

# UPSC 2020

## Topic – Economic Survey

The Economic Survey of India is an annual document released by the Finance Ministry, Government of India. It is a very important document from the [UPSC exam](#) perspective. This article will discuss in detail the Economic Survey, highlights of Economic Survey 2020 and its importance in the UPSC and other [government exams](#).

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### Economic Survey Introduction

The Department of Economic Affairs, Ministry of Finance presents the Economic Survey of India in Parliament every year, just before the Union Budget. This document is submitted to both houses of Parliament during the Budget Session.

The Economic Survey reviews the developments in the Indian economy over the period of the previous 12 months. It highlights the policy initiatives of the government, summarizes the performance on major development programs, and shows the growth prospects of the economy.

It is presented by the Chief Economic Advisor (CEA). The **Economic Survey 2020 has been released on 31st January 2020** by the current CEA, Krishnamurthy Subramanian, ahead of the [Union Budget 2020](#).

### Importance of Economic Survey

The Economic Survey is a vital source for the UPSC exam, especially for the subjects Indian economy, polity, as well as, government schemes.

- The Economic Survey discusses all the major government initiatives with explanations. All the dynamic and theoretical questions can be traced to this.
- As per the new trend, the economy and the environment are going hand in hand. So questions can come from that perspective also.

- Students can imbibe actual phrases used in the Economic Survey to frame answers for [UPSC Mains](#) Examination.
- The Survey analyses and gives reasons for many issues happening around. Deep knowledge of the current policies and programs of the government also helps an aspirant to write meaningful essays.
- Furthermore, the issues appraised in the Economic Survey and reforms suggested are often implemented by the government in the future initiatives. A good example of this would be the Direct Benefit Transfer (DBT), which was suggested in previous Economic Surveys and has been implemented by the government.
- Good phrases from the Survey and use of appropriate language can be used in the exam to fetch a high score. For example – “Good economics is good politics”, “twin balance sheet problem”, “translating potential into actuality” “ Chakravuyh challenge”, etc.
- Adding important and relevant facts and figures significantly boosts marks in General Studies Paper-III.
- Students should not miss reading the Economic Survey if they wish to clear the [UPSC Prelims](#), as many questions are seen to be directly taken from this document.

## How to read Economic Survey for UPSC?

### Pattern of Economic Survey

The Economic Survey consists of two volumes:

1. Economic Survey, Volume I: Deals with conceptual and analytical issues.
2. Economic Survey, Volume II: Deals with the state of economy and sectors of the economy in some detail with more focus on immediate issues and statistics.

### Tips to read the Economic Survey:

- **Read after a basic study:** Students should have a basic understanding of economics, especially the basic terms like GDP, inflation, fiscal drag, etc. before moving on to studying the Economic Survey.
- **Read the Preface thoroughly:** The Preface of the Economic Survey is like a summary of the document. Reading it will help you get an essence of what is inside and help you understand it better.
- **Boxes and Arguments:** The document contains many boxes which are particularly important for the UPSC exam. From here, questions have been asked directly. In addition, the data can be used to augment and support your answers. The Survey also gives arguments such as why a scheme or initiative is important, how it can be bettered, and also recommendations, which can be used in the mains answers.
- **Break into small topics:** If you think reading the Economic Survey is overwhelming, it can be covered easily by breaking into smaller topics. You can categorise the content in the Survey into topics such as welfare schemes, macroeconomic tangibles and demographics, agriculture, urbanisation, social empowerment, figures (like unemployment data, GDP, inflation, food inflation, fiscal deficit, current account deficit, the balance of payments, foreign reserves, trade balance, etc.

## Economic Survey 2020 Highlights

Finance Minister Ms. Nirmala Sitharaman presented the Economic Survey 2020 in the Parliament on 31 January. Presenting the highlights of the Survey:

- The theme of the Economic Survey is wealth creation, promotion of pro-business policies and strengthening of trust in the economy.

- Thalish(food platter) with respect to one day's pay of a worker have improved over time, which indicates improved welfare of the common man. Note- This year economic survey unveiled Thalishomics
  - Affordability of vegetarian Thalish improved 29 percent from 2006-07 to 2019-20 while that for non-vegetarian Thalish by 18 percent.
- There have been many new firms created in the country since 2014.
  - In the formal sector, there has been a 12.2 % cumulative annual growth rate of new firms in 2014-18, compared to 3.8 % in 2006-2014.
  - About 1.24 lakh new firms were created in the year 2018, which is an increase of about 80 % from about 70,000 in 2014.
- Under the **Pradhan Mantri Awas Yojana - Gramin (PMAY-G)**, the number of houses completed in a year quadrupled.
- To achieve a Gross Domestic Product (GDP) of USD 5 trillion by 2024 - 25, India needs to spend about USD 1.4 trillion (Rs.100 lakh crore) over these years on **infrastructure** so that lack of infrastructure does not become an impediment to the growth of the economy.
- Livestock has emerged as an important secondary source of income for rural families and has assumed an important role in securing the goal of doubling the income of farmers.
  - There is a need to bring in a distinction between hoarding and storage of food grains, this will play an important role in doubling farmers' income.
  - There is also a need for addressing some basic challenges such as credit, insurance coverage as well as irrigation in agriculture and allied sectors.
- Rise in Tree and forest cover - They have reached 80.73 million hectares.
- States/UTs showing an increase in forest cover are Karnataka, Jammu & Kashmir and Andhra Pradesh. States showing a loss are Meghalaya, Manipur, Mizoram and Arunachal Pradesh.
- **Ayushman Bharat** has set up 28,005 Health & Wellness Centres as of 14th January 2020.
  - The OoPE (out of pocket expenditure) on health as a percentage of total health expenditure diminished from 64.2 percent in 2013-14 to 58.7 percent in 2016-17.
- 2.6 crore jobs have been created in urban and rural areas between 2011-12 and 2017-18.
  - Apart from jobs, the focus has also been on enhancing the quality of jobs and formalisation of the economy.
  - The share of regular wage/salaried employees has increased from 18 percent in 2011-12 to almost 23 percent in 2017 - 2018 (an increase of five percentage points). This reflects formalisation in the Indian economy.
- Currently, India has the second-largest emerging **Green Bond Market** after China.
  - The State Bank of India entered the green bond market with a US\$650 million Certified Climate Bond.
  - In 2019, India joined the International Platform on Sustainable Finance (IPSF) to further boost the environmentally sustainable investments.
- All the urban areas of 35 states/UTs have been declared 'open defecation free' (ODF).
  - The percentage of waste processing has increased to around 60% from 18%.
  - This comes under the **Swachh Bharat Mission (Urban)**.
- In the services sector, there has been a 33% hike in the gross FDI.
  - This sector accounted for about 55% of the economy and Gross Value Added (GVA) growth, 38% of the total exports and 2/3rd of the total FDI inflows into India.
  - In 15 of the 33 states/UTs, the services sector's share is now over 50 percent of the Gross State Value Added.
- Regarding the space programme of the country, **ISRO** has launched around 5-7 satellites per year in recent years with almost no failures.
- The survey notes that while there is a case for governmental intervention when markets don't function properly, excessive intervention particularly when the market can do the job of improving citizens' welfare perfectly well, suppresses economic freedom and generates 'deadweight loss'.

- Deadweight loss is the loss generated by the wasted opportunity of creating a consumer and producer surplus and diminishes wealth creation by not permitting efficient allocation of entrepreneurial resources and energy to productive activities thereby promoting economic dynamism.
- The GDP growth is pegged at 6-6.5 percent in the fiscal year starting in April.
- Fiscal deficit target may have to be relaxed to revive growth for current fiscal.
- Relying on ten factors like build-up of demand pressure, higher FDI inflows, positive growth of GST revenue), there is an expectation of an uptick in growth in the second half of the current fiscal.
- The Survey demands that the government deliver diligently on reforms in order to revive growth.
- Ethical wealth creation is key to India becoming a USD 5 trillion economy by the year 2025.
- With respect to regular **women employment**, from 2011 - 12 to 2017 - 18, there is an increase of 8%.
  - But in rural employment of women, there has been a decline in female labour force participation.
- **Debt waivers disrupt the credit culture**, reduces formal credit to the same farmers.
- The survey recommends the government to analyse the areas where it intervenes and undermines markets unnecessarily.
- There is a call for improving **governance in public sector banks**, and bring in more disclosures to enhance trust. The Survey also mentions dwarfism in the banking sector.
- The Survey also suggests to take steps to make it easier to start new business ventures, pay taxes, register property, and enforce contracts.
- Easing of crude prices reduces the current account deficit; imports contract more sharply than exports in the first half of the current fiscal.
- Demand pressure in the economy is weakening as indicated by a declining inflation rate (from 3.2% in April 2019 to 2.6% in Dec 2019).
- During April - November 2019, the GST collections increased by 4.1% for the Centre.
- The Chief Economic Advisor (CEA) commented in the press conference after the Survey release that the impact of the [Wuhan Coronavirus](#) on the Indian economy would be very marginal.
- He noted that all groups of countries have slowed down and in a globalized economy, India has also felt the effect.
- He said the economic slowdown since 2017 has been due to the lagged effect of reduced investment from 2013 which occurred due to credit boom-bust.
- The Survey informs that for wealth to be distributed, it first has to be created and called for looking at wealth creators with respect.

## Economic Survey 2019 Highlights

The Economic Survey 2019 theme is about enabling “shifting of gears” to uphold economic growth with the objective to make India a \$5 trillion economy by 2024-25. The Survey says that it recedes from “traditional thinking by advocating a growth model for India that views the economy as being either in a virtuous or a vicious cycle and thus never in equilibrium.”

### Below mentioned are the main Economic Survey 2019 highlights:

1. Survey sees Financial Year 2020 GDP growth at 7%, higher growth on stables macros.
2. India needs to grow at 8% per year to be USD 5 trillion economy by 2025.
3. Looking further at the economics of equilibrium, the survey makes the case for investment-driven “virtuous cycle” to sustain growth at 8%.
4. Investment is the main driving force of simultaneous growth in exports, productivity, demand, and jobs.
5. Survey proposes to name roads after the names of top taxpayers and to give diplomatic-type privileges.
6. Rather than focusing on small firms, the government should foster the growth of large firms.

7. Additional focus on pushing up exports.
8. Use public data to transform the development in the country.
9. Growth in investment activity is slow.
10. Ease labour laws to spur job growth.
11. Wage growth in the rural area has started increasing since mid-2018.
12. Political stability should push the animal spirits of the economy.
13. Poor compliance of contracts and dispute settlement is a big hurdle. Legal processes should be faster and accorded top priority.
14. Growth and savings are interrelated. Hence, savings must increase more than investment.
15. Data must be established as a public good “of the people, by the people, for the people”. Constant right-sizing based on real-time data is the need.
16. Survey argues that to solve many social issues, nudging behaviour change is the simplest way.
17. Top policymakers must make sure that the actions are foreseeable. Policymaking needs are (a) Clear Vision (b) Strategic blueprint (c) Tactical tools for constant recalibration
18. The success of MNREGA shows that with skilful use of technology, government schemes can make a difference.
19. Strengthening middle class and driving up the low wage earners with the help of minimum wage policy.
20. MSMEs in the economy need to be freed from restraints that overshadow them. It should be seen as a source of innovation, growth and job creation.
21. The policy should enable MSMEs to grow, create greater profits and contribute to job creation and productivity in the economy.
22. To raise real per capita GDP by US\$ 5000 and improve its HDI ranking, India needs to increase per capita energy consumption.
23. India moving forward from Swachh Bharat to Swasth and Sundar Bharat.
24. India will enjoy the “demographic dividend” phase in the next two decades but some states will start transitioning to an ageing society by the 2030s.
25. The Survey seeks reform in the lower judiciary.
26. Government stands by the fiscal consolidation path.
27. The Survey visualises creating a Detroit for Electric Vehicles in India.
28. January-March economic slowdown due to poll-related activity.
29. The decline in NPAs should push up the CAPEX cycle.
30. General fiscal deficit seen at 5.8% in FY19 VS 6.4% in FY18.
31. NBFC stress reason for the financial year 2019 slowdown.
32. Investment rate seen higher in FY20 on improved demand.
33. Oil prices seen declining in the Financial Year 2020.
34. Accommodative MPC policy to help cut real lending rates.
35. The Survey is inspired by Gandhi's Talisman: “...Recall the face of the poorest man [woman], and ask yourself, if the step you contemplate is going to be of any use to him [her].