



Economic Survey 2019-20

Volume 1

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Preface

The epic treatise of modern economics, written by Adam Smith in 1776, was interestingly titled “An Inquiry into the Nature and Causes of the Wealth of Nations”. With India having become the fifth largest economy in the world in 2019 and aspiring to be the third largest by 2025, it is only befitting to go back to one of the foundational questions posed by Smith, “What causes wealth and prosperity of nations?” The Economic Survey 2019-20 makes a humble attempt to craft a framework of policies that can foster wealth creation in India. This inquiry is particularly critical at this stage as India aspires to become a \$5 trillion economy by 2025 – an ambitious vision that should create, as Smith observed, “universal opulence which extends itself to the lowest ranks of the people.”

Hon’ble Prime Minister highlighted in India’s 73rd Independence Day Speech on 15th August 2019 that only when wealth is created will wealth be distributed. Therefore, a feeling of suspicion and disrespect towards India’s wealth-creators is ill advised. Given India’s “tryst” with Socialism, skepticism about the benefits of wealth creation is not an accident. In this context, *Team@EcoSurvey* 2019-20 attempts to put to rest any skepticism about the benefits accruing from a market economy, both in economic thinking and policy-making.

The Survey documents that ideas of wealth creation are rooted in India’s old and rich tradition ranging from Kautilya’s *Arthashastra* to Thiruvalluvar’s *Thirukural*, which emphasizes ethical wealth creation as a noble human pursuit. The Survey uses the ancient literature and contemporary evidence and to show that India’s dalliance with Socialism – a few decades is after all ephemeral in a history of millennia – is an exception with belief in the invisible hand of markets being the norm. Maddison (2007) provides the historical evidence that India has been the dominant economic power globally for more than three-fourths of known economic history. Such dominance manifests by design; not happenstance. The Survey draws on literature describing the ancient system to show that the invisible hand of the market supported by the hand of trust led to such dominance. The growth performance of the Indian economy and various sectors after India returned back to its roots post economic liberalisation in 1991 provides the contemporary evidence. Events from the Global Financial Crisis and the problems with the Indian financial sector provide evidence of the need for the hand of trust to support the invisible hand. Introducing the idea of “trust as a public good that gets enhanced with greater use”, the Survey also makes some suggestions for enhancing this public good. The Survey’s conceptualisation of wealth creation, thus, presents a synthesis of the old and the new, be it in the combination of ancient Indian tradition with contemporary evidence or in suggesting the use of FinTech for our Public Sector Banks. The survey cover conveys synthesis as well, with the lavender of the new “₹ 100 note” coming together with the one of older currency notes – that of Rs. 100.

The Survey identifies several levers for furthering wealth creation: entrepreneurship at the grassroots as reflected in new firm creation in India’s districts; promote “pro-business” policies that unleash the power of competitive markets to generate wealth as against “pro-crony” policies that may favour incumbent private interests. The Survey makes the case that the churn created by a healthy pro-business system generates greater wealth than a static pro-crony system. Note that the Survey contrasts two systems; the arguments are not directed at any individual or entity. Instead, it argues for eliminating policies that undermine markets through government intervention even where it is not necessary; integrate “Assemble in India” into “Make In India” to focus on labour-intensive exports and thereby create jobs at large scale; efficiently scale up the banking sector to be proportionate to the size of the Indian economy and track the health of the shadow banking sector; use privatisation to foster efficiency. Consistent with the hand of trust supporting the invisible hand, the Survey provides careful evidence that India’s GDP growth estimates can be trusted.

Continuing the modest endeavour of Economic Survey 2018-19 to use principles of behavioural economics as instruments of economic policy and as an easy prism to have insights about human behaviour, the Economic Survey 2019-20 presents “Thalinomics”- an attempt to relate economics to the common person using something that he or she encounters every day – a plate of food i.e. a Thali.

We chose to continue with the popular tradition of presenting the Survey in two volumes. Volume I, which attempts to capture ideas that encapsulate “economic freedom and wealth creation”, provides evidence based economic analyses of recent economic developments to enable informed policymaking. Volume II reviews recent developments in the major sectors of the economy and is supported by relevant statistical tables and data. This would serve as the ready reckoner for the existing status and policies in a sector.

The Economic Survey attributes its existence and popularity to the collaborative effort of all Ministries and Departments of Government of India, the prodigious resource base of the Indian Economic Service officers, valuable inputs of researchers, consultants and think tanks both within and outside the government and the consistent support of all officials of the Economic Division, Department of Economic Affairs. The Survey has made a sincere effort to live up to the expectation of being an indispensable guide for following, understanding and thinking about the Indian economy. Needless to say, the personal gratification *Team@EcoSurvey* gets in thinking deeply about what is best for the Indian economy represents our ultimate reward. We hope readers share the sense of optimism with which we present this year’s Survey.

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ABBREVIATIONS

3SLS	3 Stage Least Squares	CIP	Central Issue Prices
AAI	Airports Authority of India	CKD	Completely- Knocked Down
ACNAS	Advisory Committee on National Accounts Statistics	CMCL	Computer Management Corporation Ltd
AD	After Death	CPI-IW	Consumer Price Index-Industrial Workers
AEO	Authorised Economic Operator	CPs	Commercial papers
AEP	Assembled End Products	CPSE	Central Public Sector Enterprises
AERA	Airports Economic Regulatory Authority	CRILC	Central Repository of Information on large Corporates
ALM	Asset Liability Management problems	CSO	Central Statistics Office
ASEAN	Association of Southeast Asian Nations	CVC	Central Vigilance Commission
AUM	Assets Under Management	DBT	Direct Benefit Transfers
BACL	Bharat Aluminium Company Ltd.	DCA	Department of Consumer Affairs
BEC	Broad Economic Categories	DGCI&S	Directorate General of Commerce Intelligence & Statistics
BHEL	Bharat Heavy Electricals Limited	DHFL	Dewan Housing Finance Limited
BIFR	Board of Industrial and Financial Reconstruction	DICGC	Deposit Insurance and Credit Guarantee Corporation
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation	DID	Difference-in-differences
BPCL	Bharat Petroleum Corporation Limited	DII	Domestic Institutional Investors
BSE	Bombay Stock Exchange	DIPAM	Department of Investment and Public Asset Management
BSES	Bombay Suburban Electric Supply	DPCO	Drugs Prices Control Order
BT	British Telecom	DRT	Debt Recovery Tribunals
CAG	Comptroller and Auditor General	DVA	Domestic Value Added
CAGR	Compound annual growth rate	ECA	Essential Commodities Act
CAR	Capital Adequacy Ratio	EIL	Engineers India Limited
CBI	Central Bureau of Investigation	e-NAM	e-National Agricultural Market
CBIC	Central Board of Indirect taxes and Customs	EoDB	Ease of Doing Business
CBU	Completely Built Unit	ESOP	Employee Stock Option Plan
CCEA	Cabinet Committee on Economic Affairs	ETF	Exchange Traded Funds
CCIL	Container Corporation of India Ltd	EU	European Union
CCT	Conditional Cash Transfers	FCI	Food Corporation of India
CD	Convertible Debenture	FDI	Foreign Direct Investment
CGD	Core Group of Disinvestment	FE	Fixed Effect
CIBIL	Credit Information Bureau Ltd	FEMA	Foreign Exchange Management Act
		FII	Foreign Institutional Investors

FTA	Free Trade Agreement	IT	Information Technology
FTC	Federal Trade Commission	ITC	International Trade Centre
FY	Financial Year	ITDC	Indian Tourism Development Corporation
GDDP	Gross Domestic District Product	JAM	Jan Dhan-Aadhaar Mobile
GDP	Gross Domestic Product	JNPT	Jawaharlal Nehru Port Trust
G-secs	Government Securities	LDMFs	Liquid Debt Mutual Funds
GSFC	Gujarat State Fertilizers and Chemicals	MAPE	Maximum Allowable Post-manufacturing Expenses
GST	Goods and Services Tax	MBA	Master of Business Administration
GVC	Global Value Chains	MCA	Ministry of Corporate Affairs
HCI	Hotel Corporation of India	MFI	MicroFinance Institutions
HELP	Hydrocarbon Exploration and Licensing Policy	MFIL	Modern Food Industries Limited
HFC	Housing Finance Company	MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
HLAG	High Level Advisory Group	MMTCL	Minerals & Metals Trading Corporation Limited
HPCL	Hindustan Petroleum Corporation Limited	MNE	Multi-National Enterprises
HT	Hindustan Teleprinters	MPC	Marginal Propensity to Consume
IBBI	Insolvency and Bankruptcy Board of India	MPCE	Monthly Per Capita Expenditure
IBC	Insolvency and Bankruptcy Code	MRTTP	Monopolies and Restrictive Trade Practices
IBP	Indo Bright Petroleum	MSME	Micro, Small & Medium Enterprises
ICD	Inland Container Depot	MSP	Minimum Support Price
ICICI	Industrial Credit and Investment Corporation of India	MTNL	Mahanagar Telephone Nigam Limited
IDBI	Industrial Development Bank of India	MUL	Maruti Udyog Limited
IEF	Index of Economic Freedom	NBFC	Non-Banking Financial Corporation
IIP	Index of Industrial Production	NCD	Non-Convertible Debenture
ILFS	Infrastructure Leasing and Financial Services	NELP	New Exploration Licensing Policy
IMF	International Monetary Fund	NFSA	National Food Security Act
I-O	Input-Output	NITI	National Institution for Transforming India
IOC	Indian Oil Corporation	NLEM	National List of Essential Medicines
IPCL	Indian Petrochemicals Corporation Limited	NMDC	National Mineral Development Corporation
IPO	Initial Public Offer	NMSA	National Mission for Sustainable Agriculture
IRDAI	Insurance Regulatory Development Authority of India	NP	Network Products
ISI	Indian Statistical Institute	NPA	Non-Performing Asset
ISWGNA	Inter-Secretariat Working Group on National Accounts	NPB	New Private Bank

NPPA	National Pharmaceutical Pricing Authority	ROE	Return on Equity
NRAI	National Restaurants Association of India	RPTs	Related Party Transactions
NSO	National Statistics Office	SAFTA	South Asian Free Trade Area
NTC	National Textile Corporation	SAIL	Steel Authority of India Limited
OECD	Organisation for Economic Co-operation and Development	SBI	State Bank of India
ONGC	Oil and Natural Gas Commission	SCI	Shipping Corporation of India
OPB	Old Private Bank	SDG	Sustainable Development Goal
Opex Ratio	Operating Expense Ratio	SEBI	Securities and Exchange Board of India
P&C	Parts & Components	SEC	Securities and Exchange Commission
PAT	Profit after tax	SHRUG	Socioeconomic High-resolution Rural-Urban Geographic Dataset on India
PDPS	Price Deficiency Payment Scheme	SICA	Sick Industrial Companies Act
PDS	Public Distribution System	SIDBI	Small Industries Development Bank of India
PKVY	Paramparagat Krishi Vikas Yojana	SITC	Standard International Trade Classification
PLFS	Periodic Labour Force Survey	SKD	Semi- Knocked Down
PM-AASHA	Pradhan Mantri Annadata Aay SanraksHan Abhiyan	SMEs	Small and Mid-Size Enterprises
PMFBY	Pradhan Mantri Fasal Bima Yojana	SNA	System of National Accounts
PMGSY	Pradhan Mantri Gram Sadak Yojana	T-bills	Treasury Bills
PMJDY	Pradhan Mantri Jan Dhan Yojna	TFP	Total Factor Productivity
PMKSY	Pradhan Mantri Krishi Sinchayee Yojana	TPDS	Targeted Public Distribution System
PPSS	Private Procurement & Stockist Scheme	UN	United Nations
PSB	Public Sector Banks	UNIDO	United Nations Industrial Development Organisation
PSF	Price Stabilization Fund	UNSC	United Nations Statistical Commission
PSS	Price Support Scheme	USA	United States of America
PSU	Public Sector Undertakings	USD	United States Dollar
RBI	Reserve Bank of India	WCO	World Customs Organization
RCEP	Regional Comprehensive Economic Partnership	WDI	World Development Indicators
REC	Rural Electrification Corporation	WIPO	World Intellectual Property Organization
ROA	Return on Asset	YoY	Year - over - Year

