel items such as firewood and cow dung cakes asopposed to petrol and diesel.

While the current fiscal year saw rural and urban inflation closely tracking each other, FY22 had seen a wider differential between the two. The gap between rural and urban inflation reached its widest in March 2022 due to a difference in the experience of food inflation. Urban areas experienced a sharper increase in food prices of vegetables and oils during this time as compared to the hinterlands.

FINDINGS AND CONCLUSIONS

The higher inflationary run is an unfamiliar development in a country that experienced an average inflation of less than 5% from 1996 to 2006; where government were once toppled over expensive onions and even 6% inflation seemed too much in 2004. India was model in the world for low inflation and low tolerance of inflation. But in the last few years, we have certainly entered a phase of more inflation accommodation than ever before. The factors contributing to rising incomes are expenditures under NREGA, hike

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in the Minimum Support prices, Sixth Pay Commission and demand of labor for PMGSY.

The Government has refused to panic even in these times and have gone for deregulation of petroleum products. Inflation can cut both ways even from growth perspective; it often poses a dilemma for policy makers. Undue tightening of monetary policy to contain inflation may choke off investment and therefore growth. At the same time excessive high inflation rates which result in high negative real interest rates may be detrimental to savings and hence growth. The Government performance with respect to food price inflation cannot escape criticism. Some factors responsible for food inflation are Crop failures, diversion of grain supplies to bio fuels, shifts in cultivation patterns from food crops to cash crops are beyond the control of government. Nevertheless, the government's mismanagement in Public Distribution System and Food Corporation of India where excessive stocks of food grains are washed away by rains, wasted by rats and pests. The Govt. should think certain strategies in order to shift away from dependency on monsoons and applications of technology in increasing agricultural productivity.

Inflationary expectations are decisive in charting the course of inflation. The RBI's anchoring of inflationary expectations through forward guidance and responsive monetary policy has helped guide the trajectory of inflation in the country. The one-year-ahead inflationary expectations by businesses have shown a decreasing trend in the current fiscal. As businesses are price-setters, their perceptions on inflation are significant in making sense of whether costs would be passed on, resulting in higher prices in the near future. Similarly, inflationary expectations by households- who are the price takers of the economy- determine their consumption choices in the near future. Much like businesses, household inflation expectations too have moderated.

Thus, along with monetary policy, government should try to work on increasing the supply of food crops so as to meet the increasing consumption demand. The demand of rising middle class towards fruits and dairy products cannot be tamed down with monetary policy.

Hence factors responsible for supply side of inflation should also be taken care of along with monetary policy. Apart from it there should be coordination between fiscal and monetary policy as both complement each other.

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