# Key Highlights of Economic Survey 2019-20

The Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman presented the Economic Survey 2019-20 in the Parliament today. The Key Highlights of the Economic Survey 2019-20 are as follows:

**Wealth Creation: The Invisible Hand Supported by the Hand of Trust**

- India's dominance as global economic power for three-fourths of economic history manifests by design.
- Kautilya's Arthashastra postulates the role of prices in an economy (Spengler, 1971).
- Historically, Indian economy relied on the invisible hand of the market with the support of the hand of trust:
- o Invisible hand of the market reflected in openness in economic transactions.
- o Hand of trust appealed to ethical and philosophical dimensions.
- Post-liberalisation, Indian economy supports both pillars of the economic model advocated in our traditional thinking.
- Survey illustrates enormous benefits accruing from enabling the invisible hand of the market.
- Exponential rise in India's GDP and GDP per capita post-liberalisation coincides with wealth generation.
- Survey shows that the liberalized sectors grew significantly faster than the closed ones.
- Need for the hand of trust to complement the invisible hand, illustrated by financial sector performance during 2011-13.

- Survey posits that India's aspiration to become a $5 trillion economy depends critically on:
- o Strengthening the invisible hand of the market.
- o Supporting it with the hand of trust.
- Strengthening the invisible hand by promoting pro-business policies to:
- Provide equal opportunities for new entrants.
- Enable fair competition and ease doing business.
- Eliminate policies unnecessarily undermining markets through government intervention.
- Enable trade for job creation.
- Efficiently scale up the banking sector.
- Introducing the idea of *trust as a public good*, which gets enhanced with greater use.
- Survey suggests that policies must empower transparency and effective enforcement using data and technology.

**Entrepreneurship and Wealth Creation at the Grassroots**

- Entrepreneurship as a strategy to fuel productivity growth and wealth creation.
- India ranks third in number of new firms created, as per the World Bank.
- New firm creation in India increased dramatically since 2014:

  o 12.2 % cumulative annual growth rate of new firms in the formal sector during 2014-18, compared to 3.8 % during 2006-2014.

  o About 1.24 lakh new firms created in 2018, an increase of about 80 % from about 70,000 in 2014.

- Survey examines the content and drivers of entrepreneurial activity at the bottom of the administrative pyramid – over 500 districts in India.

- New firm creation in services is significantly higher than that in manufacturing, infrastructure or agriculture.
- Survey notes that grassroots entrepreneurship is not just driven by necessity.
- A 10 percent increase in registration of new firms in a district yields a 1.8 % increase in Gross Domestic District Product (GDDP).
- Entrepreneurship at district level has a significant impact on wealth creation at the grassroots.
- Birth of new firms in India is heterogeneous and dispersed across districts and sectors.
- Literacy and education in a district foster local entrepreneurship significantly:
    - Impact is most pronounced when literacy is above 70 per cent.
    - New firm formation is the lowest in eastern India with lowest literacy rate (59.6 % as per 2011 Census).
- Physical infrastructure quality in the district influences new firm creation significantly.
- Ease of Doing Business and flexible labour regulation enable new firm creation, especially in the manufacturing sector.
- Survey suggests enhancing ease of doing business and implementing flexible labour laws can create maximum jobs in districts and thereby in the states.

**Pro-business versus Pro-markets**

- Survey says that India's aspiration of becoming a $5 trillion economy depends critically on:

- Promoting ‘pro-business’ policy that unleashes the power of competitive markets to generate wealth.
- Weaning away from ‘pro-crony’ policy that may favour specific private interests, especially powerful incumbents.

- Viewed from the lens of the Stock market, creative destruction increased significantly post-liberalisation:
  - Before liberalisation, a Sensex firm expected to stay in it for 60 years, which decreased to only 12 years after liberalisation.
  - Every five years, one-third of Sensex firms are churned out, reflecting the continuous influx of new firms, products and technologies into the economy.
- Despite impressive progress in enabling competitive markets, pro-crony policies destroyed value in the economy:
  - An equity index of connected firms significantly outperformed market by 7 % a year from 2007 to 2010, reflecting abnormal profits extracted at common citizens’ expense.
  - In contrast, the index underperforms market by 7.5 % from 2011, reflecting inefficiency and value destruction inherent in such firms.
- Pro-crony policies such as discretionary allocation of natural resources till 2011 led to rent-seeking by beneficiaries while competitive allocation of the same post 2014 ended such rent extraction.
- Similarly crony lending that led to wilful default, wherein promoters collectively siphoned off wealth from banks, led to losses that dwarf subsidies for rural development.

**Undermining Markets: When Government Intervention Hurts More Than It Helps**

- Government intervention, though well intended, often ends up undermining the ability of the markets to support wealth creation and leads to outcomes opposite to those intended.
- Four examples of anachronistic government interventions:

1. Essential Commodities Act (ECA), 1955:

    - o Frequent and unpredictable imposition of blanket stock limits on commodities under ECA distorts:

        - • The incentives for the creation of storage infrastructure by the private sector.
        - • Movement up the agricultural value chain.
        - • Development of national market for agricultural commodities.

    - o Imposition of stock limits on *dal* in 2006-Q3, sugar in 2009-Q1 and onions in September, 2019 spiked up the volatility of the retail and wholesale prices of onions.
    - o The Ministry of Consumer Affairs must examine whether the ECA is relevant in today's India.
    - o With raids having abysmally low conviction rate and no impact on prices, the ECA only seems to enable rent-seeking and harassment.
    - o Survey suggests there is clear evidence for jettisoning this anachronistic legislation.

2. Drug Price Control under ECA:

- The regulation of prices of drugs, through the DPCO 2013, led to increase in the price of the regulated pharmaceutical drug vis-à-vis that of an unregulated but similar drug.
- The increase in prices is greater for more expensive formulations than for cheaper ones and for those sold in hospitals rather than retail shops.
- These findings reinforce that the outcome is opposite to what DPCO aims to do - making drugs affordable.
- Government, being a huge buyer of drugs, can intervene more effectively to provide affordable drugs by combining all its purchases and exercising its bargaining power.
- Ministry of Health and Family Welfare must evolve non-distortionary mechanisms that utilise Government's bargaining power in a transparent manner.

3. Government intervention in Grain markets:

- Policies in the food-grain markets led to:
    - Emergence of Government as the largest procurer and hoarder of rice and wheat.
    - Crowding out of private trade.
    - Burgeoning food subsidy burden
    - Inefficiencies in the markets, affecting the long run growth of agricultural sector.
- The food-grains policy needs to be dynamic and allow switching from physical handling and distribution of food-grains to cash transfers/food coupons/smart cards.

4. Debt waivers:

- Analysis of debt waivers given by States/Centre:

• Full waiver beneficiaries consume less, save less, invest less and are less productive after the waiver, compared to the partial beneficiaries.

• Debt waivers disrupt the credit culture.

• They reduce formal credit flow to the very same farmers, thereby defeating the purpose.

- Survey suggests that:

  o Government must systematically examine areas of needless intervention and undermining of markets; but it does not argue that there should be no Government intervention.

  o Instead it suggests that the interventions that were apt in a different economic setting may have lost their relevance in a transformed economy.

  o Eliminating such instances will enable competitive markets spurring investments and economic growth.

**Creating Jobs and Growth by Specializing in Network Products**

- Survey says India has unprecedented opportunity to chart a China-like, labour-intensive, export trajectory.
- By integrating "Assemble in India for the world" into Make in India, India can:

  o Raise its export market share to about 3.5 % by 2025 and 6 % by 2030.

  o Create 4 crore well-paid jobs by 2025 and 8 crore by 2030.

- Exports of network products can provide one-quarter of the increase in value added required for making India a $5 trillion economy by 2025.

- Survey suggests a strategy similar to one used by China to grab this opportunity:
    - Specialization at large scale in labour-intensive sectors, especially network products.
    - Laser-like focus on enabling assembling operations at mammoth scale in network products.
    - Export primarily to markets in rich countries.
    - Trade policy must be an enabler.
- Survey analyses the impact of India’s trade agreements on overall trade balance:
    - India’s exports increased by 13.4 % for manufactured products and 10.9 % for total merchandise
    - Imports increased by 12.7 % for manufactured products and 8.6 per cent for total merchandise.
    - India gained 0.7 % increase in trade surplus per year for manufactured products and 2.3 % per year for total merchandise.

**Targeting Ease of Doing Business in India**

- A jump of 79 positions to 63 in 2019 from 142 in 2014 in World Bank’s Doing Business rankings.
- India still trails in parameters such as Ease of Starting Business, Registering Property, Paying Taxes and Enforcing Contracts.
- Survey has numerous case studies:
    - For merchandise exports, the logistics process flow for imports is more efficient than that for exports.

- o Electronics exports and imports through Bengaluru airport illustrate how Indian logistical processes can be world class.

- The turnaround time of ships in India has almost halved to 2.48 days in 2018-19 from 4.67 days in 2010-11.
- Suggestions for further Ease of Doing Business:

  - o Close coordination between the Logistics division of the Ministry of Commerce and Industry, the Central Board of Indirect Taxes and Customs, Ministry of Shipping and the different port authorities.
  - o Individual sectors such as tourism or manufacturing require a more targeted approach that maps out the regulatory and process bottlenecks for each segment.

**Golden jubilee of bank nationalisation: Taking stock**

- Survey observes 2019 as the golden jubilee year of bank nationalization
- Accomplishments of lakhs of Public Sector Banks (PSBs) employees cherished and an objective assessment of PSBs suggested by the Survey.
- Since 1969, India's Banking sector has not developed proportionately to the growth in the size of the economy.
- India has only one bank in the global top 100 – same as countries that are a fraction of its size: Finland (about 1/11th), Denmark (1/8th), etc.
- A large economy needs an efficient banking sector to support its growth.
- The onus of supporting the economy falls on the PSBs accounting for 70 % of the market share in Indian banking:

  - o PSBs are inefficient compared to their peer groups on every performance parameter.

o In 2019, investment for every rupee in PSBs, on average, led to the loss of 23 paise, while in NPBs it led to the gain of 9.6 paise.

o Credit growth in PSBs has been much lower than NPBs for the last several years.

· Solutions to make PSBs more efficient:

o Employee Stock Ownership Plan (ESOP) for PSBs' employees

o Representation on boards proportionate to the blocks held by employees to incentivize employees and align their interests with that of all shareholders of banks.

o Creation of a GSTN type entity that will aggregate data from all PSBs and use technologies like big data, artificial intelligence and machine learning in credit decisions for ensuring better screening and monitoring of borrowers, especially the large ones.

**Financial Fragility in the NBFC Sector**

- Survey investigates the key drivers of Rollover Risk of the shadow banking system in India in light of the current liquidity crunch in the sector.
- Key drivers of Rollover Risk:

o Asset Liability Management (ALM) Risk.

o Interconnectedness Risk.

o Financial and Operating Resilience of an NBFC.

o Over-dependence on short-term wholesale funding.

- Survey computes a diagnostic (Health Score) by quantifying the Rollover risk for a sample of HFCs and Retail-NBFCs (which are representative of their respective sectors).
- The analysis of the Health Score has the following findings:

  - The HFC sector exhibited a declining trend post 2014 and overall health of the sector worsened considerably by the end of FY2019.
  - The Score of the Retail-NBFC sector was consistently below par for the period 2014 -19.
  - Larger Retail-NBFCs had higher Health Scores but among medium and small Retail- NBFCs, the medium size ones had a lower score for the entire period of 2014-19.

- Survey suggests that the Health Score provides an early warning signal of impending liquidity problems.
- Equity markets react favourably to increase in Health Score of individual HFCs and Retail-NBFCs.
- The Survey prescribes this analysis to efficiently allocate liquidity enhancements across firms (with different Health Scores) in the NBFC sector, thereby arresting financial fragility in a capital-efficient manner.

**Privatization and Wealth Creation**

- Survey examines the realized **efficiency gains from privatization** in the Indian context and bolsters the case for aggressive disinvestment of CPSEs.
- Strategic disinvestment of Government’s shareholding of 53.29 per cent in HPCL led to an increase of around Rs. 33,000 crore in national wealth.

- Survey presents an **analysis of the before-after performance of 11 CPSEs** which underwent strategic disinvestment from 1999-2000 to 2003-04:

    o Financial indicators such as net worth, net profit, return on assets (ROA), return on equity (ROE) etc of the privatized CPSEs, on an average, have improved significantly.

    o Privatized CPSEs have been able to generate more wealth from the same resources.

- Survey suggests **aggressive disinvestment of CPSEs** to:

    o Bring in higher profitability.

    o Promote efficiency.

    o Increase competitiveness.

    o Promote professionalism.

**Is India's GDP Growth Overstated? No!**

- GDP growth is a critical variable for decision-making by investors and policymakers. Therefore, the recent debate about accuracy of India's GDP estimation following the revised estimation methodology in 2011 is extremely significant.
- As countries differ in several observed and unobserved ways, cross-country comparisons have to be undertaken by separating the effect of other confounding factors and isolating effect of methodology revision alone on GDP growth estimates.
- Models that incorrectly over-estimate GDP growth by 2.7 % for India post-2011 also misestimate GDP growth over the same period for 51 out of 95 countries in the sample.

- Several advanced economies such as UK, Germany and Singapore have their GDPs misestimated with incompletely specified econometric model.
- Correctly specified models that account for all unobserved differences and differential trends in GDP growth across countries fail to find any misestimating of growth in India or other countries.
- Concerns of a misestimated Indian GDP are unsubstantiated by the data and are thus unfounded.

**Thalinomics: The Economics of a Plate of Food in India**

- An attempt to quantify what a common person pays for a Thali across India.
- A shift in the dynamics of Thali prices since 2015-16.
- Absolute prices of a vegetarian Thali have decreased significantly since 2015-16 across India and the four regions; though the price has increased during 2019-20.
- Post 2015-16:
- Average household gained close to Rs. 11, 000 on average per year from the moderation in prices in the case of vegetarian Thali.
- Average household that consumes two non-vegetarian Thalis gained close to Rs. 12, 000 on average per year during the same period.
- From 2006-07 to 2019-20:
- Affordability of vegetarian Thalis improved 29 %.
- Affordability of non-vegetarian Thalis improved by 18 %.

**India's Economic Performance in 2019-20**

- India's GDP growth moderated to 4.8 % in H1 of 2019-20, amidst a weak environment for global manufacturing, trade and demand.

- Real consumption growth has recovered in Q2 of 2019-20, cushioned by a significant growth in government final consumption.
- Growth for ‘Agriculture and allied activities’ and ‘Public administration, defense, and other services’ in H1 of 2019-20 was higher than in H2 of 2018-19.
- India’s external sector gained further stability in H1 of 2019-20:
- Current Account Deficit (CAD) narrowed to 1.5 % of GDP in H1 of 2019-20 from 2.1 % in 2018-19.
- Impressive Foreign Direct Investment (FDI).
- Rebounding of portfolio flows.
- Accretion of foreign exchange reserves.
- Sharper contraction of imports as compared to that of exports in H1 of 2019-20, with easing of crude prices.
- Headline inflation expected to decline by year end:
- Increased from 3.3 % in H1 of 2019-20 to 7.35 % in December 2019-20 due to temporary increase in food inflation.
- Rise in CPI-core and WPI in December 2019-20 suggests building of demand pressure.
- Deceleration in GDP growth can be understood within the framework of a slowing cycle of growth:
- Financial sector acted as a drag on the real sector (investment-growth-consumption).
- Reforms undertaken during 2019-20 to boost investment, consumption and exports:
- Speeding up the insolvency resolution process under Insolvency and Bankruptcy Code (IBC).
- Easing of credit, particularly for the stressed real estate and NBFC sectors.
- Announcing the National Infrastructure Pipeline 2019-2025.
- Survey expects an uptick in the GDP growth in H2 of 2019-20:
- 5 % GDP growth for 2019-20 based on CSO’s first Advance Estimates.
- Expeditious delivery on reforms for enabling the economy to strongly rebound in 2020-21.

**Fiscal Developments**

- Revenue Receipts registered a higher growth during the first eight months of 2019-20, compared to the same period last year, led by considerable growth in Non-Tax revenue.
- Gross GST monthly collections have crossed the mark of Rs. 1 lakh crore for a total of five times during 2019-20 (up to December 2019).
- Structural reforms undertaken in taxation during the current financial year:
- Change in corporate tax rate.
- Measures to ease the implementation of GST.
- Fiscal deficit of states within the targets set out by the FRBM Act.
- Survey notes that the General Government (Centre plus States) has been on the path of fiscal consolidation.

**External Sector**

- Balance of Payments (BoP):
- India’s BoP position improved from US$ 412.9 bn of forex reserves in end March, 2019 to US$ 433.7 bn in end September, 2019.
- Current account deficit (CAD) narrowed from 2.1% in 2018-19 to 1.5% of GDP in H1 of 2019-20.
- Foreign reserves stood at US$ 461.2 bn as on 10$^{th}$ January, 2020.
- Global trade:
- In sync with an estimated 2.9% growth in global output in 2019, global trade is estimated to grow at 1.0% after having peaked in 2017 at 5.7%.
- However, it is projected to recover to 2.9% in 2020 with recovery in global economic activity.
- India’s merchandise trade balance improved from 2009-14 to 2014-19, although most of the improvement in the latter period was due to more than 50% decline in crude prices in 2016-17.

- India’s top five trading partners continue to be USA, China, UAE, Saudi Arabia and Hong Kong.

- Exports:
- Top export items: Petroleum products, precious stones, drug formulations & biologicals, gold and other precious metals.
- Largest export destinations in 2019-20 (April-November): United States of America (USA), followed by United Arab Emirates (UAE), China and Hong Kong.
- The merchandise exports to GDP ratio declined, entailing a negative impact on BoP position.
- Slowdown of world output had an impact on reducing the export to GDP ratio, particularly from 2018-19 to H1 of 2019-20.
- Growth in Non-POL exports dropped significantly from 2009-14 to 2014-19.
- Imports:
- Top import items: Crude petroleum, gold, petroleum products, coal, coke & briquittes.
- India’s imports continue to be largest from China, followed by USA, UAE and Saudi Arabia.
- Merchandise imports to GDP ratio declined for India, entailing a net positive impact on BoP.
- Large Crude oil imports in the import basket correlates India’s total imports with crude prices. As crude price raises so does the share of crude in total imports, increasing imports to GDP ratio.
- Significant Gold imports also correlate India’s total imports with gold prices. However, share of gold imports in total imports remained the same during 2018-19 and the first half of 2019-20, despite an increase in prices, possibly due to increase in import duty that reduced the import of gold.
- Non-POL-non-gold imports are positively correlated with GDP growth.
- Non-POL-non-oil imports fell as a proportion to GDP from 2009-14 to 2014-19 when GDP growth accelerated.

- This may be because of consumption driven growth while investment rate declined, lowering non-POL-non-gold imports.
- Continuous decline in investment rate decelerated GDP growth, weakened consumption, dampened the investment outlook, which further reduced GDP growth and along with it non-POL-non-gold imports as a proportion of GDP from 2018-19 to H1 of 2019-20.
- Under trade facilitation, India improved its ranking from 143 in 2016 to 68 in 2019 under the indicator, “Trading across Borders”, monitored by World Bank in its Ease of Doing Business Report.
- Logistics industry of India:
- Currently estimated to be around US$ 160 billion.
- Expected to touch US$ 215 billion by 2020.
- According to World Bank's Logistics Performance Index, India ranks 44th in 2018 globally, up from 54th rank in 2014.
- Net FDI inflows continued to be buoyant in 2019-20 attracting US$ 24.4 bn in the first eight months, higher than the corresponding period of 2018-19.
- Net FPI in the first eight months of 2019-20 stood at US$ 12.6 bn.
- Net remittances from Indians employed overseas continued to increase, receiving US$ 38.4 billion in H1 of 2019-20 which is more than 50% of the previous year level.
- External debt:
- Remains low at 20.1% of GDP as at end September, 2019.
- After significant decline since 2014-15, India’s external liabilities (debt and equity) to GDP increased at the end of June, 2019 primarily by increase in FDI, portfolio flows and external commercial borrowings (ECBs).

**Monetary Management and Financial Intermediation**

- Monetary policy:
- Remained accommodative in 2019-20.
- Repo rate was cut by 110 basis points in four consecutive MPC meetings in the financial year due to slower growth and lower inflation.

- However, it was kept unchanged in the fifth meeting held in December 2019.
- In 2019-20, liquidity conditions were tight for initial two months; but subsequently it remained comfortable.
- The Gross Non Performing Advances ratio:
- Remained unchanged for Scheduled Commercial banks at 9.3% between March and September 2019
- Increased slightly for the Non-Banking Financial Corporations (NBFCs) from 6.1% in March 2019 to 6.3% in September 2019.
- Credit growth:
- The financial flows to the economy remained constrained as credit growth declined for both banks and NBFCs.
- Bank Credit growth (YoY) moderated from 12.9% in April 2019 to 7.1% as on December 20, 2019.
- Capital to Risk-weighted Asset Ratio of SCBs increased from 14.3% to 15.1% between March 2019 and September 2019.

**Prices and Inflation**

- Inflation Trends:
    - Inflation witnessing moderation since 2014
    - Consumer Price Index (CPI) inflation increased from 3.7 per cent in 2018-19 (April to December, 2018) to 4.1 per cent in 2019-20 (April to December, 2019).
    - WPI inflation fell from 4.7 per cent in 2018-19 (April to December, 2018) to 1.5 per cent during 2019-20 (April to December, 2019).
- Drivers of CPI - Combined (C) inflation:
- During 2018-19, the major driver was the miscellaneous group
- During 2019-20 (April-December), food and beverages was the main contributor.
- Among food and beverages, inflation in vegetables and pulses was particularly high due to low base effect and production side disruptions like untimely rain.

- Cob-web Phenomenon for Pulses:
  - Farmers base their sowing decisions on prices witnessed in the previous marketing period.
  - Measures to safeguard farmers like procurement under Price Stabilisation Fund (PSF), Minimum Support Price (MSP) need to be made more effective.
- Divergence Between Retail and Wholesale price:
- Observed for essential agricultural commodities in four metropolitan cities of the country from 2014 to 2019.
- Divergence particularly high for vegetables like onion and tomato. This may be due to the presence of intermediaries and high transaction costs.
- Volatility of Prices:

  o Volatility of prices for most of the essential food commodities with the exception of some of the pulses has actually come down in the period 2014-19 as compared to the period 2009-14.

  o Lower volatility might indicate the presence of better marketing channels, storage facilities and effective MSP system.

- Regional variations:

  o CPI-C inflation has been highly variable across States ranging between (-)0.04 per cent to 8.1 per cent across States/UTs in financial year (FY) 2019-20 (April-December).

  o In most states, CPI-C inflation in rural areas is lower than the CPI-C inflation in urban areas

  o Rural inflation has been more variable across states than urban inflation.

- Inflation dynamics:

- Convergence of headline inflation towards core inflation as per the CPI-C data from 2012 onwards.

**Sustainable Development and Climate Change**

- India moving forward on the path of SDG implementation through well-designed initiatives
- SDG India Index:
    - Himachal Pradesh, Kerala, Tamil Nadu, Chandigarh are front runners.
    - Assam, Bihar and Uttar Pradesh come under the category of Aspirants.
- India hosted COP-14 to UNCCD which adopted the Delhi Declaration: Investing in Land and Unlocking Opportunities.
- COP-25 of UNFCCC at Mandrid:
    - India reiterated its commitment to implement Paris Agreement.
    - COP-25 decisions include efforts for climate change mitigation, adaptation and means of implementation from developed country parties to developing country parties.
- Forest and tree cover:
    - Increasing and has reached 80.73 million hectare.
    - 24.56 % of the geographical area of the country.
- Burning of agricultural residues, leading to rise in pollutant levels and deterioration of air quality, is still a major concern though the total number of burning events recorded reduced due to various efforts taken.
- International Solar Alliance (ISA)

o ‘Enabler’ by institutionalizing 30 Fellowships from the Member countries.

o ‘Facilitator’ by getting the lines of credit worth US$ 2 Billion from EXIM Bank of India and 1.5 Billion from AfD, France.

o ‘Incubator’ by nurturing initiatives like the Solar Risk Mitigation Initiative.

o ‘Accelerator’ by developing tools to aggregate demand for 1000 MW solar and 2.7 lakh solar water pumps.

**Agriculture and Food Management**

- Largest Proportion of Indian population depends directly or indirectly on agriculture for employment opportunities as compared to any other sector.
- The share of agriculture and allied sectors in the total Gross Value Added (GVA) of the country has been continuously declining on account of relatively higher growth performance of non-agricultural sectors, a natural outcome of development process.
- GVA at Basic Prices for 2019-20 from ‘Agriculture, Forestry and Fishing’ sector is estimated to grow by 2.8 %.

· Agricultural productivity is also constrained by lower level of mechanization in agriculture which is about 40 % in India, much lower than China (59.5 %) and Brazil (75 %).

· Skewed pattern of regional distribution of agricultural credit in India:

o Low credit in Hilly, Eastern and North Eastern states (less than 1 % of total agricultural credit disbursement).

· Livestock income has become an important secondary source of income for millions of rural families:

o An important role in achieving the goal of doubling farmers’ income.

o Livestock sector has been growing at a CAGR of 7.9 % during last five years.

· During the last 6 years ending 2017-18, Food Processing Industries sector has been growing:

o Average Annual Growth Rate (AAGR) of around 5.06 %

o Constitutes as much as 8.83 % and 10.66 % of GVA in Manufacturing and Agriculture sector respectively in 2017-18 at 2011-12 prices.

· While interests of the vulnerable sections of the population need to be safeguarded, Survey emphasizes on sustainability of food security operations by:

o Addressing the burgeoning food subsidy bill.

o Revisiting the rates and coverage under NFSA.

**Industry and Infrastructure**

- The industrial sector as per Index of Industrial Production (IIP) registered a growth of 0.6 per cent in 2019-20 (April-November) as compared to 5.0 % during 2018-19 (April-November).
- Fertilizer sector achieved a growth of 4.0 % during 2019-20 (April-November) as compared to (-) 1.3 per cent during 2018-19 (April-November).
- Steel sector achieved a growth of 5.2 % during 2019-20 (April-November) as compared to 3.6 % during 2018-19 (April-November).
- Total telephone connections in India touched 119.43 crore as on September 30, 2019.
- The installed capacity of power generation has increased to 3, 64,960 MW as on October 31, 2019 from 3, 56,100 MW as on March 31, 2019.

- Report of the Task Force on National Infrastructure Pipeline released on 31.12.2019 has projected total infrastructure investment of Rs. 102 lakh crore during the period FY 2020 to 2025 in India.

**Services Sector**

· Increasing significance of services sector in the Indian economy:

- About 55 % of the total size of the economy and GVA growth.
- Two-thirds of total FDI inflows into India.
- About 38 per cent of total exports.
- More than 50 % of GVA in 15 out of the 33 states and UTs.

· Gross Value Added growth of the services sector moderated in 2019-20 as suggested by various high-frequency indicators and sectoral data such as air passenger traffic, port and shipping freight traffic, bank credit etc.

· On the bright side, FDI into services sector has witnessed a recovery in early 2019-20.

**Social Infrastructure, Employment and Human Development**

- The expenditure on social services (health, education and others) by the Centre and States as a proportion of GDP increased from 6.2 % in 2014-15 to 7.7 % in 2019-20 (BE).
- India's ranking in Human Development Index improved to 129 in 2018 from 130 in 2017:
- o With 1.34 % average annual HDI growth, India is among the fastest improving countries
- Gross Enrolment Ratio at secondary, higher secondary and higher education level needs to be improved.
- The share of regular wage/salaried employees has increased by 5 percentage points from 18 % in 2011-12 to 23 % in 2017-18.

- A significant jump of around 2.62 crore new jobs with 1.21 crore in rural areas and 1.39 crore in urban areas in this category.
- Total formal employment in the economy increased from 8 % in 2011-12 to 9.98 % in 2017-18.
- Gender disparity in India's labour market widened due to decline in female labour force participation especially in rural areas:
- o Around 60 % of productive age (15-59) group engaged in full time domestic duties.
- Access to health services inter-alia through Ayushman Bharat and Mission Indradhanush across the country has improved.
- Mission Indradhanush has vaccinated 3.39 crore children and 87.18 lakh pregnant women of 680 districts across the country.
- About 76.7 % of the households in the rural and about 96 % in the urban areas had houses of pucca structure.
- A 10 Year Rural Sanitation Strategy (2019-2029) launched to focus on sustaining the sanitation behavior change and increasing access to solid and liquid waste management.

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**RM/SC/AS/KA/PJ/SG**