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## Economic Survey 2020-2021 Key Highlights

### 1. Factors Affecting India's Road to a \$5 trillion economy

The Survey posits that India's aspiration to become a \$5 trillion economy depends critically on:

- Strengthening the invisible hand of the market.
- Supporting it with the hand of trust.
- Survey suggests that policies must empower transparency and effective enforcement using data and technology.

### 2. Entrepreneurship and Wealth Creation at the Grassroots

India ranks third in number of new firms created, as per the World Bank. With a 10 percent increase in registration of new firms in a district yields a 1.8 % increase in Gross Domestic District Product (GDDP). It was also observed that –

- 12.2 % cumulative annual growth rate of new firms in the formal sector during 2014-18, compared to 3.8 % during 2006-2014.
- About 1.24 lakh new firms created in 2018, an increase of about 80 % from about 70,000 in 2014.

### 3. 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.
- 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.**

### 4. Undermining Markets

Here are few of the undermining markets and the outcomes –

- 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.
- Emergence of Government as the largest procurer and hoarder of rice and wheat.
- Burgeoning food subsidy burden
- Inefficiencies in the markets, affecting the long run growth of agricultural sector.

### 5. Creating Jobs and Growth by Specializing in Network Products

By integrating “Assemble in India for the world” into Make in India, India can:

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

## **6. 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.

## **7. Ease of Doing Business in India**

India secured a jump of 79 positions to 63 in 2019 from 142 in 2014 in World Bank's Doing Business rankings.

Suggestions for further Ease of Doing Business in the survey report:

- 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.
- Individual sectors such as tourism or manufacturing require a more targeted approach that maps out the regulatory and process bottlenecks for each segment.

## **8. Golden Jubilee of Bank Nationalisation: Taking stock**

- Survey observes 2019 as the golden jubilee year of bank nationalization
- 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.
- The onus of supporting the economy falls on the PSBs accounting for 70 % of the market share in Indian banking.

## **9. 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. The 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.

## 10. Privatization and Wealth Creation

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

## 11. India's GDP Growth

- 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.
- 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.

## 12. Thalonomics: The Economics of a Plate of Food in India

### 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 Thalís gained close to Rs. 12,000 on average per year during the same period.

### From 2006-07 to 2019-20:

- Affordability of vegetarian Thalís improved 29 %.
- Affordability of non-vegetarian Thalís improved by 18 %.

## 13. 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.
- 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.
- Current Account Deficit (CAD) narrowed to 1.5 % of GDP in H1 of 2019-20 from 2.1 % in 2018-19.
- Sharper contraction of imports as compared to that of exports in H1 of 2019-20, with easing of crude prices.
- Impressive Foreign Direct Investment (FDI).
- Accretion of foreign exchange reserves.
- Rebounding of portfolio flows.

**Headline inflation expected to decline by year end:** It increased from 3.3 % in H1 of 2019-20 to 7.35 % in December 2019-20 due to temporary increase in food inflation.

**Survey expects an uptick in the GDP growth in H2 of 2019-20 @ 5% growth for 2019-20** based on CSO's first Advance Estimates.

#### 14. Fiscal Developments

- 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).

#### 15. External Sector

- 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.
- Foreign reserves stood at US\$ 461.2 bn as on 10th January, 2020.
- Current account deficit (CAD) narrowed from 2.1% in 2018-19 to 1.5% of GDP in H1 of 2019-20.

**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.

Growth in Non-POL exports dropped significantly from 2009-14 to 2014-19.

**Top import items:** Crude petroleum, gold, petroleum products, coal, coke & briquettes.

**India's imports continue to be largest from** China, followed by USA, UAE and Saudi Arabia.

#### 16. Logistics industry of India

Logistics Industry is 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.

#### 17. External Debt

It is expected to remain low at 20.1% of GDP as at end September, 2019.

#### 18. 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:
- 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 with 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.

## 19. 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).
- 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.
- Service Sector contributes about 55 % of the total size of the economy and GVA growth, attracting two-thirds of total FDI inflows into India.

## 20. Sustainable Development and Climate Change

- Forest and tree cover increased to reach 80.73 million hectare i.e. 24.56 % of the geographical area of the country.
- (Gross Value Added) 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 %).

**During the last 6 years ending 2017-18, Food Processing Industries sector has been growing** with an Average Annual Growth Rate (AAGR) of around 5.06 %. It constitutes as much as 8.83 % and 10.66 % of GVA in Manufacturing and Agriculture sector respectively in 2017-18 at 2011-12 prices.





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