



Economic Survey *2017-18 Gist* (Prelims + Mains)



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CURRENT SCENARIO

Understanding India's (Temporary) "Decoupling"

India's economy temporarily decelerated as the rest of the world accelerated.

Reasons:

- demonetization,
- teething difficulties in the new GST,
- high and rising real interest rates,
- Twin Balance Sheet (TBS) problem, and
- sharp falls in certain food prices that impacted agricultural incomes
- also rising oil prices

Later, economic growth improved as some of the above shocks began to fade, corrective actions were taken, and the synchronous global economic recovery boosted exports.

In other words, the Economic Survey says the worst is over and the Indian economy is poised to rebound to grow in the range of 7-7.5% in 2018-19.

Positive trends:	<ul style="list-style-type: none"> • India jumped 30 spots on the World Bank's Ease of Doing Business rankings. • Further liberalization of foreign direct investment (FDI) regime helped increase flows by 20 percent. • Sovereign ratings got upgraded, the first in 14 years. • Bond yields rose sharply even as stock prices continued to surge.
Negative trends:	<ul style="list-style-type: none"> • Fiscal deficits, the current account, and inflation were all higher than expected. • Main reason – due to higher international oil prices.

What India should do to achieve growth exceeding 8 percent?

- Stabilize GST implementation – by removing uncertainty for exporters, facilitating easier compliance, and expanding the tax base.

- Privatize Air- India
- Stave off threats to macroeconomic stability emanating notably from persistent high oil prices.

New facts on the Indian economy

- Large increase in registered direct and indirect taxpayers
- Former non-agricultural payroll much greater than believed
- States' prosperity is positively correlated with their international and inter-state trade
- Clothing incentive package boosted exports of readymade garments
- Indian parents continue to have children until they get desired number of sons
- Substantial avoidable litigation in tax arena which govt action could reduce
- To re-ignite growth, raising investment is more important than raising saving
- Direct tax collection by Indian states and local govts are significantly lower than those of their counterparts in other federal countries
- Extreme weather adversely impacts agriculture yields.



I. LONG TERM CHALLENGES

What are the 'Long-term challenges' that the Economic Survey 2018 highlights?

Challenges of long-term –

- Economic Convergence
- Gender Inequality and Women empowerment
- Climate change and Agriculture
- Delays in the Appeals and Judicial Process
- Science and Technology

ECONOMIC CONVERGENCE

Theory of Economic Convergence or the 'Catch-Up Effect'

What is Economic Convergence or the 'Catch-Up Effect'	<ul style="list-style-type: none"> • The catch-up effect is a theory speculating that poorer economies will tend to grow more rapidly than wealthier economies, and so all economies in time will converge in terms of per capita income. • In other words, the poorer economies will literally "catch-up" or "economically converge" to the more robust economies.
Why the Convergence?	<ul style="list-style-type: none"> • Poorer or developing countries are at an advantage because they can replicate the production methods, technologies and institutions of developed countries. • Poorer nations grow much faster because of higher possibilities of growth as they have access to technological knowhow from the developed world and increasing returns to capital, etc. • High-income countries must continually invent new technologies, whereas low-income countries can often find ways of applying technology that has already been invented and is well understood.
Where is	<ul style="list-style-type: none"> • India is in the Fast Growth Club (Enjoying the benefit of Economic

India?	Convergence)
Why is it a challenge?	<p>There are controversial questions –</p> <ul style="list-style-type: none"> • Will this pattern of economic convergence persist into the future? • Will there be a stall in India's four decades long, dynamic process of economic convergence? <p>India is experiencing late convergence with respect to Agriculture.</p>
Limitation	<ul style="list-style-type: none"> • Empirical evidence suggests that while some developing economies have been able to effectively tap the available advantages to grow faster and catch up with robust economies, this has not been true for a large part of the developing world.

Do you know?

The economist **Alexander Gerschenkron** (1904–1978) gave this phenomenon (of economic convergence) a memorable name: ***“the advantages of backwardness.”***

Of course, he did not literally mean that it is an advantage to have a lower standard of living. He was pointing out that a country that is behind has some extra potential for catching up. :D

GENDER INEQUALITY AND WOMEN EMPOWERMENT

Introduction

We proud Indians of 21st century rejoice in celebrations when a boy is born, and if it is a girl, a muted or no celebrations is the norm. Love for a male child is so much so that from the times immemorial we are killing our daughters at birth or before birth, and if, fortunately, she is not killed we find various ways to discriminate against her throughout her life.

Though our religious beliefs make women a goddess but we fail to recognize her as a human being first; we worship goddesses but we exploit girls. We are a society of people with double-standards as far as our attitude towards women is concerned; our thoughts and preaching are different than our actions.

What is Gender Inequality?	In simple words, may be defined as discrimination against women based on their sex.
Global Indices:	<p>World Economic Forum's Global Gender Gap Index</p> <ul style="list-style-type: none"> India - 108th position out of 144 countries in Global Gender Gap Index 2017. India slipped by 21 places compared to 87th rank last year. Its report states that women will need another 217 years to achieve gender equality. <p>UNDP's Gender Inequality Index</p> <ul style="list-style-type: none"> India ranked 125 among 159 countries. (2016)
Reasons for India's lower ranking	<p>It was mainly due to low scores in two indicators. They are</p> <p>(i) Health and Survival: India ranked 141 at bottom four. It was mainly due to India's poor sex ratio at birth which still points to a strong preference for sons.</p> <p>(ii) Economic Participation and Opportunities for Women: India ranked 139, down from 136 last year.</p>
Gender Equality Statistics	<p>Gender inequality manifests in varied ways. And as far as India is concerned the major indicators are as follows:</p> <p>Female Foeticide</p> <p>Female Infanticide</p> <p>Child (0 to 6 age group) Sex Ratio: 914</p> <p>Sex Ratio: 940</p> <p>Female literacy: 65.46%</p>

Maternal Mortality Rate: 178 deaths per 100000 live births.

These above mentioned indicators are some of the important indices which show the status of women in our country.

About World Economic Forum's Global Gender Gap Index

The index measures gender gap as progress towards parity between men and women in four indicators –

1. Economic Participation and Opportunity
2. Educational Attainment
3. Health and Survival and
4. Political Empowerment

In addition, this year's edition also analyses the dynamics of gender gaps across industry talent pools and occupations.

It is released every year by WEF since 2006.

Do you know?

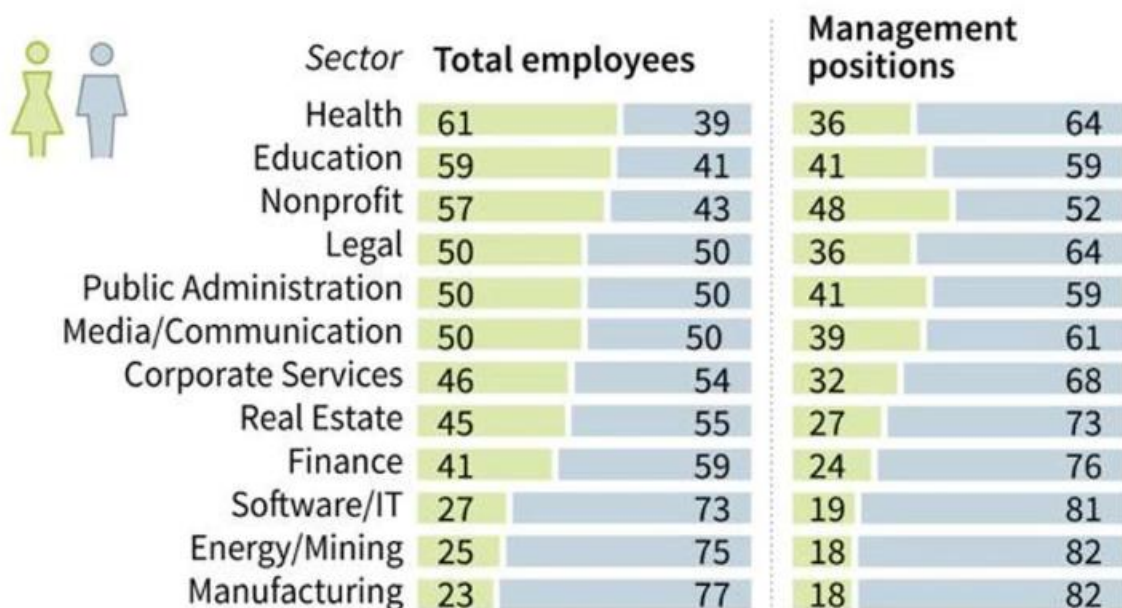
- Performance of North-Eastern states are better than other states, especially Southern states who have poor gender equality despite their better development.
- Recently at Davos, IMF chief Christian Lagarde, quoting IMF research, said that women's participation in the workforce to the level of men can boost the Indian economy by 27 percent.

TOP 10 COUNTRIES IN THE GLOBAL GENDER GAP INDEX

- Iceland
- Norway
- Finland
- Rwanda
- Sweden
- Nicaragua
- Slovenia
- Ireland
- New Zealand
- Philippines

Gender inequalities in the workplace

The number of men and woman employed by sector* (in %)



*Average of the 144 countries analysed by the WEF

Source: Global Gender Gap Report 2017, World Economic Forum

© AFP

The percentage of women and men employed in the main sectors of the economy and the percentage in management positions according to the 2017 Gender Gap report by the World Economic Forum. (AFP)

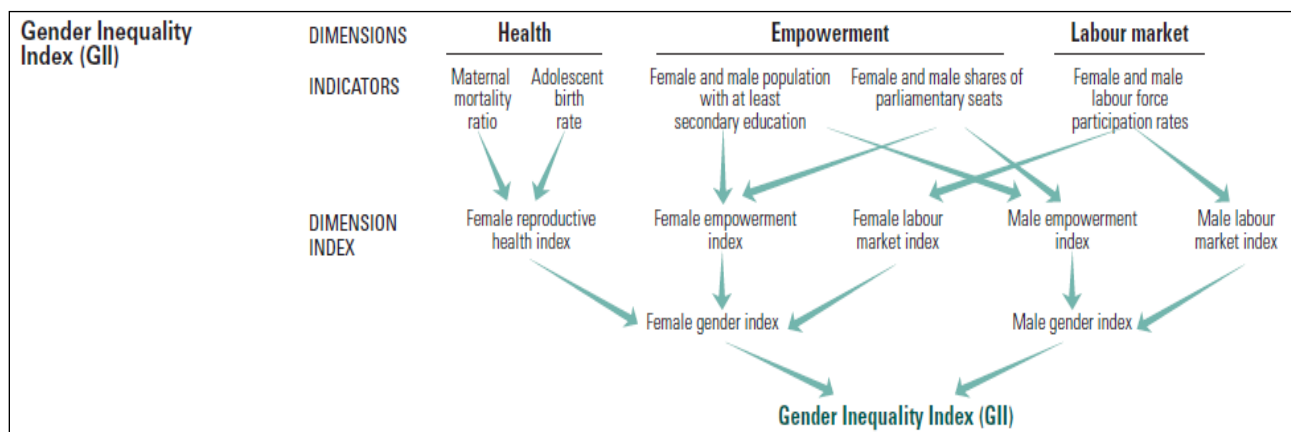
About UNDP's Gender Inequality Index

The GII is an inequality index.

It measures gender inequalities in three important aspects of human development—

- (i) **Reproductive health**, measured by maternal mortality ratio and adolescent birth rates;
- (ii) **Empowerment**, measured by proportion of parliamentary seats occupied by females and proportion of adult females and males aged 25 years and older with at least some secondary education; and

(iii) **Economic status** expressed as labour market participation and measured by labour force participation rate of female and male populations aged 15 years and older.



The government's Beti Bachao, Beti Padhao and Sukanya Samridhi Yojana schemes, and mandatory maternity leave rules are all steps in the right direction.

Survey Highlights:

The **Pink-color Economic Survey 2017-18** lays special emphasis on Gender and Son meta-preference, while providing an assessment of India's performance on gender outcomes relative to other economies.

The Survey takes into account that Gender equality is an inherently multi-dimensional issue. Accordingly, assessments have been made based on three specific dimensions of gender, i.e –

- **Agency** relate to women's ability to make decisions on reproduction, spending on themselves, spending on their households, and their own mobility and health.
- **Attitudes** relate to attitudes about violence against women/wives, and the ideal number of daughters preferred relative to the ideal number of sons.
- **Outcomes** relate to son preference (measured by sex ratio of last child), female employment, choice of contraception, education levels, age at marriage, age at first childbirth, and physical or sexual violence experienced by women.

India: Mixed progress

The key findings of the assessment made in the Survey include:

- Over the last 10-15 years, India's performance improved on 14 out of 17 indicators of women's agency, attitudes, and outcomes.
- On seven of them, the improvement has been such that India's situation is comparable to that of a cohort of countries after accounting for levels of development.
- The progress is most notable in the agency women have in decision-making regarding, household purchases and visiting family and relatives. There has been a decline in the experience of physical and sexual violence.
- Education levels of women have improved dramatically but incommensurate with development.
- Encouragingly, there is evidence of convergence. India is expected to catch up with other countries as the wealth of Indian households increases.

While it narrowed the gap in education and political empowerment, there have been slippages on economic participation and health and survival.

Legislative changes such as the amendments to the Maternity Benefit Act, 1961 if implemented well can help women with young children to return to work in the organised sector.

The number of women elected to nine State Assemblies where elections were held in the past year has declined from 83 to 76, thus reducing their collective representation in these Assemblies from 7.9 per cent to 7.3 per cent.

Women participation and GDP:

- The IMF estimated that raising the level of participation of women in economic activity to bring it on par with men could increase India GDP by 27 per cent.

- The WEF Global Gender Gap report estimates that global GDP could increase by \$5.3 trillion by 2025 by closing the gender gap in economic participation by 25 per cent over the same period.



Table 1. Summary of Results

			(1)	(2)	(3)	(4)
Gender Dimension	Specific Issue [#] (Women's Responses)		India 2005-06 (%)	India 2015-16 (%)	Change (2)-(1)	Is India an Outlier for its level of wealth [§] in 2015?
1	Agency	Involved in decisions about their own health	62.3	74.5	12.2	8.2
2	Agency	Involved in decisions about large household purchases	52.9	73.4	20.4	9.6
3	Agency	Involved in decisions about visits to family and relatives	60.5	74.6	14.1	4.1
4	Agency	Involved in decisions about their own earnings	82.1	82.1	-0.1	-7.4
5	Agency	Involved in decisions about contraception	93.3	91.6	-1.7	0.1
6	Attitude	Prefer more or equal number of daughters over sons	74.5	78.7	4.3	-4.4
7	Attitude	Wife beating is not acceptable	50.4	54.0	3.5	-2.7
8	Outcome	Using reversible contraception, if using any method of contraception	33.8	32.8	-1.0	-51.6
9	Outcome	Employed ^{##}	36.3	24.0	-12.3	-26.0
10	Outcome	Employed in non-manual sector ^{##}	18.9	28.2	9.3	-19.8
11	Outcome	Earning more than or equal to husband	21.2	42.8	21.6	-7.4
12	Outcome	Educated ^{##}	59.4	72.5	13.1	-6.8
13	Outcome	Not experiencing physical or emotional violence	62.6	70.5	7.8	0.3
14	Outcome	Not experiencing sexual violence	90.3	93.6	3.3	1.7
15	Outcome	Median age at first child birth*	19.3	20.6	1.3	0.4
16	Outcome	Median age at first marriage*	17.3	18.6	1.3	-0.4
17	Outcome	Sex ratio of last birth ² (females per hundred births)	39.4	39.0	-0.4	-9.5

* Age is in years and is for year 1998-99.

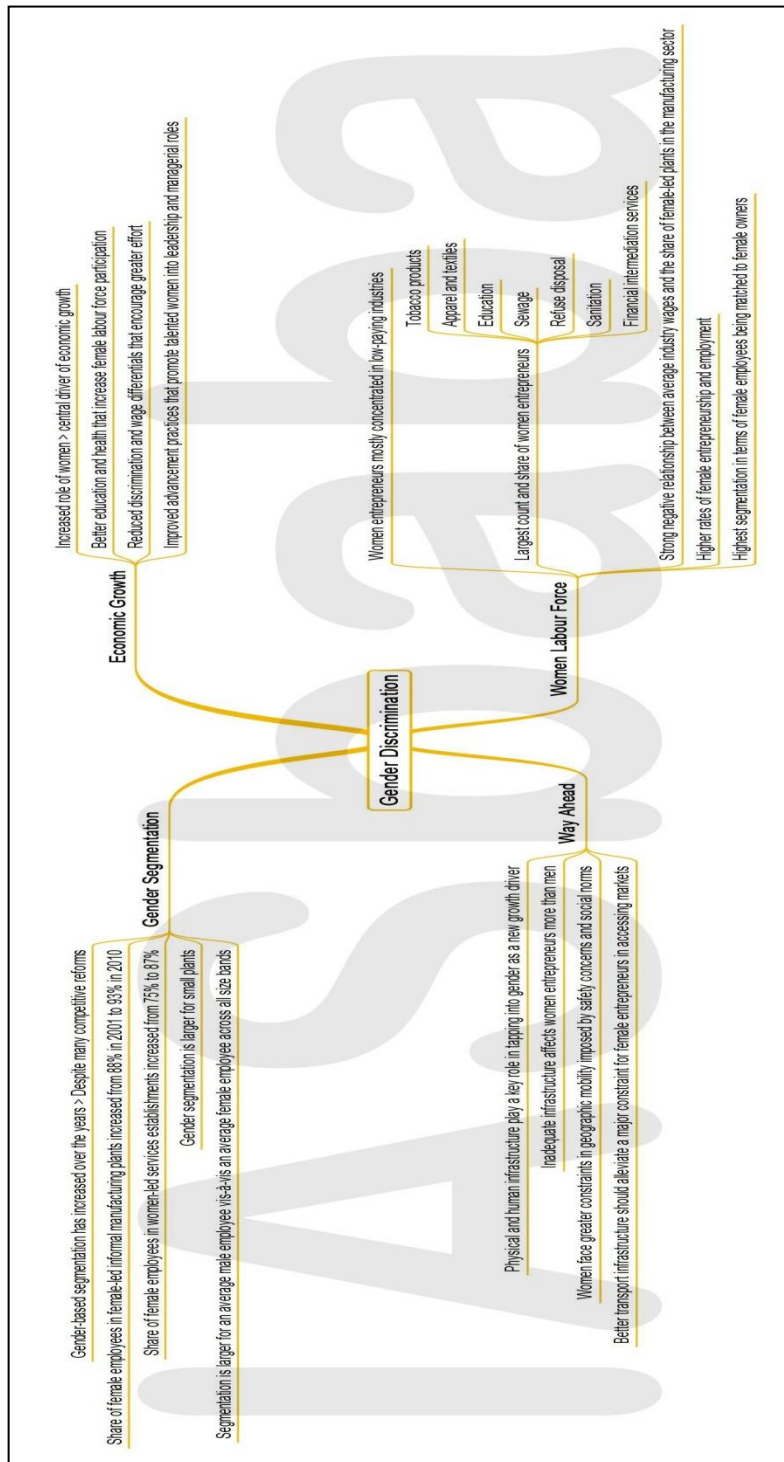
[#] All questions/responses are reported so that positive numbers denote greater female empowerment.

^{##} These dimensions are calculated for the set of all women between 15-49. All other dimensions are calculated for married women between the ages of 15 and 49. In column 4, the numbers represent the extent to which India is an outlier, positive or negative. They derive from the regression equation estimated at household level in Annex I. All numbers represent percentage points difference from the average estimated relationship, except for the numbers in rows 15 and 16 where they refer to number of years.

[§] Numbers in bold are statistically significant.

Source: Survey calculations based on DHS and NFHS data.

Gender Discrimination:



Visit Mindmap: <https://iasbaba.com/wp-content/uploads/2017/05/Gender-Discrimination-IASbaba.jpg>

How can gender inequality be improved?

No doubt India has shown progress with its gender budgeting initiative, especially the state of Kerala which has designed many innovative 'gender in infrastructure' projects that have demystified the notion that public expenditure related to infrastructure investment is gender neutral.

Adding to it, there are small steps that can be taken to increase gender equality

- Involving women and girls in decision making process in programmes at grassroots level such as designing ways to implement MDGs, forming SHGs, talking about sex education etc.
- A simple gesture of girls using mobile phones increases their confidence.
- Stopping child marriages and strict action against sexual harassment cases and sexual offenders will make them empowered.
- Education should be incentivised for girls so that they are encouraged. On the other hand, educating and empowering mothers too in making choices about their children reduces gender gap.
- Political empowerment through village panchayats and other level of politics.
- Supporting women in non-traditional jobs like mechanics, driving, hospitality, mobile-phone fixing etc. will not only making long-lasting change in their lives but also help break social taboos.
- Men and women should be encouraged to work together. Women entrepreneurs should be provided incentives for their decision making power, risk taking abilities and generating employment opportunities.

Gender budgeting- an instrument to increase gender equality

- In India, gender budgeting was formally adopted in 2005. Gender Budgeting is a powerful tool for achieving gender mainstreaming so as to ensure that benefits of development reach women as much as men.
- It entails dissection of the Government budgets to establish its gender differential impacts and to ensure that gender commitments are translated in to budgetary commitments.
- The rationale behind such budgeting is that national budgets impact men and women differently through the pattern of resource allocation.
- Women, constitute 48% of India's population, but they lag behind men on many social indicators like health, education, economic opportunities, etc. Hence, they warrant special attention due to their vulnerability and lack of access to resources.
- That is why the way government allocates budgetary resources; it has the potential to transform the existing gender inequalities.
- In 2005, the finance minister included a separate statement on spending programmes that benefit women in particular in budget document.

Since 2005, every budget has a statement that lists out schemes meant specifically for women. There are two types of schemes

- 100% provision for women
- At least 30% provision for women

Along with central government, sixteen state governments have also implemented gender budgeting over past decade.

From UPSC perspectives following schemes are important:

Beti Bachao Beti Padhao

About	The scheme was launched by Prime Minister in January 2015 at Panipat, Haryana. Scheme to address declining Child Sex Ratio (CSR) and related issues of empowerment of women over life-cycle continuum.
Objectives	<ol style="list-style-type: none"> 1. Prevent female infanticide (preventing gender biased sex selective elimination through effective enforcement of Pre-Conception & Pre Natal Diagnostic Techniques (PC&PNDT) Act.) 2. Ensuring survival and protection of the girl child. 3. Ensures every girl child is educated
Implementation	Implemented as a tri-ministerial, convergent effort of – (i) Union Ministry of Women and Child Development (WCD), (ii) Union Ministry of Health & Family Welfare (MoHFW) and (iii) Union Ministry of Human Resource Development (HRD).
Nodal Ministry	The Union Ministry of Women and Child Development (WCD) is nodal ministry for programme at central level.

Sukanya Samridhi Yojana (girl child prosperity scheme)

About	Sukanya Samridhi Yojna is under Beti Bachao Beti Padhao (BBBP) campaign Launched by Prime Minister Narendra Modi on 22 January 2015 in Haryana to enhance the strength and honour of the girl children across the country.
Objective	This scheme encompasses all the girls of every economic strata under 10 years of age to open Sukanya Samridhi Account in Post offices and in the Banks. This account will be opened by girls parents or legal guardians.
How much can one deposit?	In the account, a minimum of one thousand Rupees and maximum of One lakh fifty thousand Rupees can be deposited annually, upon which interest of 9.1% will be accrued.
When can the girl operate her account?	When the girl child attains the age of 18 years, she herself would become eligible to operate the account.
When can she	Under the scheme, the girl child can withdraw 50 per cent of the money

withdraw?	after reaching age of 18 for higher education. The 18 years deadline will also help preventing child-marriages.
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Conclusion:

The survey acknowledges that government's Beti Bachao, Beti Padhao and Sukanya Samridhi Yojana schemes, and mandatory maternity leave rules are all steps in the right direction.

Issues relating to son preference are a matter for Indian society as a whole to reflect upon. Because it is a long-standing historical challenge, all stakeholders are collectively responsible for its existence and for its resolution.

The Survey states that just as India has committed to moving up the ranks in Ease of Doing Business indicators, a similar commitment should be endeavored on the gender front.

CLIMATE CHANGE AND AGRICULTURE

Current trend in Agriculture Sector:

- In the last four years, the level of real agricultural GDP and real agriculture revenues has remained constant, owing in part to weak monsoons in two of those years.
- Indian agriculture is vulnerable to temperature increase and still heavily dependent on precipitation.
- India is experiencing late convergence with respect to Agriculture. Lack of modern technology has led to poor agricultural productivity. In other words, there has been divergence big time on agricultural productivity.
- China's annual agricultural growth over the long run has exceeded that of India by a substantial 1.5 percentage points on average.

Do you know?

- Growth rates for richer countries have been consistently greater than for developing countries.
- Indian agricultural productivity growth has been stagnant, averaging roughly 3 percent over the last 30 years.

- Climate change impacts are significantly more adverse in unirrigated areas (and hence rainfed crops) compared to irrigated areas (and hence cereals).
- The Indo-Gangetic plain, and parts of Gujarat and Madhya Pradesh are well irrigated. But parts of Karnataka, Maharashtra, Madhya Pradesh, Rajasthan, Chattisgarh and Jharkhand are still extremely vulnerable to climate change on account of not being well irrigated.
- India pumps more than twice as much groundwater as China or United States.

Impact of Climate Change on Agriculture

Survey highlights that climate change (esp. extreme temperature shocks and deficient rainfall) reduces farmer incomes by up to 20-25 percent.

According to the Survey, overall there are at least three main channels through which climate change would impact farm incomes –

- (i) an increase in average temperatures,
- (ii) a decline in average rainfall and
- (iii) an increase in the number of dry-days.

Effects of extreme temperature increase and extreme rainfall decrease on crop yields are shown in below figures respectively.

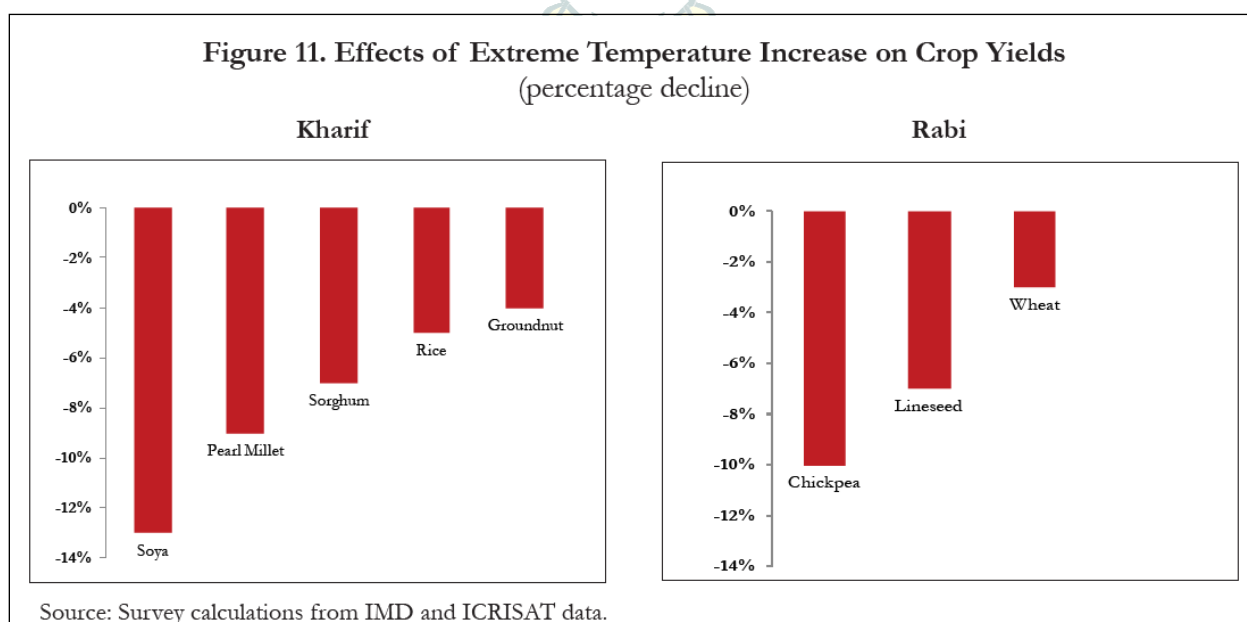
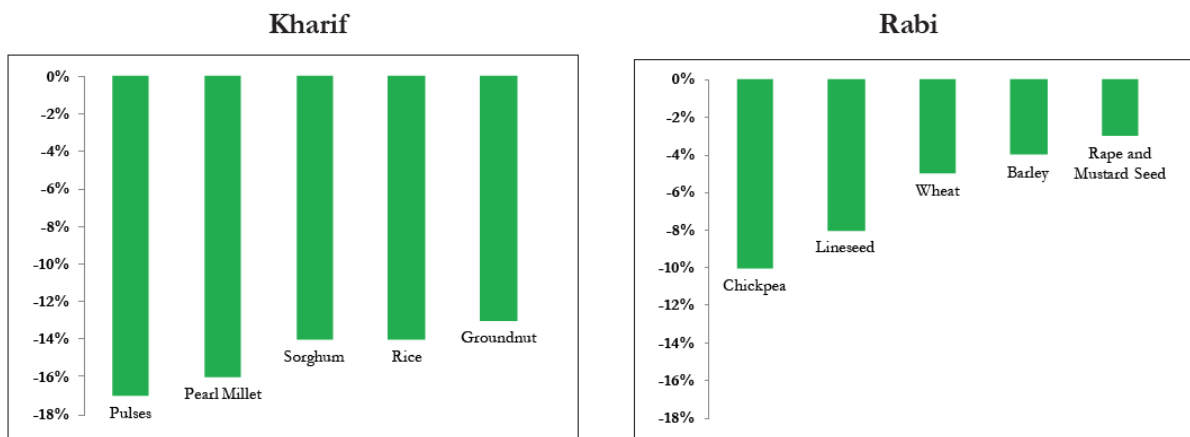


Figure 12. Effects of Extreme Rainfall Decrease on Crop Yields
(percentage decline)



Source: Survey calculations from IMD and ICRISAT data.

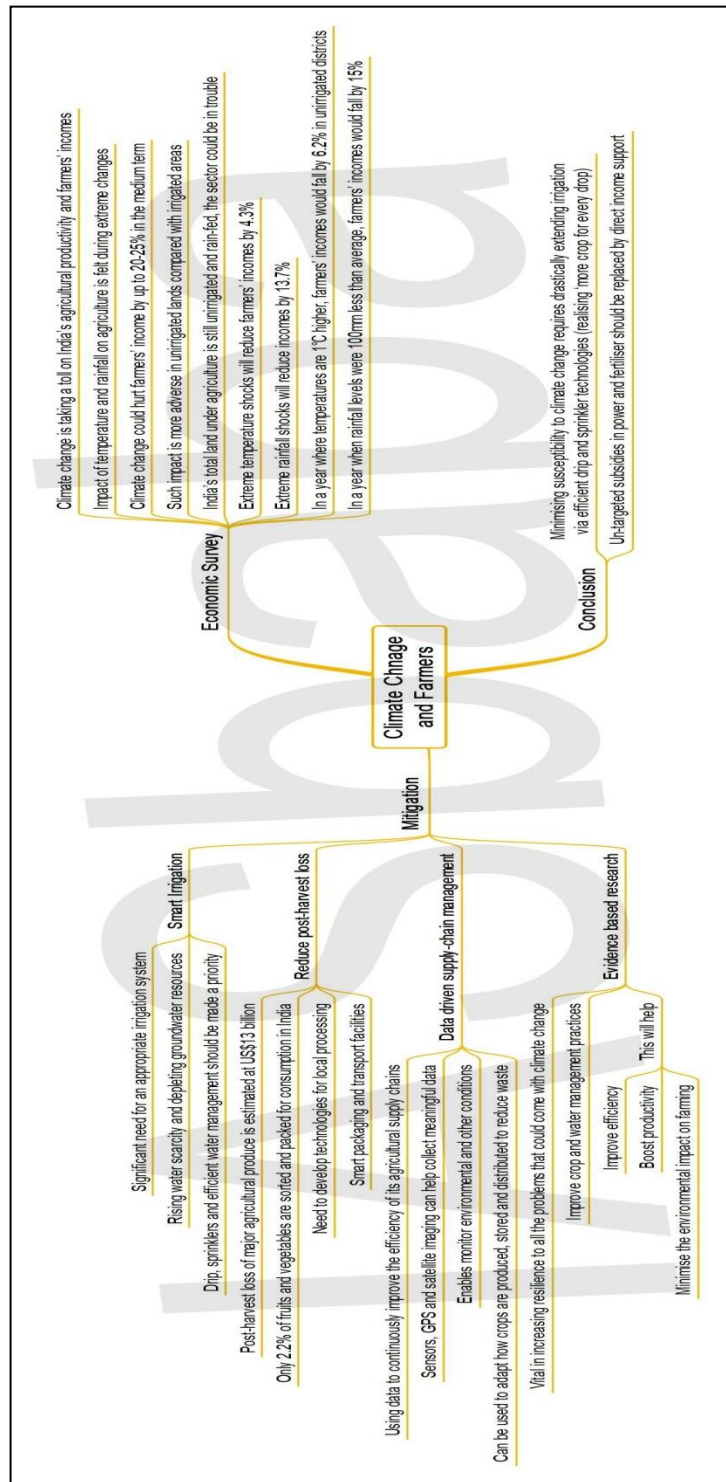
In a year where temperatures are 1 degree Celsius higher farmer incomes would fall by 6.2 percent during the kharif season and 6 percent during rabi in unirrigated districts. Similarly, in a year when rainfall levels were 100 millimetres less than average, farmer incomes would fall by 15 percent during kharif and by 7 percent during the rabi season.

Follow up actions:

Survey suggests that apart from government's laudable objective of addressing agricultural stress and doubling farmers' incomes, there is a need for radical follow-up actions –

- Focus on decisive efforts to **bring science and technology to farmers**
- Replace untargeted subsidies (power and fertiliser) by **direct income support**
- **Extend irrigation** via efficient drip and sprinkler technologies. (*realizing "more crop for every drop"*)

Impact of Climate Change on Farmers

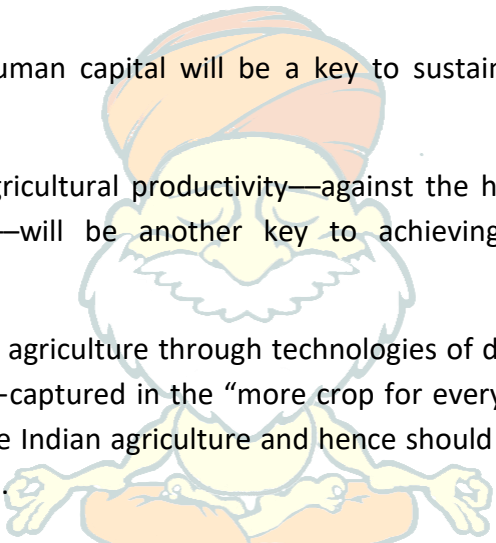


View Mindmap: <https://iasbaba.com/wp-content/uploads/2018/02/Climate-Chnage-and-Farmers-IASbaba.jpg>

Way ahead:

Climate change models, such as the ones developed by the Intergovernmental Panel on Climate Change (IPCC), predict that temperatures in India are likely to rise by 3-4 degree Celsius by the end of the 21st century.

Therefore, in the absence of any adaptation by farmers and any changes in policy (such as irrigation), farm incomes will be lower by around 12 percent on an average in the coming years. Unirrigated areas will be the most severely affected, with potential losses amounting to 18 percent of annual revenue.

- 
- Rapidly improving human capital will be a key to sustaining India's dynamic growth trajectory.
 - Rapidly improving agricultural productivity—against the headwinds of climate change and water scarcity—will be another key to achieving good growth and hence sustainable growth.
 - Fully irrigating Indian agriculture through technologies of drip irrigation, sprinklers, and water management—captured in the “more crop for every drop” campaign—may well hold the key to future Indian agriculture and hence should be accorded greater priority in resource allocation.
 - Replacing power subsidy by direct benefit transfers will also help to conserve power and water.
 - There is a need to embrace agricultural science and technology with renewed ardor.
 - Agricultural research will be vital in increasing yields but also in increasing reliance to all the pathologies that climate change threatens to bring in its wake: extreme heat and precipitation, pests, and crop disease.
 - Pradhan Mantri Fasal Bima Yojana - current crop insurance program.
 - Weather-based models and technology (drones for example) need to be used to determine losses and compensate farmers within weeks.

- The cooperative federalism “technology” of the GST Council that brings together the Center and States could be promisingly deployed to further agricultural reforms and durably raise farmers’ incomes.

Mains Bits:

Nobel Prize winner, **Sir Arthur Lewis** (among others), argued that *“economic development is always and everywhere about getting people out of agriculture and of agriculture becoming over time a less important part of the economy (not in absolute terms but as a share of GDP and employment)”*.

In other words, all good and successful economic and social development is about facilitating this transition in the context of a prosperous agriculture and of rising productivity in agriculture because that will also facilitate good urbanization and rising productivity in other sectors of the economy.

DELAYS IN APPEALS AND JUDICIAL PROCESS

Introduction

India jumped thirty places to break into the top 100 for the first time in the World Bank’s Ease of Doing Business Report (EODB), 2018.

The government’s efforts to make business and commerce easy have been widely acknowledged. The next frontier on the ease of doing business is addressing pendency, delays and backlogs in the appellate and judicial arenas.

Why judicial process has been the focus?

- The Economic Survey 2017-18 focuses on the need to address the issues of pendency, delays and backlogs in the appellate and judicial arenas towards Ease of Doing Business.
- These issues, it says hamper dispute resolution and contract enforcement, discourage investment, stall projects, hamper tax collection, stress tax payers and escalate legal costs.

- The Survey suggests coordinated action between government and the judiciary to boost economic activity in the country.

A clear and certain legislative and executive regime backed by an efficient judiciary that fairly and punctually protects property rights, preserves sanctity of contracts, and enforces the rights and liabilities of parties is a prerequisite for business and commerce.

Recent Government measures or actions to expedite and improve the contract enforcement regime:

1. Government scrapped over 1000 redundant legislations.
2. Rationalized tribunals
3. amended The Arbitration and Conciliation Act, 2015
4. passed The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015
5. reduced intra-government litigation and
6. expanded the Lok Adalat Programme to reduce the burden on the judiciary.

The judiciary has simultaneously expanded the seminal National Judicial Data Grid (NJDG) and is close to ensuring that every High Court of the country is digitized, an endeavor recognized in EODB, 2018.

However, still economic activity is being affected by the realities and long shadow of delays and pendency across the legal landscape.

Findings:

- Delays and pendency of economic cases are high and mounting in the Supreme Court, High Courts, Economic Tribunals, and Tax Department.
- Overall workload of the judiciary has increased.

Table 2. Pending IPR Cases- Stock (Delhi HC)

S. No.	Category	Total Cases	Stayed Cases	% of Stayed Cases
1.	Copyright	172	120	69.8%
2.	Patents	98	40	40.8%
3.	Trademarks	1219	704	57.8%
4.	Others	66	38	57.5%
Total		1555	902	58%

PENDENCY AND DELAY: POSSIBLE REASONS

- High Courts: Burden from Expansion of Discretionary Jurisdictions
- High Courts: Burden from Original Side Jurisdiction
- Supreme Court: Expansion of Special Leave Petition (SLP) Jurisdiction
- Recourse to Injunctions and Stays

All these are taking a severe toll on the economy in terms of stalled projects, mounting legal costs, contested tax revenues, and reduced investment more broadly.

Actions by the Courts and government acting together can considerably improve the situation.

Do you know?

National Judicial Data Grid (NJDG)

About	Supreme Court of India launched a public access portal of the National Judicial Data Grid (NJDG) for district courts to demystify the judicial process for the ordinary citizen. National Judicial Data Grid (NJDG) is a part of the on-going e-Courts Integrated Mission Mode Project
Objective	The public access portal will disseminate national, state, district and court-wise information about institution and disposal of cases on a monthly basis. The NJDG will also provides daily statistics on case pendency before the courts under the e-courts projects.

The Survey goes on to note that the Government and the Courts need to both work together for large-scale reforms and incremental improvements to combat a problem that is taking a large toll on the economy. It suggests some steps, which in brief are as follows:-

- Expanding judicial capacity in lower courts and reducing existing burden on High Courts and The Supreme Court.
- Considering its low success rate the tax department could exercise greater self-restraint by limiting appeals.

- Substantially increasing state expenditure on the judiciary, particularly on modernization and digitization.
- Building on the success of the Supreme Court, creating more subject-matter and stage-specific benches that allow the Court to build internal specialization and efficiencies in combating pendency and delay.
- Courts could consider prioritizing stayed cases, and impose stricter timelines within which cases with temporary injunctions may be decided, especially when involving government infrastructure projects.
- Improving Courts Case Management and Court Automation Systems.

Conclusion:

The Survey concludes by noting that recent experience with GST has shown how vertical cooperation between the Centre and States – Cooperative Federalism – has brought transformational economic policy changes. It says that perhaps there is scope for a horizontal variant – which it coins as Cooperative Separation of Powers that could be applied to the relationship between the judiciary on one hand, and the executive/legislature on the other.

SCIENCE AND TECHNOLOGY

Why investment in science is important?

Science, technology, and innovation – are integral to the long-term growth and dynamism of any nation. They are key drivers of economic performance and social well-being.

As India emerges as one of the world's largest economies, it needs to gradually move from being a net consumer of knowledge to becoming a net producer.

Historically, India can point to many contributions to global scientific knowledge and technological achievement. However, India under-spends on research and development (R&D), even relative to its level of development.

Investing in science is also fundamental to India's security:

- the human security of its populations;
- the resilience needed to address the multiple uncertainties stemming from climate change; and
- the national security challenges stemming from new emerging threats, ranging from cyberwarfare to autonomous military systems such as drones.

Do you know?

Some **important contributions by Indians** to the world of science and technology

The Idea of Zero:	Mathematician Aryabhata was the first person to create a symbol for zero and it was through his efforts that mathematical operations like addition and subtraction started using the digit, zero.
The Decimal System:	India gave the ingenious method of expressing all numbers by means of ten symbols – the decimal system. In this system, each symbol received a value of position as well as an absolute value. Due to the simplicity of the decimal notation, which facilitated calculation, this system made the uses of arithmetic in practical inventions much faster and easier.
Numeral Notations:	Indians, as early as 500 BCE, had devised a system of different symbols for every number from one to nine. This notation system was adopted by the Arabs who called it the hind numerals. Centuries later, this notation system was adopted by the western world who called them the Arabic numerals as it reached them through the Arab traders.
Fibonacci Numbers:	The Fibonacci numbers and their sequence first appear in Indian mathematics as mātrāmeru, mentioned by Pingala in connection with the Sanskrit tradition of prosody. Later on, the methods for the formation of these numbers were given by mathematicians Virahanka, Gopala and Hemacandra, much before the Italian mathematician Fibonacci introduced the fascinating sequence to Western European mathematics.
Binary Numbers:	Binary numbers is the basic language in which computer programs are written. Binary basically refers to a set of two numbers, 1 and 0, the combinations of which are called bits and bytes. The binary number system was first described by the Vedic scholar Pingala, in his book Chandahśāstra, which is the earliest known Sanskrit treatise on prosody (

	the study of poetic metres and verse).
Chakravala method of Algorithms:	The chakravala method is a cyclic algorithm to solve indeterminate quadratic equations, including the Pell's equation. This method for obtaining integer solutions was developed by Brahmagupta, one of the well-known mathematicians of the 7th century CE. Another mathematician, Jayadeva later generalized this method for a wider range of equations, which was further refined by Bhāskara II in his Bijaganita treatise.
Ruler Measurements:	Excavations at Harappans sites have yielded rulers or linear measures made from ivory and shell. Marked out in minute subdivisions with amazing accuracy, the calibrations correspond closely with the hasta increments of $1 \frac{3}{8}$ inches, traditionally used in the ancient architecture of South India. Ancient bricks found at the excavation sites have dimensions that correspond to the units on these rulers.
A Theory of Atom:	One of the notable scientists of the ancient India was Kanad who is said to have devised the atomic theory centuries before John Dalton was born. He speculated the existence of anu or a small indestructible particles, much like an atom. He also stated that anu can have two states — absolute rest and a state of motion. He further held that atoms of same substance combined with each other in a specific and synchronized manner to produce dvyanuka (diatomic molecules) and tryanuka (triatomic molecules).
The Heliocentric Theory:	Mathematicians of ancient India often applied their mathematical knowledge to make accurate astronomical predictions. The most significant among them was Aryabhatta whose book, Aryabhatiya, represented the pinnacle of astronomical knowledge at the time. He correctly propounded that the Earth is round, rotates on its own axis and revolves around the Sun i.e the heliocentric theory. He also made predictions about the solar and lunar eclipses, duration of the day as well as the distance between the Earth and the Moon.
Plastic Surgery:	Written by Sushruta in 6th Century BC, Sushruta Samhita is considered to be one of the most comprehensive textbooks on ancient surgery. The text mentions various illnesses, plants, preparations and cures along with complex techniques of plastic surgery. The Sushruta Samhita's most well-

	known contribution to plastic surgery is the reconstruction of the nose, known also as rhinoplasty.
Cataract Surgery:	The first cataract surgery is said to have been performed by the ancient Indian physician Sushruta, way back in 6th century BCE. To remove the cataract from the eyes, he used a curved needle, Jabamukhi Salaka, to loosen the lens and push the cataract out of the field of vision. The eye would then be bandaged for a few days till it healed completely. Sushruta's surgical works were later translated to Arabic language and through the Arabs, his works were introduced to the West.
Ayurveda:	Long before the birth of Hippocrates, Charaka authored a foundational text, Charakasamhita, on the ancient science of Ayurveda. Referred to as the Father of Indian Medicine, Charaka was the first physician to present the concept of digestion, metabolism and immunity in his book. Charaka's ancient manual on preventive medicine remained a standard work on the subject for two millennia and was translated into many foreign languages, including Arabic and Latin.
Raman Effect:	Chandrasekhara Venkata Raman won the Nobel Prize for Physics in 1930 for his pioneering work on scattering of light. He was the first Asian and first non-White to receive any Nobel Prize in the sciences. Raman also worked on the acoustics of musical instruments. He was the first to investigate the harmonic nature of the sound of the Indian drums such as the tabla and the mridangam. He discovered that, when light traverses a transparent material, some of the deflected light changes in wavelength. This phenomenon is now called the Raman scattering and is the result of the Raman effect.
Quantum Theory Homi J. Bhabha:	Born on October 30, 1909 in Bombay, Homi Jehangir Bhabha played an important role in the Quantum Theory. He was the first person to become the Chairman of the Atomic Energy Commission of India. Having started his scientific career in nuclear physics from Great Britain, Bhabha returned to India and played a key role in convincing the Congress Party's senior leaders, most notably Jawaharlal Nehru, to start the ambitious nuclear programme. Bhabha is generally acknowledged as the father of Indian nuclear power. But few people know that he was absolutely against India manufacturing

	atomic bombs, even if the country had enough resources to do so. Instead he suggested that the production of an atomic reactor should be used to lessen India's misery and poverty.
Sir M Visvesvaraya:	<p>Born on 15 September 1860, Sir Mokshagundam Visvesvaraya was a notable Indian engineer, scholar, statesman and the Diwan of Mysore during 1912 to 1918. He was a recipient of the Indian Republic's highest honour, the Bharat Ratna.</p> <p>Sir M V suggested that India try to be at par with industrialized nations as he believed that India can become developed through industries.</p> <p>He has the credit of inventing 'automatic sluice gates' and 'block irrigation system' which are still considered to be marvels in engineering. Each year, his birthday 15 September is celebrated as Engineer's Day in India.</p> <p>Since river beds were costly, he came up with an efficient way of filtering water through 'Collector Wells' in 1895 which was rarely seen anywhere in the world.</p>
Venkatraman Radhakrishnan:	<p>Venkatraman Radhakrishnan was born on May 18, 1929 in Tondaripet, a suburb of Chennai. Venkataraman was a globally renowned space scientist and a member of the Royal Swedish Academy of Sciences.</p> <p>He was an internationally acclaimed Astrophysicist and also known for his design and fabrication of ultralight aircraft and sailboats.</p> <p>His observations and theoretical insights helped the community in unraveling many mysteries surrounding pulsars, interstellar clouds, galaxy structures and various other celestial bodies. He died at the age of 81 in Bangalore.</p>
S. Chandrashekar:	<p>Born on October 19, 1910 in Lahore, British India, he was awarded the 1983 Nobel Prize for Physics for his mathematical theory of black holes. The Chandrasekhar limit is named after him. He was nephew of CV Raman. Chandra became a United States citizen in 1953.</p> <p>His most celebrated work concerns the radiation of energy from stars, particularly white dwarf stars, which are the dying fragments of stars. He died on August 21, 1995, at the age of 82 in Chicago.</p>
Satyendra Nath Bose:	<p>Born on January 1, 1894 in Calcutta, SN Bose was an Indian physicist specialising in quantum mechanics. He is of course most remembered for his role played in the class of particles 'bosons', which were named after</p>

	<p>him by Paul Dirac to commemorate his work in the field.</p> <p>Bose adapted a lecture at the University of Dhaka on the theory of radiation and the ultraviolet catastrophe into a short article called "Planck's Law and the Hypothesis of Light Quanta" and sent it to Albert Einstein. Einstein agreed with him, translated Bose's paper "Planck's Law and Hypothesis of Light Quanta" into German, and had it published in Zeitschrift für Physik under Bose's name, in 1924. This formed the basis of the Bose-Einstein Statistics.</p> <p>In 1937, Rabindranath Tagore dedicated his only book on science, Visva-Parichay, to Satyendra Nath Bose. The Government of India awarded him India's second highest civilian award, the Padma Vibhushan in 1954.</p>
Srinivasa Ramanujan	<p>Born on December 22, 1887 in Tamil Nadu, Ramanujam was an Indian mathematician and autodidact who, with almost no formal training in pure mathematics, made extraordinary contributions to mathematical analysis, number theory, infinite series, and continued fractions.</p> <p>By age 11, he had exhausted the mathematical knowledge of two college students who were lodgers at his home. He was later lent a book on advanced trigonometry written by S. L. Loney. He completely mastered this book by the age of 13 and discovered sophisticated theorems on his own.</p> <p>Ramanujan's home state of Tamil Nadu celebrates 22 December (Ramanujan's birthday) as 'State IT Day', memorializing both the man and his achievements.</p>

Recent achievements:

Mangalyaan mission	Mangalyaan mission highlighted India's niche of doing cost-effective, high-technology research.
Laser Interferometer Gravitational-wave Observatory (LIGO)	Most recently, India's important participation (involving three major Indian research institutions) in the Laser Interferometer Gravitational-wave Observatory (LIGO) experiment successfully detected the existence of gravitational waves.
Misc	India's vaccines and generic-drugs have saved millions of lives the world over.

Do you know?

Principal Science Government Agencies

1. Council of Scientific & Industrial Research (CSIR)
 2. Defense Research & Development Org. (DRDO)
 3. Department of Atomic Energy (DAE)
 4. Department of Biotechnology (DBT)
 5. Department of Science & Technology (DST)
 6. Department of Space (DOS)
 7. Indian Council of Agricultural Research (ICAR)
 8. Indian Council of Medical Research (ICMR)
-

Major Concerns:

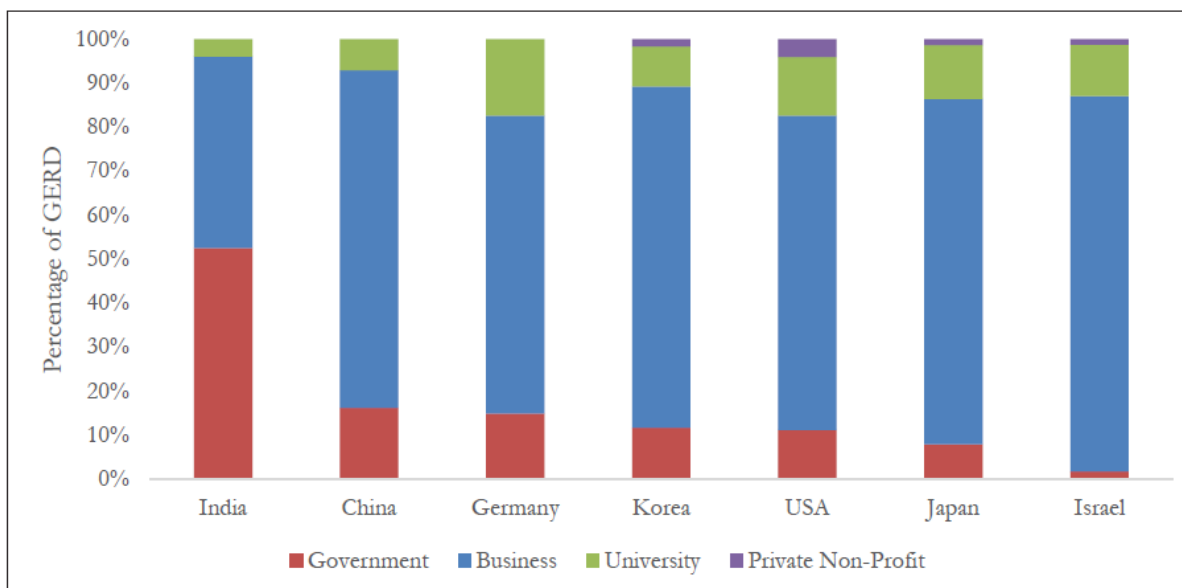
1. Poor spending on R&D

- While Gross Expenditure on R&D (GERD) is increasing, expenditure on science and tech as a fraction of GDP remains constant.
- The survey finds that GERD has shown a consistently increasing trend over the years. GERD has tripled in the last decade in nominal terms and double in real terms. However, in terms of fraction of GDP, the public expenditures on research have been stagnant – between 0.6-0.7 percent of GDP – over the past two decades.
- India's spending on R&D (about 0.6 percent of GDP) is well below that in major nations such as the US (2.8), China (2.1), Israel (4.3) and Korea (4.2).

2. Public investment dominates over private

- It is also unique in how dominant government is in carrying out R&D. In most countries, the private sector carries out the bulk of research and development even if government must play an import funding role. However, in India, the government is not just the primary source of R&D funding but also its the primary user of these funds.

Figure 1. GERD on R&D by Performer Share in 2015



Source: United Nations Educational, Scientific, and Cultural Organization (UNESCO).

3. Public investment is entirely by Central Government

- Government expenditure on R&D is undertaken almost entirely by the central government. There is a need for greater State Government spending, especially application oriented R&D aimed at problems specific to their economies and populations.

4. Indian Universities play a relatively small role in the research activities of the country.

- India is also distinctive in another dimension: its universities play a relatively small role in the research activities of the country. Universities in many countries play a critical role in both creating the talent pool for research as well generating high quality research output.

5. Fewer Indian students enrolling for Ph.Ds. in Science, Technology, Engineering, and Mathematics (STEM)

Do you know?

- Despite its poor spending, India's rank in number of scientific papers published is increasing gradually.
 - India ranks 5th in global research publication output. (According to 2017 report)
 - India produces fewer patents and has a weaker domestic patent system. According to the WIPO, India is the 7th largest Patent Filing Office in the World. However, India produces fewer patents per capita.
-

The way ahead:

- A doubling of R&D spending is necessary and much of the increase should come from the private sector and universities.
- India should invest in educating its youth in science and mathematics, reform the way R&D is conducted, engage the private sector and the Indian diaspora, and take a more mission-driven approach in areas such as dark matter, genomics, energy storage, agriculture, and mathematics and cyber physical systems.
- Vigorous efforts to improve the "ease of doing business" need to be matched by similar ones to boost the "ease of doing science."
- The government's recent hiring of over 450 additional patent examiners and creation of an expedited filing system for Indian residents in 2017 will therefore be a welcome and crucial intervention to help fix the existing patent system. Having addressed issues on the patent filing side, addressing patent litigation issues will also be crucial to ensuring that the patent system effectively rewards innovation.

Other measures:

- Improve math and cognitive skills at the school level
- Encourage Investigator-led Research
- Increase funding for research from private sector as well as from state governments
- Link national labs to universities and create new knowledge eco-systems
- Take a mission driven approach to R&D

- Leverage scientific diaspora
- Improve the culture of research
- Greater public engagement of the science and research establishment

India has the potential to be a global leader in the following areas or say, survey highlights these potential areas where India should focus to be a global leader –

National Mission on Dark Matter	India is one of the leading countries in high energy physics and relevant mathematics. (Areas to look out) – India's ongoing participation in the LIGO, Neutrino, CMS/LHC projects.
National Mission on Genomics	Genomic research lies at the heart of the future of the life sciences. Currently several countries have launched ambitious national genomic research projects. India already has a strong foundation of life science research institutes which together can make significant contributions in this area.
National Mission on Energy Storage Systems	Renewable energy is the future and India has made a major commitment to investment in renewable energy. Substantial investments in energy storage systems will ensure that India can be a leader in manufacturing energy storage systems. For India, this will be especially helpful to provide round-the-clock electricity to villages using off-grid renewable energy systems.
National Mission on Mathematics	Mathematics has two special advantages for India: i) it is not capital intensive; ii) standards of excellence are universal. National Mission of Mathematics will improve mathematics teaching at all levels of higher education, seek to establish five institutes of mathematical sciences within existing institutions.
National Mission on Cyber Physical Systems	The term Cyber Physical System (CPS) refers to machine based communication, analysis, inference, decision, action, and control in the context of a natural world ("Physical" aspect). This is hugely multidisciplinary area including deep mathematics used in Artificial Intelligence, Machine Learning, Big data Analytics, Block Chains, Expert Systems, Contextual Learning going to integration of all of these

	with intelligent materials and machines, control systems, sensors and actuators, robotics and smart manufacturing. Together these are the building blocks of future industry that will throw up both new challenges and opportunities.
National Mission on Agriculture	Helps in improving Indian agricultural productivity, which still lags other countries such as China. A national mission could help overcome the weaknesses in existing institutions of agricultural research and technology.

From UPSC perspective, the following things are important:

- Prelims level: Ramanujan Fellowship Scheme, INSPIRE Faculty Scheme, Ramalingaswami re-entry fellowship scheme, Visiting Advanced Joint Research Faculty Scheme (VAJRA).
- Mains level: Steps being taken to promote scientific R&D in India.

Ramanujan Fellowship Scheme

About	The fellowship is meant for brilliant scientists and engineers from all over the world to take up scientific research positions in India, i.e. for those scientists who want to return to India from abroad.
Eligibility	Ramanujan Fellowship are only for those candidates who are doing Post-Doctoral abroad and not for the people who already have permanent position in a scientific organization in the country.
Areas	The fellowships are scientist-specific and very selective All Areas of Science (in the broadest terms) are covered by this Fellowship
Duration	The Ramanujan Fellowship duration is for 5 years only The Ramanujan Fellows could work in any of the scientific institutions and universities in the country
Benefits	They would be eligible for receiving regular research grants through the extramural funding schemes of various S&T agencies of the Government of India
Managing Authority	This scheme is managed by Science and Engineering Research Board under the Department of Science & Technology, Government of India

Innovation in Science Pursuit for Inspired Research (INSPIRE) Faculty Scheme

About	INSPIRE is an innovative programme sponsored and managed by the Department of Science & Technology for attraction of talent to Science
Objective	<ul style="list-style-type: none"> • to communicate to the youth of the country the excitements of creative pursuit of science • to attract talent to the study of science at an early age and thus build the required critical human resource pool • to strengthen and expand the Science & Technology system and R&D base
Unique feature	A striking feature of the programme is that it does not believe in conducting competitive exams for identification of talent at any level
3Components	<ol style="list-style-type: none"> 1. Scheme for Early Attraction of Talent (SEATS) 2. Scholarship for Higher Education (SHE) 3. Assured Opportunity for Research Careers (AORC)

Ramalingaswami Re-entry Fellowship

About	It provides avenues to qualified Indian researchers residing in foreign countries, to work in Indian institutes/universities.
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Visiting Advanced Joint Research Faculty Scheme (VAJRA)

VAJRA	Department of Science and Technology has launched VAJRA (Visiting Advanced Joint Research) Faculty scheme.
About	Scheme enables NRIs and overseas scientific community to participate and contribute to research and development in India.
Implemented by	The Science and Engineering Research Board (SERB), a Statutory body of the Department of Science and Technology will implement the Scheme.

II. MACRO-ECONOMIC CONCERNS

Emerging macroeconomic concerns and agenda for next year

- Policy vigilance over high international oil prices
- Stabilizing the GST
- Completing the Twin Balance Sheet (TBS) actions
- Investment-saving slowdown
- Fiscal federalism and accountability
- Privatizing Air India and
- Staving off threats to macro-economic stability.

2 major global challenges:

Survey makes a case for policy vigilance to deal with two global challenges –

- downside risks stemming from **rising crude oil prices** and
- any setback to the ongoing **recovery of the global economy**.

2 major reforms:

Major reforms which were undertaken over the past year:

- Introduction of **Goods and Services Tax (GST)**
- Addressing of **Twin Balance Sheet (TBS)** problem

According to the Survey, these reforms have helped to re-instate India as the world's fastest growing major economy.

According to the survey, demonetisation of high-value currencies, together with the rollout of the goods and services tax (GST), has led to more people being brought under the tax net and the formal economy is much bigger than what it is estimated at.

GOODS AND SERVICES TAX (GST)

Goods and Services Tax (GST)

About	<p>The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 July 2017.</p> <p>The GST is a Value added Tax (VAT) is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level.</p> <p>It will replace all indirect taxes levied on goods and services by the Indian Central and state governments. It is aimed at being comprehensive for most goods and services.</p> <p>(or)</p> <p>GST is a value-added tax levied at all points in the supply chain with credit allowed for any tax paid on input acquired for use in making the supply. It would apply to both goods and services in a comprehensive manner, with exemptions restricted to a minimum.</p>
Benefits of Goods and Services Tax (GST)	<ol style="list-style-type: none"> 1. It will create a common Indian market 2. It will improve tax compliance and governance 3. It will boost investment and growth 4. It will reduce the cascading effect of tax on the cost of goods and services 5. It is also a bold new experiment in the governance of India's cooperative federalism. 6. GST will have a far-reaching impact on almost all the aspects of the business operations in the country, for instance, pricing of products and services, supply chain optimization, IT, accounting, and tax compliance systems.
Other advantages:	<ol style="list-style-type: none"> 1. Wider tax base, necessary for lowering tax rates and eliminating classification disputes 2. Elimination of multiplicity of taxes and their cascading effects

	<ol style="list-style-type: none"> 3. Rationalization of tax structure and simplification of compliance procedures 4. Harmonization of center and state tax administrations, which would reduce duplication and compliance costs 5. Automation of compliance procedures to reduce errors and increase efficiency
Coverage	GST is applicable to whole of India. J&K is the last state joining GST.
Concept of destination based tax on consumption	<p>The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.</p> <p>GST would be based on the principle of destination based consumption taxation as against the present principle of origin-based taxation. i.e. it is a consumption based tax.</p> <p>Tax is payable in the state where goods or services or both are finally consumed.</p>
Existing taxes to be merged in GST	<p>17 different taxes and 23 different cesses have been fitted into GST.</p> <p>GST would replace the following taxes currently levied and collected by the Centre:</p> <ol style="list-style-type: none"> 1. Central Excise Duty; 2. Duties of Excise (Medicinal and Toilet Preparations); 3. Additional Duties of Excise (Goods of Special Importance); 4. Additional Duties of Excise (Textiles and Textile Products); 5. Additional Duties of Customs (commonly known as CVD); 6. Special Additional Duty of Customs (SAD); 7. Service Tax; 8. Cesses and surcharges insofar as they relate to supply of goods or services. <p>State taxes that would be subsumed within the GST are:</p> <ol style="list-style-type: none"> 9. State VAT; 10. Central Sales Tax; 11. Purchase Tax; 12. Luxury Tax; 13. Entry Tax (All forms);

	<p>14. Entertainment Tax (except those levied by the local bodies);</p> <p>15. Taxes on advertisements;</p> <p>16. Taxes on lotteries, betting and gambling;</p> <p>17. State cesses and surcharges insofar as they relate to supply of goods or services.</p>
Exclusion	Taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council shall not be subsumed under GST. The local bodies of States could continue to levy such taxes.
Applicability of GST	The GST shall be levied on all goods and services except alcoholic liquor for human consumption
GST Council	<p>GST Council would be constituted comprising the</p> <ul style="list-style-type: none"> • Union Finance Minister (who will be the Chairman of the Council), • Union Minister of State (in-charge of Revenue of finance) and • State Finance/Taxation Minister or any other Minister nominated by each State Government <p>The GST Council shall make recommendations to the Union and States on important issues related to GST. E.g. taxes to be merged, tax rates, exemptions to be given etc.</p>
Decisions be taken by GST Council	<p>Every decision of the GST Council shall be taken at a meeting by a majority of not less than 3/4th of the weighted votes of the Members present and voting.</p> <p>The vote of the Central Government shall have a weightage of 1/3rd of the votes cast and the votes of all the State Governments taken together shall have a weightage of 2/3rd of the total votes cast in that meeting.</p> <p>One half of the total number of members of the GST Council shall constitute the quorum at its meetings.</p>
GST exemption limit	<p>Tax payers with an aggregate turnover in a financial year up to Rs.20 lakhs would be exempt from GST.</p> <p>For special category States enumerated in article 279A (except J&K) of the Constitution i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand, threshold</p>

exemption limit is Rs. 10 lakh.

Survey Highlights:

1. Increase in taxpayers:

- Under GST, the number of unique indirect taxpayers increased by over 50% (3.4 million). Voluntary compliance also increased under GST, with 1.7 million voluntary registrants. 13% of the estimated 71 million non-agriculture enterprises were registered under the GST network.

2. GST and states:

- The distribution of GST base among states is linked to their GSDP, with Maharashtra (16%), Tamil Nadu (10%), Karnataka (9%) having the highest share. GST data shows that a state's GSDP per capita has a high correlation with its export share in the GSDP.
- Five states account for 70% of India's exports - Maharashtra, Gujarat, Karnataka, Tamil Nadu, and Telangana.

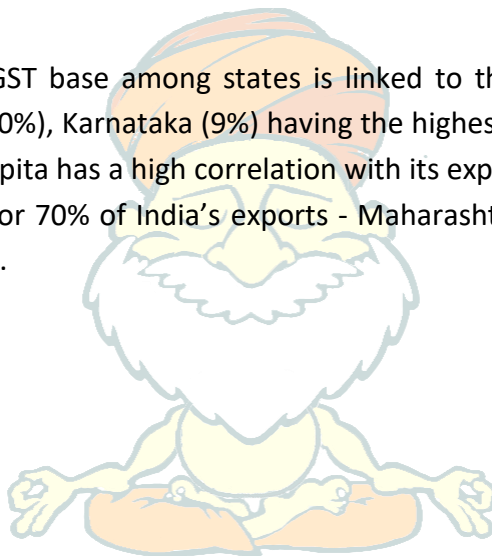
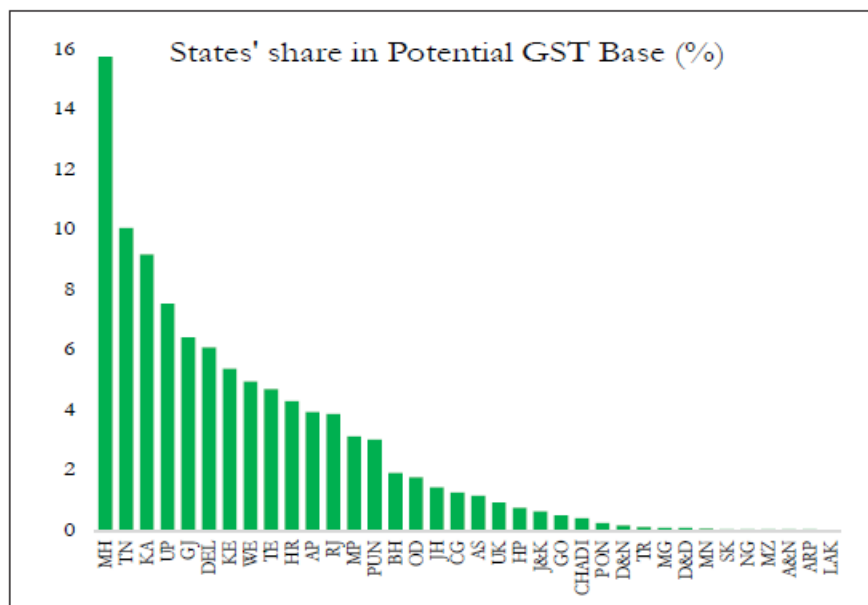


Figure 1. State-Wise Distribution of the Tax Base



Source : Survey calculations based on GST data.

Do you know?

Formal economy:

A firm is considered to be in the formal sector if:

- (i) it provides social security to its employees, or
- (ii) it is registered under the GST network.

India's formal sector non-farm payroll is greater than current perception. Formal non-farm payroll is 31% of the non- agricultural workforce based on a social security defined formality, and 53% based on a tax definition formality.

The GST has been widely heralded for many things, especially its potential to create one Indian market, expand the tax base, and foster cooperative federalism.

Classification of Firms:

All firms are placed in **five categories** based on their annual turnover:

Below-threshold	less than Rs. 20 lakhs
Below-composition limit	Rs. 20-100 lakhs (the current upper limit of the composition scheme is Rs. 150 lakhs)
Small and micro enterprises (SMEs)	Rs. 1-5 crore
Medium	Rs. 5-100 crore
Large firms	above Rs. 100 crore

Statewise distribution of goods and services

Statewise distribution of exports of goods and services	Top 5 States - Five states—Maharashtra, Gujarat, Karnataka, Tamil Nadu, and Telangana
Statewise distribution of importing of goods and services	Maharashtra, Tamil Nadu, Uttar Pradesh, Karnataka and Gujarat.
States with the largest internal trade surpluses	Gujarat, Haryana, Maharashtra, Odisha and Tamil Nadu.

TWIN BALANCE SHEET (TBS) PROBLEM

Twin Balance Sheet (TBS) problem

- Long-festering Twin Balance Sheet (TBS) problem was decisively addressed by sending the major stressed companies for resolution under the new **Indian Bankruptcy Code** and implementing a major **recapitalization package** to strengthen the public sector banks.
- Survey highlights that the TBS actions need complementary reforms to shrink unviable banks and **allow greater private sector participation**.
- Government should focus on **4 R's** of the TBS—recognition, resolution, recapitalization, and reforms.

TWIN REFORMS - Indian Bankruptcy Code and Recapitalization package

New Indian Bankruptcy Code

The new Indian Bankruptcy Code (IBC) has provided a resolution framework that will help corporates clean up their balance sheets and reduce their debts.

Government revised the **bankruptcy laws** so that the “**exit**” **problem** that pervades the Indian economy **can be addressed effectively** and expeditiously.

- Last year Survey had likened the Indian economy in the 21st century to the ‘**Chakravayuh**’ legend of Mahabharata – the **ability to enter but not exit** – cautioning the country is facing adverse consequences due to the lack of a way out for failed ventures.
- Just as a market economy requires unrestricted entry of new firms, new ideas and new technologies, it also requires an exit route so that resources are forced or enticed away from inefficient and unsustainable uses.
- **Stressed corporate and bank balance sheets** were partly because it was difficult for capital to exit enterprises or investments that had turned unprofitable.
- As a consequence, India was littered with firms that were too small and unproductive, taking up scarce resources more efficiently allocated elsewhere.

Government passed the Insolvency and Bankruptcy Code 2016 – this new bankruptcy law will ensure time-bound settlement of insolvency, enable faster turnaround of businesses and create a database of serial defaulters.

The move is also expected to help India move up from its current rank of 130 in the World Bank's ease of doing business index.

Overall this legislation is a huge step towards the ease of doing business in India and has the potential to bring business practices in India closer to more developed markets over the long term.

The Insolvency and Bankruptcy Code, 2016

About	<p>IBC is the bankruptcy law of India which seeks to consolidate the existing framework by creating a single law for insolvency and bankruptcy.</p> <p>It offers a market determined, time bound mechanism (within 180 days plus 90 days extension) for orderly resolution of insolvency, wherever possible, and orderly exit, wherever required.</p>
Second biggest economic reform	<p>This is considered as the biggest economic reform next only to GST</p> <p>It will facilitate ease of doing business.</p>
Aim	<p>to promote entrepreneurship, availability of credit, and balance the interests of all the stakeholders by consolidating and amending the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner and for maximization of value of the assets of such persons and matters connected therewith.</p>
Framework	<p>It proposes a framework to ensure:</p> <ul style="list-style-type: none">• early detection of stress in a business;• initiation of the insolvency resolution process by debtor, financial creditor or operational creditor;• timely revival of viable businesses;• liquidation of unviable businesses;• minimization of losses to all stakeholders; and• Avoiding destruction of value of failed business.

Insolvency Law Committee

Constituted by	The Government of India had constituted the 14 member Insolvency Law Committee vide order dated 16.11.2017.
Purpose	to take stock of the functioning and implementation of the Insolvency and Bankruptcy Code, identify the issues that may impact the efficiency of the Corporate Insolvency Resolution and the Liquidation Framework prescribed under the Code, and make suitable recommendations to address such issues, enhance efficiency of the processes prescribed and the effective implementation of the Code.
Chairman	Secretary, Ministry of Corporate Affairs (MCA), Shri Injeti Srinivas

Note: The IBC mechanism is being used actively to resolve the NPA problem of the banking sector. A major factor behind the effectiveness of the new Code has been the adjudication by the Judiciary. The Code prescribes strict time limits for various procedures under it. In this process, a rich case-law has evolved, reducing future legal uncertainty.

Recapitalization package

Government announced a large recapitalization package (about 1.2 percent of GDP) to strengthen the balance sheets of the public sector banks (PSBs).

- The move on the part of the government to inject capital into public sector banks (PSBs) is commendable and a decisive step.
- This could give the banking system a good breathing time to enhance its credit portfolio and restore value out of the NPA accounts.

Towards financial health

The recapitalisation of the top 10 public sector banks (in terms of amount of capital infusion) is provided below. The package for 2017-18 includes ₹80,000 crore through bonds and ₹8,139 crore as budgetary support

(IN ₹ crore)



• The recapitalisation bonds will have a maturity period of 10-15 years and would be issued in six tranches. The plan will also follow a differentiated approach for Prompt Corrective Action (PCA) banks — that show a higher degree of stress — and non-PCA banks.

Do you know?

The capital infusion plan for 2017-18 includes Rs. 80,000 crore through recapitalisation bonds and Rs. 8,139 crore as budgetary support.

Expected outcome because of above twin reforms –

- Firms should finally be able to resume spending
- Banks should be able to lend especially to the critical, but-currently-stressed sectors of infrastructure and manufacturing.

INVESTMENT AND SAVINGS

Current Trend: Investment and Savings situation

Despite the fact that Indian economy has registered a fairly robust growth in the 4 years between 2014-15 and 2017-18, story on savings and investment in the economy has not been so heartening.

The investment rate (Gross Capital Formation (GCF) as a share of GDP) in the economy declined by nearly 5.6 percentage points between 2011-12 and 2015-16.

Reasons:

- Difficulties in acquiring land
- Delayed and cumbersome environmental clearances
- Problems on infrastructure front, etc.

Savings rate (Gross saving as a share of GDP) also declined by two and half percentage points between 2011-12 and 2013-14 and has remained rangebound thereafter.

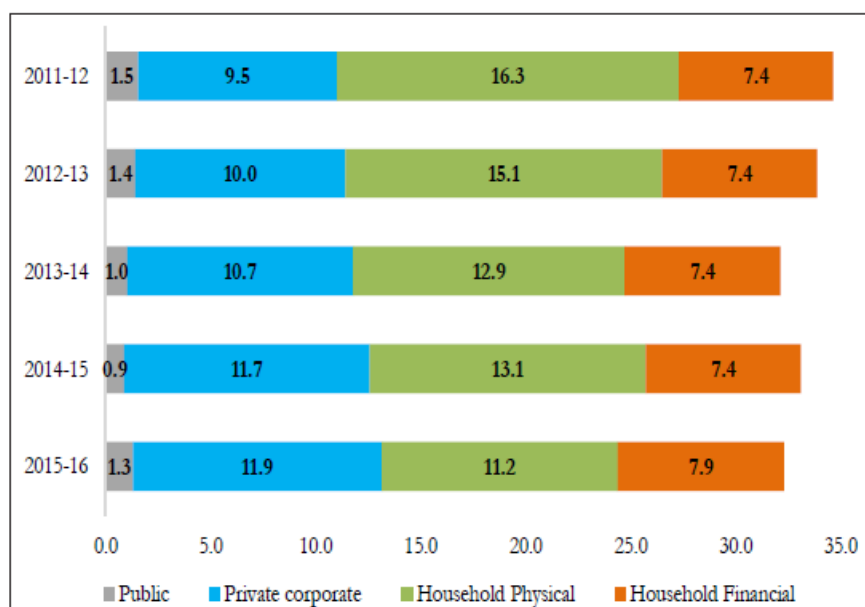
Savings in an economy originate from households, private corporate sector and public sector (including general government).

Savings of household sector as a ratio of GDP	Declined
Savings of private corporate sector	Increased
Savings of Public	Increased

Do you know?

- Household sector accounts for the bulk of the savings. (Observe figure below)
- Financial savings by the households are held mainly in currency, bank deposits, life insurance funds, provident and pension funds and of late in the form of shares and debentures.
- Concern: Share of household savings in total savings has declined

**Fig 6 : Gross Savings as a share of GDP
(per cent)**



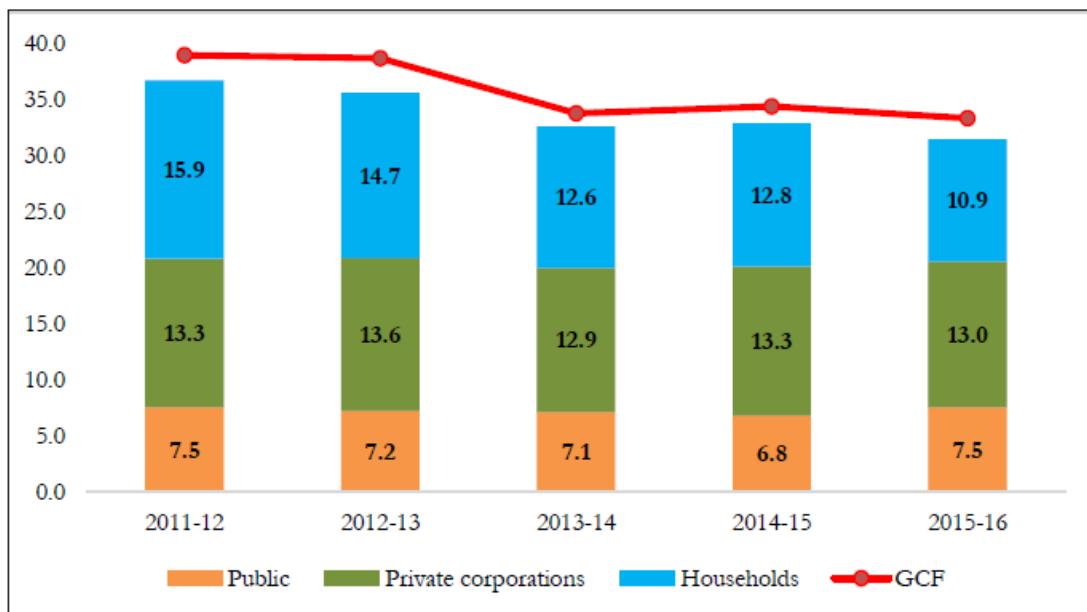
Concerns:

The highlights of the Investment and Savings situation as brought out by Economic Survey 2017-18:

- The ratio of domestic saving to GDP reached 29.2 per cent in 2013 to a peak of 38.3 per cent in 2007, before falling back to 29 per cent in 2016.
- The cumulative fall over 2007 and 2016 has been milder for investment than saving, but investment has fallen to a lower level. In other words, there is a significant decline in the proportion of deployment of financial savings in bank deposits and life insurance funds and an increase in share of currency, provident and pension funds, claims on government (primarily in small savings).

Asian countries faced the largest number of slowdown episodes following 1997. Currently (after 2008), these economies are in the era of saving slowdowns. In India, the investment slowdown started in 2012, subsequently intensified and was apparently still continuing as of the latest date, that for 2016.

Figure 8 : Investment by different institutions as percentage of GDP (per cent)



Source : Based on NAS, CSO

Note : Investment across different sectors does not includes valuables and errors & omissions, hence will not add up to GCF.

Do you know?

Investment slowdowns are more detrimental to growth than savings slowdown

- The cross-country experience to study the pattern of investment and saving slowdowns has revealed that the investment slowdowns have an impact on growth but not necessarily saving.
- Therefore survey calls for urgent prioritization of investment revival to arrest more lasting growth impacts.

Dwellings account for around 57-58 per cent of fixed investment and this share has remained fairly stable between 2011-12 and 2015-16. Then followed by Machinery and Equipment. (Observe figure below)

Table 4 : Assets-wise fixed investment by institutional sector as a share of total fixed investment (per cent)		2011-12	2012-13	2013-14	2014-15	2015-16
GFCF	Dwellings	57.5	56.6	57.7	58.6	57.1
	Machinery & Equipment	35.0	34.5	31.9	31.6	32.5
	Others	7.6	9.0	10.5	9.9	10.5
Public Sector (incl. General Government)	Dwellings	12.0	12.3	12.7	13.4	16.1
	Machinery & Equipment	8.1	7.3	8.0	7.4	8.1
	Others	1.4	1.5	2.0	1.3	1.1
Private Corporate Sector	Dwellings	8.0	9.6	9.5	10.0	10.4
	Machinery & Equipment	18.7	18.4	19.6	17.9	18.2
	Others	6.0	7.2	8.3	8.3	9.1
Household Sector	Dwellings	37.4	34.7	35.5	35.2	30.6
	Machinery & Equipment	8.2	8.9	4.3	6.4	6.2
	Others	0.2	0.2	0.2	0.2	0.2

Source : NAS, CSO
Note : 'Others' include IPP and CBR

FISCAL FEDERALISM AND ACCOUNTABILITY

Current Trend:

At a time when international events have been marked by a retreat into economic nativism and the attendant seizing of control, Indian states and the center have offered up a refreshing counter-narrative, voluntarily choosing to relinquish and then pool sovereignty for a larger collective cause.

In other words, Indian states have begun playing a larger role in foreign policy than they previously did.

The current government led by Prime Minister has been more accepting of states playing a role in foreign policy than past administrations. It seems to view such engagement not as a negative form of interference but as a useful asset for pursuing the country's national interests abroad.

Clearly, the thinking within the government regarding cooperative federalism on the foreign policy front is persuaded by economic development and investment promotion rather than strategic or hard security concerns.

Concerns:

The Survey pointed out that low level of tax collections by the local Governments in rural areas is posing challenge in reconciling fiscal federalism and accountability.

- Panchayats received 95 per cent of their revenues from the devolved funds from the Centre/State while generating only 5 per cent from own resources.
- Panchayats in States like Kerala, Andhra Pradesh and Karnataka do collect some direct taxes while villages in States like Uttar Pradesh almost entirely depend on transfer funds.
- This is because some State Governments have not devolved enough taxation powers to the Panchayats- permissible taxes for Panchayats include Property and Entertainment Taxes but not Land Taxes or Tolls on roads.
- In some other instances, even though the rural local governments have been given powers to tax, land revenue collection remained low between 7 to 19 per cent due to low base values applied to properties and low rates of taxes levied.

Poor level of tax collections by the State and local Governments

Further, the Survey highlighted that fiscal decentralization is often embraced as not just a desirable economic but also as a political and philosophical principle.

Quoting **Rabindranath Tagore**, the Survey underlined that ***fiscal decentralization captures the idea that spending and tax decisions must reflect local preferences as far as possible.***

However, in India the States generate very low share of about 6 per cent of their revenue from direct taxes while the figure is 19 per cent in Brazil and 44 per cent in Germany.

In the third tier, rural local governments in India generate only 6 per cent of revenues from own resources compared to 40 per cent in Brazil and Germany.

Meanwhile, urban local governments in India are much closer to International norms collecting 18 per cent of total revenues from direct taxes compared to 19 per cent in Brazil and 26 per cent in Germany.

Further, urban local governments in India generate 44 per cent of their total revenue from own sources. This is evident that urban local governments have emerged more fiscally empowered than rural local government in India.

Crux: They generate less tax resources and collect less direct taxes. The reason does not seem to be so much that they don't have enough taxation power. Rather, they are not fully utilizing existing taxation powers.

Do you know?

- Direct Taxes account for about 70 per cent of total taxes in Europe while in India the figure remained around 35 per cent.
- Unlike in other countries, reliance on direct taxes in India seems to be declining, a trend that will be reinforced if the Goods and Services Tax (GST) proves to be a buoyant source of revenue.

The way ahead:

Economic Survey talks about promoting Cooperative Federalism:

- It recognizes the cooperative federalism as a critical component for economic and social development.
- It has the potential to tackle a wide array of difficult structural reforms that involve the states.

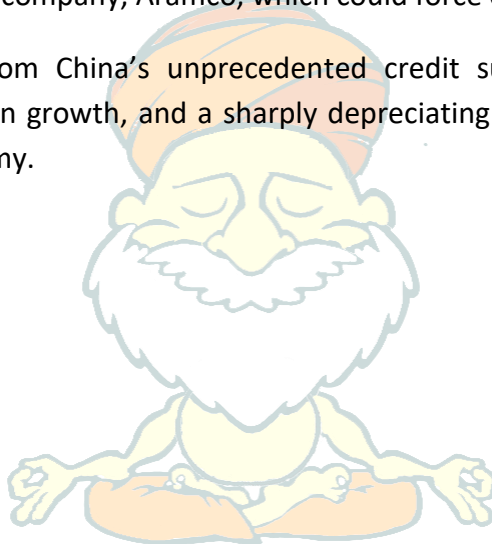
For example, the “cooperative federalism technology” of the GST Council should be used to address difficult structural reforms that involve the states. For example, to create a common agricultural market, integrate fragmented and inefficient electricity markets, solve interstate water disputes, implement direct benefit transfers (DBT), make access to social benefits portable across states, and combat air pollution.

STAVING OFF THREATS TO MACRO-ECONOMIC STABILITY

What are the external challenges/risks?

Geo-political and geo-economic risks:

- war in the Korean peninsula;
- political upheaval in the Middle East;
- aggressive output cuts by Saudi Arabia (and Russia) in advance of the planned listing of the Saudi Arabian oil company, Aramco, which could force oil prices even higher;
- a final reckoning from China's unprecedented credit surge in the form of capital controls, slowdown in growth, and a sharply depreciating currency with consequences for the global economy.



III. MEDIUM TERM CHALLENGES

Survey talks about the following Medium term challenges (Three areas of policy focus)

Employment: finding good jobs for the young and burgeoning workforce, especially for women.

Education: creating an educated and healthy labor force.

Agriculture: raising farm productivity while strengthening agricultural resilience.



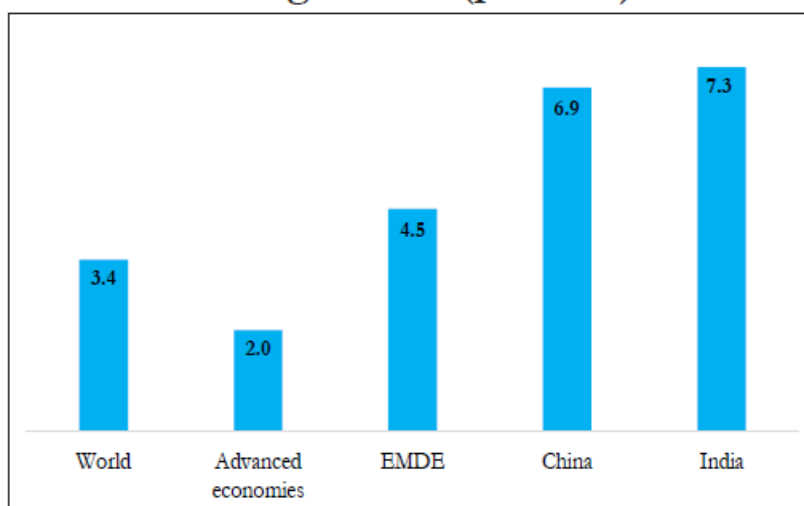
IV. INDIA'S ECONOMIC OUTLOOK

An Overview of India's Economic Performance in 2017-18

Key takeaways from the Economic Survey

1. The GDP growth rate for the fiscal year 2017-2018 is pegged at 6.75% by the Economic Survey report. The government, in its advance GDP estimate, had estimated a growth of 6.5%.
2. In the fiscal year 2019, the survey said that the Indian economy is expected to grow between 7% and 7.5%. The International Monetary Fund (IMF) has also said that India could grow at 7.4% in the current year 2018, as against China's 6.8%.

Figure 1 : Average growth of GDP during 2014-17 (per cent)



Source: Based on IMF's World Economic Outlook Database (October 2017)

3. On the implementation of the Goods and Service Tax (GST), the survey said that there has been a 50% increase in number of indirect taxpayers; Large increase in voluntary registrations; distribution of GST base closely linked to size of economies; strong correlation between export performance and state's standard of living and India's formal sector was found to be substantially greater than currently believed, the economic survey said.

4. The level of tax filers by November 2017 was 31% greater. The economic survey said that it translated roughly into about 1.8 million additional taxpayers due to demonetization-cum-GST, representing 3% of existing taxpayers.
5. The Agriculture growth in FY18 likely to be at 2.1%, while the Industry growth for FY18 likely to be 4.4%.
6. Services growth for FY18 likely to be at 8.3% and the country's economy should witness improvement in next fiscal year.
7. The IBC resolution process could prove a valuable technology for tackling this long-standing problem in the Indian corporate sector.
8. The apparel sector has immense potential to drive economic growth, increase employment, and empower women in India. This is especially true as China's share of global apparel exports has come down in recent years. However, India has not, or not yet, capitalized on this opening.
9. In the last three fiscal years, India experienced a positive term of trade shock. But in the first three quarters of 2017-18, oil prices have been about 16 percent greater in dollar terms than in the previous year. It is estimated that a \$10 per barrel increase in the price of oil reduces growth by 0.2-0.3 percentage points, increases WPI inflation by about 1.7 percentage points and worsens the CAD by about \$9-10 billion dollars. Economic Survey calls for "policy vigilance" in coming year if high oil prices persist or stock prices correct sharply.
10. The Headline inflation has been below 4 per cent for twelve straight months, from November, 2016 to October, 2017 and CPI food inflation averaged around one per cent during April-December in the current financial year. The Survey observes that the economy has witnessed a gradual transition from a period of high and variable inflation to more stable prices in the last four years.
11. Current account deficit expected to average 1.5-2% of the GDP this fiscal, while export growth is pegged at 12.1%.
12. The survey said that India will need \$4.5 trillion investment in infrastructure by 2040.

Annual growth of different sectors

GDP growth rate for the fiscal year 2017-2018 is pegged at 6.75% by the Economic Survey report.

- Lower growth in 'Agriculture & allied', and 'Industry' sector, which are expected to grow at 2.1 per cent and 4.4 per cent respectively.
- In 2017-18, service sector is expected to grow at 8.3 per cent, as compared to 7.7 per cent in 2016-17.
- Within the services sector, only the growth of 'Public administration, defence & other services' sector is expected to decline in 2017-18.

Table 1 : Annual real GVA and GDP growth (per cent)

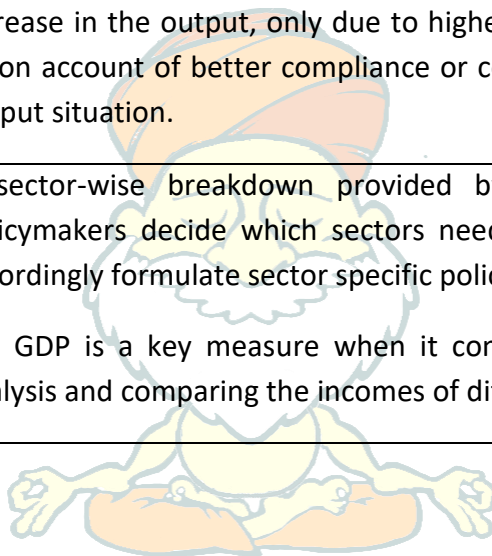
GVA at basic prices from	2014-15	2015-16	2016-17	2017-18 (1st AE)
Agriculture, forestry & fishing	-0.2	0.7	4.9	2.1
Industry	7.5	8.8	5.6	4.4
Mining & quarrying	11.7	10.5	1.8	2.9
Manufacturing	8.3	10.8	7.9	4.6
Electricity, gas, water supply & other utility services	7.1	5.0	7.2	7.5
Construction	4.7	5.0	1.7	3.6
Services	9.7	9.7	7.7	8.3
Trade, Hotel, Transport, Storage, communication & services related to broadcasting	9.0	10.5	7.8	8.7
Financial, real estate & professional services	11.1	10.8	5.7	7.3
Public administration, defence & other services	8.1	6.9	11.3	9.4
GVA at basic prices	7.2	7.9	6.6	6.1
GDP at market prices	7.5	8.0	7.1	6.5

Source: Based on data from CSO

Basic terminologies

What is Gross Value Added (GVA)?	<p>GVA is the measure of the value of goods and services produced in an area, industry or sector of an economy.</p> <p>Put simply, it is a measure of total output and income in the economy.</p> <p>It provides the rupee value for the amount of goods and services produced in an economy after deducting the cost of inputs and raw materials that have gone into the production of those goods and services. It also gives sector-specific picture like what is the growth in an area, industry or sector of an economy.</p>
How is it measured?	<p>At the macro level, from national accounting perspective, it is the sum of a country's GDP and net of subsidies and taxes in the economy. When measured from the production side, it is a balancing item of the national accounts.</p>
What is GDP?	<p>It gives the economic output from the consumers' side.</p> <p>Market value of all final goods and services taking place within the domestic economy during a year.</p> <p>It is the sum of private consumption, gross investment in the economy, government investment, government spending and net foreign trade (difference between exports and imports).</p> <p>$GDP = \text{private consumption} + \text{gross investment} + \text{government investment} + \text{government spending} + (\text{exports} - \text{imports})$</p>
What is the difference between the two? GVA and GDP	<p>While GVA gives a picture of the state of economic activity from the producers' side or supply side, the GDP gives the picture from the consumers' side or demand perspective.</p> <p>Both measures need not match because of the difference in treatment of net taxes.</p>
Relationship to gross domestic product	<p>Gross value added = GDP + subsidies on products - taxes on products</p>

	<p>(or)</p> $\text{GDP} = \text{GVA} + \text{taxes on products} - \text{Subsidies on products}$ <p>Thus, Gross Domestic Product (GDP) of any nation represents the sum total of gross value added (GVA) in all the sectors of that economy during the said year after adjusting for taxes and subsidies.</p>
<p>Why did policy makers decide to also give weight to GVA?</p>	<p>A sector-wise breakdown provided by the GVA measure can better help the policymakers to decide which sectors need incentives/stimulus or vice versa.</p> <p>Some consider GVA as a better gauge of the economy because a sharp increase in the output, only due to higher tax collections which could be on account of better compliance or coverage, may distort the real output situation.</p>
<p>Which of the two measures is considered more appropriate gauge of the economy?</p>	<p>A sector-wise breakdown provided by the GVA measure helps policymakers decide which sectors need incentives or stimulus and accordingly formulate sector specific policies.</p> <p>But GDP is a key measure when it comes to making cross-country analysis and comparing the incomes of different economies.</p>



Do you know?

- In India, GDP is estimated by **Central Statistical Office (CSO)**.
- In the revision of National Accounts statistics done by Central Statistical Organization (CSO) in January 2015, it was decided that sector-wise estimates of Gross Value Added (GVA) will now be given at basic prices instead of factor cost.
- In simple terms, for any commodity the basic price is the amount receivable by the producer from the purchaser for a unit of a product minus any tax on the product plus any subsidy on the product. However, GVA at basic prices will include production taxes and exclude production subsidies available on the commodity.

- On the other hand, GVA at factor cost includes no taxes and excludes no subsidies and GDP at market prices include both production and product taxes and excludes both production and product subsidies.

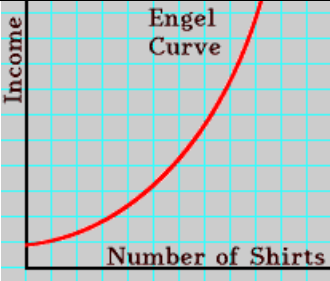
The relationship between GVA at Factor Cost and GVA at Basic Prices and GDP at market prices and GVA at basic prices is shown below:

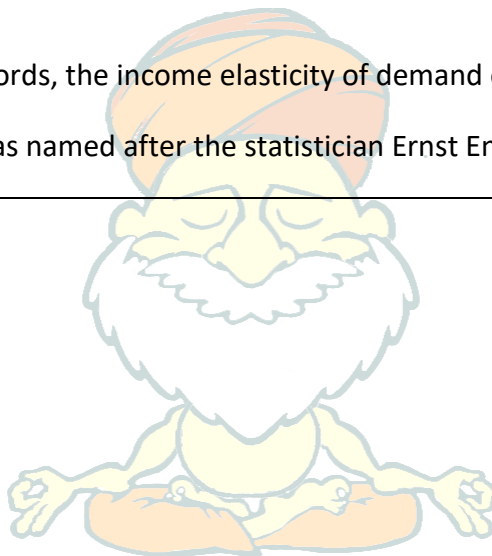
GVA at basic prices = GVA at factor cost + (Production taxes less Production subsidies)

GDP at market prices = GVA at basic prices + Product taxes - Product subsidies

Elasticity, Engel Curve and Engel Law/Engel's elasticity

<p>What is Elasticity?</p>	<p>A measure of the responsiveness of one variable to changes in another. Economists have identified four main types.</p> <ol style="list-style-type: none"> 1. PRICE ELASTICITY measures how much the quantity of SUPPLY of a good, or DEMAND for it, changes if its PRICE changes. If the percentage change in quantity is more than the percentage change in price, the good is price elastic; if it is less, the good is INELASTIC. 2. INCOME elasticity of demand measures how the quantity demanded changes when income increases. 3. Cross-elasticity shows how the demand for one good (say, coffee) changes when the price of another good (say, tea) changes. If they are SUBSTITUTE GOODS (tea and coffee) the cross-elasticity will be positive: an increase in the price of tea will increase demand for coffee. If they are COMPLEMENTARY GOODS (tea and teapots) the cross-elasticity will be negative. If they are unrelated (tea and oil) the cross-elasticity will be zero. 4. Elasticity of substitution describes how easily one input in the production process, such as LABOUR, can be substituted for another, such as machinery.
<p>What is Engel Curve?</p>	<p>An Engel curve is the relationship between the amount of a product that people are willing to buy and their income. An Engel curve is shown below.</p>

	
What is Engel's Law/ Engel's elasticity? (UPSC 2007)	<p>Engel's law is an observation in economics stating that, stating that the percentage of income allocated for food purchases decreases as income rises. As a household's income increases, the percentage of income spent on food decreases while the proportion spent on other goods (such as luxury goods) increases.</p> <p>In other words, the income elasticity of demand of food is less than 1.</p> <p>The law was named after the statistician Ernst Engel.</p>



India's External Sector

India's External Sector Continues to be Strong Says the Economic Survey

International Developments

- The global economy is gathering pace and is expected to accelerate from 3.2 percent in 2016 to 3.6 percent in 2017 and 3.7 percent in 2018 which reflects an upward revision of the earlier projections by the International Monetary Fund (IMF).

Balance of Payment and Current Account Deficit

- India's balance of payments situation, which has been benign and comfortable since 2013-14, continued to be so in the first half of 2017-18, despite some rise in the Current Account Deficit (CAD) in the first quarter, with a relatively lower CAD in the second quarter.
- India's CAD stood at US\$7.2 billion (1.2 percent of GDP) in Q2 of 2017-18, narrowing sharply from US\$ 15.0 billion (2.5 percent of GDP) in the preceding quarter.

Trade Deficit

- India's trade deficit (on custom basis) which had registered continuous decline since 2014-15, widened to US\$ 74.5 billion in HI of 2017-18 from US\$ 43.4 billion in HI of 2016-17.
- India's trade deficit was US\$ 108.5 billion in 2016-17, with reduction in both POLITICAL (petroleum, oil and lubricants) deficit and non- POL deficit. In 2017-18 (April-December) trade deficit (on custom basis) shot up by 46.4 percent to US\$ 114.9 billion with POL deficit growing by 27.4 percent and non-POL deficit by 65.0 per cent.

Composition of Trade

- Export growth in 2016-17 was fairly broad based with positive growth in major categories except textiles & allied products and leather and leather manufactures. In 2017-18 (April-November) among the major sectors, there was good export growth in engineering goods and petroleum crude and products, moderate growth in chemicals & related products, and textiles & allied products; but negative growth in gems and jewellery.

Conclusion:

- The prospects for India's External Sector in this and coming year look bright with world trade projected to grow at 4.2 percent and 4 percent in 2017 and 2018 respectively from 2.4 percent in 2016; trade of major partner countries improving and above all India's export growth also picking up.
- The downside risks lie in the rise in oil prices. However, this could also lead to higher inflow of remittances which have started picking up. The supportive policies like GST, logistics and trade facilitation policies of the government could help further.



V. PERFORMANCE OF DIFFERENT SECTORS

TRADE POLICY

Two important developments on the trade policy front during the year relate to:

- (i) mid-term review of Foreign Trade Policy (FTP)
- (ii) multilateral negotiations of WTO in December 2017

Besides, some developments on the trade logistics front and anti-dumping measures are worth mentioning.

Foreign Exchange Reserves

- India's foreign exchange reserves reached US\$ 409.4 billion on end-December 2017.
- It is a growth by nearly 14% on a y-o-y basis from end December 2016.
- Major economies are running a current account deficit.
- Given this, **India is 6th largest foreign exchange reserve holder** among all countries of the world.

INDUSTRIAL SECTOR

IIP - Index of Industrial Production (IIP)

- IIP - Index of Industrial Production (IIP) (base year 2011-12) indicates industrial output increase of 3.2 % (April-Nov 2017-18).
- This was a composite effect of robust growth in electricity generation and moderate growth in both mining and manufacturing sectors.
- The IIP registered a 25-month high growth of 8.4% with manufacturing growing at 10.2%.

Core Sector

- **8 Core Industries** - The 8 Core Infrastructure Supportive Industries had a cumulative growth of 3.9% (Apr-Nov 2017-18).
- The production growth of Coal, Natural Gas, Refinery Products, Steel, Cement and Electricity was positive during this period.
- While the production of crude oil and fertilizers fell marginally.

Sectoral Initiatives

The Economic Survey listed out Sectoral Initiatives:-

Steel:	In order to address dumping of cheap steel imports from China, South Korea and Ukraine, the Government raised customs duty and imposed anti-dumping duty, Minimum Import Price (MIP) on a number of items in February 2016, with a sunset clause of one year. These measures helped the domestic producers and exports recovered. The Government notified anti-dumping duties and Countervailing Duties on various steel products in February 2017. The Government has rolled out a New Steel Policy in May 2017.
MSME Sector:	MSMEs in India play a crucial role in providing large scale employment opportunities at comparatively lower capital cost than large industries and also in industrialization of rural & backward areas. The Government has initiated a number of schemes for the sector and particularly the Pradhan Mantri Mudra Yojana for development and refinancing activities relating to micro industrial units in 2016-17.
Textiles and Apparels:	To address some of the constraints faced by apparel firms, the Cabinet announced a Rs.6000 crore package for the apparel sector on June 2016. It was found that since its implementation in June 2016, the package had a positive impact on the exports of Ready Made Garments (RMG) of Man-made fibres while it did not have a statistically significant impact on the RMG of other natural fibres, except wool. The impact of the package increased over time and did not show any signs of attenuation. The Government has in December 2017 approved the scheme for Capacity Building in Textile Sector (SCBTS) with an

	outlay of ₹1,300 crore for the period 2017-2018 to 2019-2020.
Leather sector:	Leather sector is also highly labour intensive sector. The sector faces challenges which have been addressed through a scheme for the purpose of promotion of employment in the leather & footwear sector in December 2017, with an outlay of Rs 2600 crore over three financial years 2017-18 to 2019-2020.
Gems and Jewellery:	India is one of the largest exporters of gems and jewellery. Exports of the sector have risen from 0.7 per cent in 2014-15 to 12.8 per cent in 2016-17. Training in jewellery designing, setting up refineries, hallmarking centres etc. and creation of multiple jewellery parks would help the sector.

INFRASTRUCTURE

Building Resilient Infrastructure

According to the Survey, the Government is investing massively on building infrastructure to support India's long term growth. India is far ahead than many emerging economies in terms of providing qualitative transportation related infrastructure.

Roadways

- The primary agenda for the Government has been building new National Highways (NHs) and also converting State Highways (SHs) into NHs.

Railways

- Regarding Railways, the Survey states that during 2017-18 Indian Railways carried 558.10 million tonne of revenue earning freight traffic as against 531.23 million tonnes during the corresponding period of previous year, showing an increase of 5.06 per cent during this period.
- With emphasis on railways infrastructure development, the pace of commissioning Broad Gauge (BG) lines and completion of electrification have been accelerated.

Ports

- In 2017-18, cargo traffic handled at Major Ports has been 499.41 million tonnes compared to 481.87 million tonnes handled during the corresponding period of 2016-17.
- Under **Sagarmala Programme** which is to promote port-led development along Indian coast line, 289 Projects worth Rs. 2.17 Lakh Crore are under various stages of implementation and development, the Survey adds.

Telecommunication

- In the Telecommunication Sector, the Survey pointed out that the programme like '**Bharat Net**' and '**Digital India**' are to convert India into a digital economy.
- As on end of September 2017, the total subscribers stood at 1207.04 million, out of which 501.99 million connections were in the rural areas and 705.05 million in the urban areas.

Civil Aviation

- Regarding Civil Aviation Sector, the Economic Survey says that in 2017-18 (April - September), domestic airlines carried 57.5 million passengers, showing a growth rate of 16% over the corresponding previous year period, with 10.3 percent domestic cargo handled.
- The Government is taking initiatives like liberalization of air services, airport development and regional connectivity through scheme like **UDAN**.

Power Sector

- Survey mentions that All-India installed power generation capacity has reached 3,30,860.6 MW as on 30th November, 2017 and electrification in 15,183 villages has been completed.
- The **Ujjawal DISCOM Assurance Yojana (UDAY)** has focused on enhancing the financial health of DISCOMs by reducing interest burden, cost of power and aggregated technical and commercial losses.

- A new scheme, **Saubhagya (Pradhan Mantri Sahaj Bijli HarGhar Yojana)**, was launched in September 2017 to ensure electrification of all remaining willing households in the country in rural and urban areas with an outlay of Rs. 16,320 crore, the Survey adds.

Logistics

- According to the Survey, the Indian logistics industry worth around US\$ 160 Billion has grown at a compound annual growth rate (CAGR) of 7.8 per cent during last five years. Logistics sector provides employment to more than 22 million people.
- The Global Ranking of the **World Bank's 2016 Logistics Performance Index** shows that India jumped to 35th rank in 2016 from 54th rank in 2014 in terms of overall logistics performance. India has improved its rank in all the six components of logistics performance index.

Ujwal Discom Assurance Yojana

When a 2 per cent loss of GDP makes an entry in the balance sheet, it creates a wave of turbulence for the Government. Ironically, the government stayed away from taking any major steps to suppress the substantial growth of the loss.

Power, in a practical sense, still remains a sought after commodity; with the scheduled-unscheduled power cuts, very much prevalent in the country. A CRISIL data exhibits the consistent lag towards power availability since 2012.

Settlement for dues have always been used as a major tool to take care of the problem at hand but when the problem is looked into more deeply, it becomes clear that short term solutions pave way for long term deteriorations.

Problems with the Sector:

The massive transmission and distribution losses can be attributed to the following reasons:

- Inadequate Tariff increases
- Poor Power purchase planning
- Sale of power at prices lower than the discom's procurement costs

- Political Willingness
- Lack of timely Subsidy Payments
- Inefficiencies in metering and billing
- Illegal Connections
- Reckless funding by banks to loss-making Discoms

Why UDAY?

- The UDAY Scheme (not compulsory) will pave way for the takeover of the 75 per cent of Discom liabilities by state governments over a two-to-five year period
- Financing of the Debt: Via bonds with a maturity period of 10-15 years

Effects:

- It will help relieve debt-ridden discoms
- It will lead to the acceptance of debts in the balance sheet of the discom while encouraging them to align tariffs to costs and ensuring the sustainable working of the same

The utility of UDAY:

- Unsustainable borrowings should be curbed to put a stop on ever-increasing loss.
- Under Uday, the future losses can be permitted to finance only when a discom bond is guaranteed by the State Government, thus ensuring that the discom applies a profitable discretion
- With elements like the guided intervention of the State governments and the graded manner in which it needs to be taken up, the scheme assumes an all-season ongoing approach and not a one-time settlement effort.

Certain conditions put across by Uday involves:

- Loss reduction needs to be aided by circle-wise targets, feeder and DT Metering as well as upgrading and replacement of transformers

- Regions with sustained loss reduction should be incentivised (rewarded) by increased hours of supply

Other initiatives that can be taken to reduce discom inefficiencies:

- Laying down a specific performance-monitoring & compliance mechanism (can be incentivised by additional funding and other inputs)
- Monitoring of lending by banks to ensure reliable supply of investment
- Ensure regular tariff setting
- Energy auditing of feeders
- Metering of distribution transformers (DT)
- Elimination of revenue gaps
- Allow fuel-cost adjustments in final tariffs
- Reduction in short-term power purchase
- Liquidation of Regulatory Assets
- Ensuring advance payments of subsidies

Attractive to States:

- The additional liability will not be considered for assessing fiscal responsibility limits of States
- The 3 to 4 percentage point reduction in interest rates will serve as a relief

Issues with Uday

- **State Subject:** Electricity is not a Central subject and thus, the scheme cannot be made a compulsory one- which leaves the door open for unequal working of the Discom per State.

- No monetary assistance is being provided by the State though states willing to become a part of the scheme will be granted with subsidised funding in the government's schemes and priority in the supply of coal
- The conversion of discom debt into bonds is not as difficult as is finding a suitable buyer for those bonds, not enjoying SLR Status additionally

IASbaba's Views:

- Political unwillingness needs to be fixed and mechanisms need to be strictly followed to plug the loopholes to address the debt-ridden discoms and fix the losses.
- This restructuring package needs to be designed in a way that it can deal with both; an unexpected tariff shock or an increased burden on the State Government, taking into due consideration the certain measures that needs to be effectively worked out (enumerated above)

SERVICES SECTOR

Services Sector: State-wise

- The Survey gave a unique State-wise comparison of the performance of the Service sector in India.
- Out of the 32, in 15 states and UTs, the Services Sector is the dominant sector.
- It has contributed more than half of the Gross State Value Added (GSVA).
- However, there is wide variation in terms of share and growth of services GSVA in 2016-17.
- Services GSVA share ranges from over 80% in the case of Delhi and Chandigarh to around 31% in Sikkim.
- Services GSVA growth ranges from 14.5% as in Bihar to 7% in UP.

Services Sector: National

- The services sector continued to be the key driver of India's economic growth.
- It has a share of nearly 55% in India's Gross Value Added (GVA).

- Evidently, it contributed almost 72.5 % of GVA growth in 2017-18.

Some of the notable areas include Tourism, Information Technology-Business Process Management, Real Estate, R&D, and Space.

Services Sector: Exports

- India's services sector registered an export growth of 5.7% in 2016-17.
- India remained the 8th largest exporter in commercial services in the world in 2016.
- It comes with a share of 3.4% globally.
- This is double the share of India's merchandise exports in the world which is 1.7%.
- Both growths in services exports and services imports were robust.
- Resultantly, the Net services receipts rose by 14.6% during first half of 2017-18.
- The Net surplus in the services financed about 49% of India's merchandise deficit in this period.

Increase in incentives under Services Exports from India Schemes (SEIS) contributed to services growth considerably.

Enhanced global uncertainty, protectionism and stricter migration rules would be key challenges in shaping future services exports.

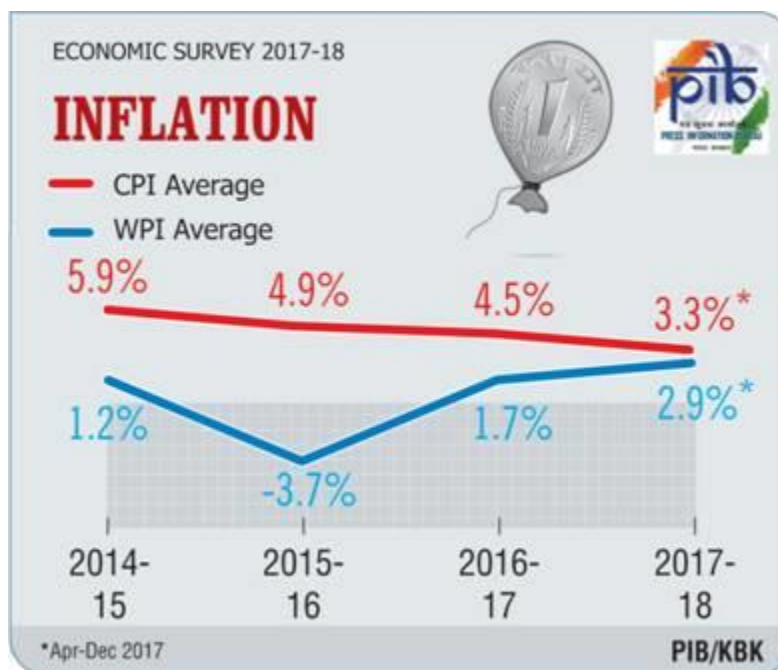


INFLATION

Inflation during 2017-18 Averaged to the Lowest in the Last Six Years

Inflation in the country continued to moderate during 2017-18.

Consumer Price Index (CPI) based headline inflation	<p>Averaged 3.3 per cent during the period which is the lowest in the last six financial years.</p> <p>Many states have also witnessed a sharp fall in CPI inflation during 2017-18.</p>
CPI based food inflation	<p>The CPI food inflation averaged around 1% during April-December in the current financial year.</p> <p>Survey says "This has been possible due to Good agricultural production coupled with regular price monitoring by the Government."</p> <p>However, the rise in food inflation in recent months is mainly due to factors driving prices of vegetables and fruits.</p>
Do you know?	<p>In rural areas food was the main driver of CPI inflation.</p> <p>In urban areas, housing sector contributed the most.</p>



Basics terminologies:

Inflation Types

Creeping Inflation:	When prices rise at very slow rate, i.e. creeper's speed, it is called 'creeping inflation'. Generally 3% annual rise in prices is considered as 'creeping inflation'.
Walking or Trotting Inflation:	When inflation is in between 3% to 7%, it's regarded as 'walking or trotting inflation'. Some economists have extended the boundary of this type of inflation up to 10% per annum. This type of inflation is considered as a warning signal for the government to take some measures to control the situation.
Running Inflation:	This type of inflation comes into action when there's a rapid rise in prices and the range of this type lies in between 10% to 20% per annum. This type of inflation is controllable only by strong monetary and fiscal measures, lest it will be turned into 'hyperinflation'.
Hyper Inflation or Galloping	The rise of prices from 20% to 100 % per annum is regarded as 'hyperinflation' or 'galloping inflation'. This case of inflation is un

Inflation:	controllable.
Demand Pull Inflation:	This type of inflation is results as an excess demand. In this case supply remains constant (couldn't be upgraded as per demand). So consequently, the prices go up.
Cost Push Inflation:	When there's increase in money-wages at speedier rate than that of the rise in the productivity of labor, it results as increased cost of production which furthers the increase in prices. This type of inflation is regarded as cost push inflation.
Mixed Inflation:	Majority of the economists hold that, inflation is neither completely 'demand pull' nor completely 'cost push', the actual inflationary process contains the elements of both. Excess demand and increase in money wages operate at the same time, but it's not necessary that they start at the same time.
Markup inflation:	Garner Akley put forward the theory of 'mark up inflation'. In simple words it is an advanced explanation of 'Mixed inflation'. According to Akley First comes demand pull inflation, and it is led by cost push inflation. Markup inflation comes to happen when excess demand increases the prices, which stimulates the production. The increasing production creates excessive demand for the factors of production, and the excessive demand for the factors of production further raises the prices.
Stagflation:	Stagflation is a situation, whereby economy faces stagnation of output and unemployment along with a high rate of inflation. This situation is also known as 'inflationary recession'.
Disinflation	Disinflation is a decrease in the rate of inflation. Being how much prices are increasing per unit of time, it can be expressed using the word disinflation: The slowing of the rate of inflation per unit of time. For example in one month the rate of inflation could be was 4.4% and in May the rate of inflation was 4.0%. In this instance the price of goods and services is still increasing; however, it is increasing at a slower rate, 0.4% less, than a month before. It should not be confused with deflation, which is an overall decrease in prices. Disinflation is generally considered to be a very positive

	state for the economy. Over the last twenty years North America has seen steady disinflation, and many credit this with the strong growth during this period. While disinflation is generally perceived as positive, it is not good for the effect to go so far as deflation, which is generally perceived to be a very negative state for an economy.
Deflation	Deflation is a decrease in the general price level over a period of time. Deflation is the opposite of inflation. For economists especially, the term has been and is sometimes used to refer to a decrease in the size of the money supply (as a proximate cause of the decrease in the general price level). The latter is now more often referred to as a 'contraction' of the money supply. During deflation the demand for liquidity goes up, in preference to goods or interest. During deflation the purchasing power of money increases. Deflation is considered a problem in a modern economy because of the potential of a deflationary spiral and its association with the Great Depression, although not all episodes of deflation correspond to periods of poor economic growth historically.

MONETARY MANAGEMENT

Monetary policy has remained steady during 2017-18 with only one policy rate cut made in August.

Repo Rate

- Monetary policy during 2017-18 was conducted under the revised statutory framework that provided for the Monetary Policy Committee (MPC).
- The Monetary Policy Committee (MPC) decided to reduce the policy Repo Rate by 25 basis points to 6%, in August.

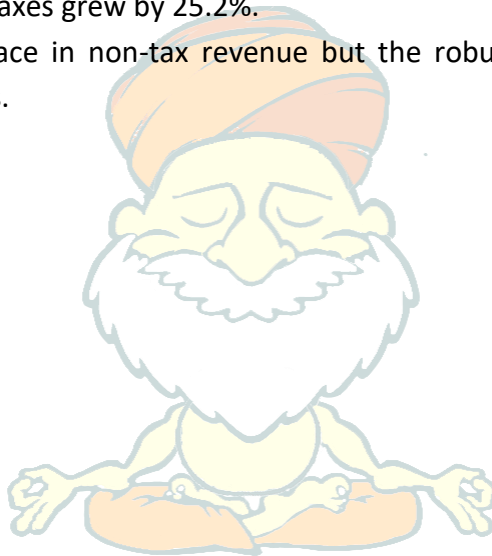
Liquidity

- Post the demonetisation in November 2016, the re-monetisation process began from November, 2017. This set in a favourable base effect.
- Liquidity conditions largely remain in surplus mode.

TAX COLLECTIONS

Trend:

- There is a 50% increase in the number of indirect tax payers.
- In all, the Gross Tax Collections during the first 8 months of 2017-18 period are reasonably on track.
- The data on central finance is made available by The Controller General of Accounts (CGA).
- Accordingly, the growth in direct tax collections of the Centre was at 13.7% during April-November 2017.
- The indirect taxes growth rate was 18.3% during the same period.
- The States' share in taxes grew by 25.2%.
- There was a slow pace in non-tax revenue but the robust progress in disinvestment compensated for this.



VI. MISCELLANEOUS TOPICS

'Feminisation' of Agriculture Sector

- Economic Survey 2017-18 says that with growing rural to urban migration by men, there is 'feminisation' of agriculture sector, with increasing number of women in multiple roles as cultivators, entrepreneurs, and labourers.
- Globally, there is empirical evidence that women have a decisive role in ensuring food security and preserving local agro-biodiversity.
- Rural women are responsible for the integrated management and use of diverse natural resources to meet the daily household needs. This requires that women farmers should have enhanced access to resources like land, water, credit, technology and training which warrants critical analysis in the context of India.
- In addition, the entitlements of women farmers will be the key to improve agriculture productivity. The differential access of women to resources like land, credit, water, seeds and markets needs to be addressed.
- Towards this, Government has been implementing various schemes which help improve the entitlements of women farmers, which will prove to be advantageous in bridging the policy gaps which exists in the sector.

The following measures have been taken to ensure mainstreaming of women in agriculture sector:

- Earmarking at least 30% of the budget allocation for women beneficiaries in all ongoing schemes/programmes and development activities.
- Initiating women centric activities to ensure benefits of various beneficiary-oriented programs/schemes reach them.
- Focusing on women self-help group (SHG) to connect them to micro-credit through capacity building activities and to provide information and ensuring their representation in different decision-making bodies.

- Recognizing the critical role of women in agriculture, the Ministry of Agriculture and Farmers Welfare has declared 15th October of every year as Women Farmer's Day.

With women predominant at all levels-production, pre-harvest, post-harvest processing, packaging, marketing – of the agricultural value chain, to increase productivity in agriculture, it is imperative to adopt gender specific interventions. An 'inclusive transformative agricultural policy' should aim at gender-specific intervention to raise productivity of small farm holdings, integrate women as active agents in rural transformation, and engage men and women in extension services with gender expertise.

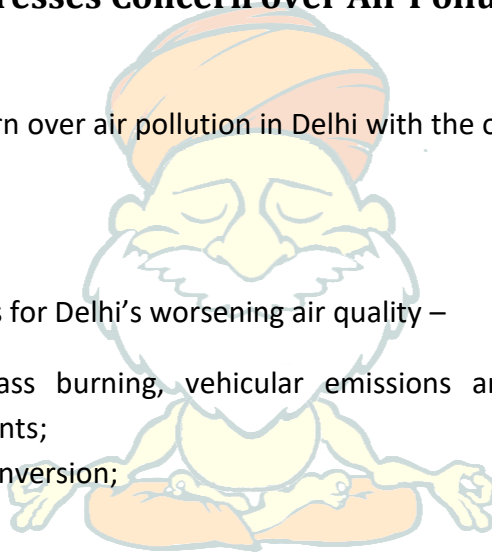
Economic Survey Expresses Concern over Air Pollution

The Survey expresses concern over air pollution in Delhi with the onset of winter due to various factors.

Reasons:

It ascribes four main reasons for Delhi's worsening air quality –

1. crop residue, biomass burning, vehicular emissions and redistributed road dust, industries, power plants;
2. winter temperature inversion;
3. humidity; and
4. absence of wind.



Suggestions:

It suggests that the solution is to address each source problem systematically, coordination between agencies and Central and State Governments and sustained civic engagement.

Short-term emergency plan	The short-term emergency plan is to be implemented when 24-hourly PM 2.5 exceeds 300-400µg/m ³ , including imposing heavy penalties on burning of agricultural waste, using satellite-based tools to detect fires, payment of incentives to farmers.
medium and long-range actions	The medium and long-range actions include implementing congestion pricing for vehicles, improving public transport system and expanding modernized bus fleets, phasing out old vehicles and accelerating BS-VI.

Use of Technology:

- The Survey also notes the **use of technology** to convert agricultural waste into usable fodder or bio-fuels and provide incentives to shift to non-paddy crops and as a point in case quotes the straw management system for rice and wheat farming, as an example.
- It also mentions the **Happy Seeder machine** that sows seeds without removing paddy straw and suggests that such a technological solution must be combined with economics, by providing incentives to Centre and states and should be implemented through agricultural cooperatives and local bodies.

It mentions the adverse impact of indoor pollution on women and children, adding that access to modern energy sources can reduce the amount of time spent on collection of firewood, as well as lead to a positive impact on the education and employment of girls.

India's Commitment to Climate Change

On Climate Change:

- Survey states that India has strengthened its response to the threat of climate change in accordance with the principles of equity and **Common But Differentiated Responsibilities** and in the light of national circumstances with the “**Paris Pledge**” to reduce the emission intensity of GDP by 33-35 percent over 2005 levels by the year 2030.

On Sustainable Development

- Survey says that India's urban population is projected to grow to about 600 million by 2031. It suggests that Urban Local Bodies generate resources through financial instruments such as municipal bonds, PPPs and credit risk guarantees.
- The Survey says that access to sustainable, modern and affordable energy is the basis of achieving **Sustainable Development Goals**. Stating that as on 30th November 2017, the share of renewable energy sources was 18 percent in the total installed capacity of electricity in the country and that the increasing share of renewables has trebled in the last 10 years.

Establishment of 8 Global Technology Watch Groups

- Outlining India's commitment to address Climate Change, the Survey mentions establishment of 8 Global Technology Watch Groups, extending Climate Change Action Programme launched in 2014 for the period 2017-18 to 2019-20 with a budget outlay of Rs. 132.4 crore and continuation of **National Adaption Fund on Climate Change** till 31st March 2020 with financial implication of Rs. 364 crore.

Agricultural R&D Needed to Sustain Agricultural Productivity Growth

- Agricultural R&D is the main source of innovation, which is needed to sustain agricultural productivity growth in the long-term.
- The Survey says that the actual expenditure of Department of Agricultural Research and Education/Indian Council of Agricultural Research has increased from Rs.5393 crore in 2010-11 to Rs.6800 (BE) crore during 2017-18.
- The compound annual growth rate of expenditure has been 4.2% over the years and in recent years' expenditure has been on higher side.

Growth in Agriculture R&D:

- During the current year (2017-18), investment in Agriculture Research and Education protected new Agricultural innovation by filling 45 patent applications at Indian patent Office (IPO) and the cumulative patent applications have now risen to 1,025.
- 10 copyright and 12 trademark applications were filed by ICAR for products and processes.

After the **Protection of Plant Varieties and Farmers' Right Authority** notified new genera, applications for 135 varieties were filed at the Registry and 155 high-yielding varieties/hybrids of cereals were released for cultivation in different agro-ecologies of the country during 2016, the Economic Survey adds.

Economic Survey says that total 209 new Varieties/hybrids tolerant to various biotic and abiotic stresses with enhanced quality have been developed for Cereals, Pulses, Oilseeds, commercial and Forage crops.

Cereals:-	117 high yielding varieties/hybrids of cereals comprising 65 of rice, 14 of wheat, 24 of maize, 5 of finger millet, 3 of pearl millet, 1 each of sorghum, barley, foxtail millet, kodo millet, little millet and proso millet were released for cultivation in different agro-ecologies of the country during 2017.
Oilseeds:-	28 high yielding oilseeds varieties comprising 8 of rapeseed-mustard, 5 of soybean, 4 each of groundnut and linseed, 3 of sunflower, 2 each of castor and niger were released for different agro-ecological regions.
Pulses:-	32 high-yielding varieties of pulses comprising 10 of chickpea, 6 of lentil, 4 of cowpea, 3 of mungbean, 2 each of pigeonpea, horse gram and field pea, 1 each of urdbean, rajmash and faba bean were released for different agro-ecological region.
Commercial Crops:-	24 high-yielding varieties for commercial crops including 13 of cotton, 8 of sugarcane and 3 of jute were released for different agro-ecological regions.
Forage crops:-	8 high yielding varieties/hybrids of forage crops comprising 3 of oats, 1 each of bajra, napier hybrid, forage sorghum, grain amaranthus, forage cowpea and marvel grass were released for cultivation in different agro-ecologies.

From UPSC perspective, the following topics are important for the exam:

1. Pradhan Mantri Fasal Bima Yojana (PMFBY)
2. electronic National Agriculture Market (e-NAM)
3. Interest Subvention
4. Kisan Credit Card (KCC)
5. Soil Health Card
6. Input Management
7. Per Drop More Crop in Pradhan Mantri Krishi Sinchai Yojana (PMKSY)

SOCIAL ISSUES

Combating Antimicrobial Resistance (AMR) in India

About Antimicrobial resistance (AMR)	Antimicrobial resistance (AMR) occurs when microorganisms such as bacteria, viruses, fungi and parasites change in ways that render the medications used to cure the infections they cause ineffective.
How it occurs?	<p>It occurs naturally but is facilitated by the inappropriate use of medicines, for example using antibiotics for viral infections such as cold or flu, or sharing antibiotics.</p> <p>Low-quality medicines, wrong prescriptions and poor infection prevention and control also encourage development and spread of drug resistance.</p>
What the report says?	<p>World Health Organization's first global report on AMR in 2014 reported that it is not a country specific issue but a global concern that is jeopardizing global health security. AMR is of particular concern in developing nations, including India, where the burden of infectious diseases is high and healthcare spending is low.</p> <p>The country has among the highest bacterial disease burden in the world. Antibiotics, therefore, have a critical role in limiting morbidity and mortality in the country.</p>
Challenges:	<p>The challenges associated with controlling antibiotic resistance, particularly in India, are many and multifaceted.</p> <p>On the one hand, antibiotics are necessary in many life-threatening cases. But on the other hand, overuse of antibiotics can be disastrous in the long run. Hence, judicious use of antibiotics is required, but acceptable strategies to achieve this goal and to address the challenges must be devised and awareness needs to be generated among the public.</p>

Way ahead:	Acknowledging AMR as a serious threat to global public health, India has finalized a comprehensive and multi-sectoral National Action Plan aligning to the Global Action Plan and adopted a holistic and collaborative approach involving all stakeholders such as UN, WHO, FAO and other UN agencies towards prevention and containment of AMR.
Government Measures	<p>The National Action Plan has been prepared through extensive national consultations with various stakeholders in alignment with global action plan which has objectives of enhancing awareness, strengthening surveillance, improving rational use of antibiotics, reducing infections and promoting research in India. In addition, India aims to support neighboring countries in collective fight against infectious diseases.</p> <p>The Government of India has initiated series of actions including setting up a National Surveillance System for AMR, enacted regulations (Schedule-H-1) to regulate sale of antibiotics, brought out National Guidelines for use of antibiotics etc.</p>

However, more efforts are required considering the large size of our country, magnitude of the problem and the fact that AMR needs to be addressed comprehensively under “One Health Approach”. The challenge now is in its efficient implementation through a coordinated approach at all levels of use of antibiotics for which all State Governments need to develop state-specific action plans.

Government Programmes for Women and Children

In the current financial year (2017-18) the scope of several existing programmes and schemes have been expanded and several new initiatives have been taken up to foster all round development of Women and Children in the country.

Some of the schemes are mentioned below:

Integrated Child Development Services (ICDS)

Aim	ICDS scheme aims at the holistic development of children upto 6 years of age and to meet nutritional needs of pregnant women and lactating mothers.
Newly added schemes	<p>Recently, rationalization, restructuring and continuation of four child centric schemes such as</p> <ul style="list-style-type: none"> (a) Anganwadi Services (in place of ICDS); (b) Scheme for Adolescent Girls (SAG) (in place of SABLA); (c) Child Protection Services (in place of Integrated Child Protection Scheme) and (d) National Crèche Scheme (in place of Rajiv Gandhi National Crèche Scheme) of the Ministry under 'Umbrella Integrated Child Development Services' Scheme has been approved by the Government.
	<p>Keeping in line with the Swachh Bharat Abhiyan, special emphasis has been given on providing toilet and safe drinking water facility at every Anganwadi Centre under the restructured Anganwadi Services Scheme.</p> <p>The scheme has been universalized with cumulative approval of 7076 projects and 14 lakh Anganwadi Centres (AWCs) including 20,000 anganwadis on demand. Digitization of Anganwadi Centres (AWCs) has already begun in 8 States with ICTs enabled monitoring of the Schemes through smart phones/Tablets to anganwadi worker and supervisor.</p> <p>A new web-portal has been created for enabling the MIS data entry by the States/UTs. The Ministry has taken an initiative to address the micro-nutrient deficiencies among women and children in the country. In this regard, fortification of food items with essential micro-nutrients has been made mandatory in the Government funded nutrition related schemes.</p>

Pradhan Mantri Matru Vandana Yojana (PMMVY)

- The earlier Maternity Benefit Programme, for the eligible pregnant women and lactating mothers (PW&LM) has now been named as Pradhan Mantri Matru Vandana Yojana (PMMVY) a Centrally Sponsored Scheme, in January, 2017 for providing partial compensation for the wage loss in terms of cash incentive so that the woman can take adequate rest before and after delivery of the first child.
- The cash incentive provided would lead to improved health seeking behaviour amongst the PW&LM.
- The Scheme envisages providing cash incentive amounting to Rs5,000/- in DBT Mode during pregnancy and lactation. The remaining cash incentive of Rs1000/- is provided towards maternity benefit under Janani Suraksha Yojana (JSY) after institutional delivery so that on an average, an eligible women will get Rs 6,000/-.

National Nutrition Mission (NNM):

- The Government of India has approved setting up of National Nutrition Mission (NNM) commencing from 2017-18. The NNM, as an apex body, will monitor, supervise, fix targets and guide the nutrition related interventions across the Ministries.
- The programme through the targets will strive to reduce the level of stunting, under-nutrition, anaemia and low birth weight babies. It will create synergy, ensure better monitoring, issue alerts for timely action to achieve the targeted goals.

Pradhan Mantri Ujjwala Yojana (PMUY):

- PMUY was launched in May 2016, for providing LPG connections to 5 crore women belonging to the BPL families over a period of 3 years from 2016-17.
- The scheme aims to safeguard the health of women & children by providing them with a clean cooking fuel – LPG, so that they do not have to compromise their health in smoky kitchens or wander in unsafe areas collecting firewood. Since inception, around 3.3 crore LPG connections have already been provided as on 18.01.2018.

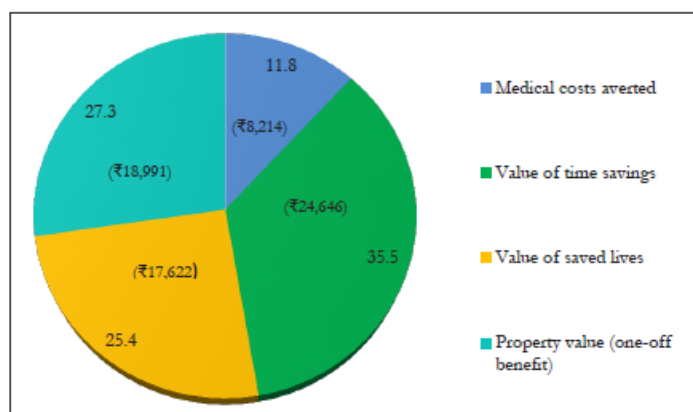
Economic Survey Reiterates India's Commitment to Achieve the Targets under SDG-3 and to Strengthen Health Delivery Systems.

- The Economic Survey 2017- 18 reiterates India's commitment to achieve the targets under Sustainable Development Goals-3 (SDG-3) with some of them also aligned with the National Health Policy 2017.
- The Survey taken note of the shift in the disease burden from Communicable Diseases to Non-Communicable Diseases in the country between 1990 and 2016. The Survey mentions that Child and Maternal Malnutrition continue to be the most challenging risk factor for health loss in India in 2016. The other key risk factors include air pollution, dietary risks, high blood pressure and diabetes etc.
- The Survey taken note of the National Health Policy 2017 which recommended increasing State sector health spending to more than 8 per cent of the States' Government Budget by 2020. It also takes note of the Report 'India: Health of Nation's States' 2017', which provides the first comprehensive set of findings for the distribution of diseases and risk factors across all States from 1990 to 2016. The concept of Disability Adjusted Life Years (DALYs) has been developed to provide a framework for analysing the disease burden and risk factors. The Survey advocates there is a need to understand the efficiency of public spending with respect to DALYs behaviour across the major States and to assess whether high-spending by States on health results in better health outcomes.
- The Survey notes that there has been significant improvement in the health status of individuals in India as life expectancy at birth has increased by 10 years during the period 1990 to 2015. The Survey, however, notes with concern that there are wide differences in the average prices of diagnostic tests across cities which need to be addressed by standardising rates to reduce Out of Pocket Expenses (OPE) on health services.
- According to the Survey, the National Health Policy 2017 will help in strengthening health delivery systems and in achieving universal health coverage.

Swachh Bharat Mission (Gramin)

- The Economic Survey 2017-18 takes note of the basic fact that quality of hygiene and sanitation has significant impact on improving the health outcomes. With the launch of Swachh Bharat Mission (Gramin) on 2nd October, 2014, the sanitation coverage in rural India has increased substantially from 39 per cent in 2014 to 76 percent in January, 2018.
- The number of persons defecating in open in rural areas, which were 55 crore in October, 2014 declined to 25 crore in January, 2018. So far, 296 districts and 307,349 villages all over India have been declared Open Defecation Free (ODF). Eight states and two Union Territories. i.e., Sikkim, Himachal Pradesh, Kerala, Haryana, Uttarakhand, Chhattisgarh, Arunachal Pradesh, Gujarat, Daman & Diu and Chandigarh have been declared as ODF completely. The surveys conducted by the National Sample Survey Office (NSSO) and Quality Council of India (QCI) on usage of toilets by the individuals who have access to toilets reported more than 90 per cent of individuals using toilets in 2016 and 2017.
- The Survey satisfactorily notes that there has been substantial reduction in the number of persons defecating in open in rural areas which has had positive health and economic impact in ODF areas. In a report, 'The Financial and Economic Impact of SBM in India', UNICEF estimated that a household in an ODF village in rural India saves Rs 50,000/- every year.

Figure 17 : Annual Benefits of 100 per cent Toilet Use (per cent and ₹)



Source: UNICEF.

Swachh Bharat Abhiyan

- The Swachh Bharat Abhiyan or Mission, launched on 2nd of October 2014, is so far the largest programme on sanitation by Indian Government. It has two sub-Missions viz. Swachh Bharat Mission (Rural) and Swachh Bharat Mission (Urban). While rural mission comes under the purview of Ministry of Drinking Water and Sanitation; the urban mission comes under Ministry of Urban Development.

Key Objectives

- The basic objective is to provide sanitation facilities to every family, including toilets, solid and liquid waste disposal systems, village cleanliness, and safe and adequate drinking water supply by 2nd October, 2019. It will be a befitting tribute to the Father of the Nation on his 150th birth anniversary.

Following are the some important objectives of the Swachh Bharat Abhiyan:

- To eradicate the system of open defecation in India.
- To convert the insanitary toilets into pour flush toilets.
- To remove the system of manual scavenging.
- To make people aware of healthy sanitation practices by bringing behavioral changes in people.
- To link people with the programmes of sanitation and public health in order to generate public awareness.
- To build up the urban local bodies strong in order to design, execute and operate all systems related to cleanliness.
- To completely start the scientific processing, disposals reuse and recycling the Municipal Solid Waste.
- To provide required environment for the private sectors to get participated in the Capital Expenditure for all the operations and maintenance costs related to the clean campaign.

Key Facts

- Under the programme the Unit cost of the Individual Household Latrine (IHHL) has been enhanced from Rs. 10,000 to Rs. 12,000 so as to provide for water availability, including for storing, hand-washing and cleaning of toilets.

- Central share for IHHLs to be Rs. 9,000 (75 percent) from Swachh Bharat Mission (Gramin). The State share to be Rs. 3,000 (25 percent). For North Eastern States, Jammu and Kashmir and Special category States, the Central share will be 10,800 and the State share Rs. 1,200 (90 percent:10 percent). Additional contributions from other sources will be permitted.
- Provision to be included in the Indira Awas Yojana Programme for provision of functional toilets.
- Discontinue the part funding from MGNREGA for the payment of incentives for the construction of IHHLs and pay the entire amount of Government of India share from the Swachh Bharat Mission (Gramin). This will help in dealing with the problem of delay of funds in MNREGA.

Funding for these new initiatives will be through the following

- Budgetary allocations
- Contributions to the Swachh Bharat Kosh (funded via Swachh Bharat Cess)
- Through commitments under Corporate Social responsibility (CSR)
- Funding assistance from multilateral sources

WASH Scheme

About	WASH is the collective term for Water, Sanitation and Hygiene. Due to their interdependent nature, these three core issues are grouped together to represent a growing sector. While each a separate field of work, each is dependent on the presence of the other. For example, without toilets, water sources become contaminated; without clean water, basic hygiene practices are not possible.
Water	UNICEF's work in water focuses on the ability for children to access safe water, the quality of the water they can access and the journey they must take to collect it. UNICEF is at the forefront of exploring innovative ways to access water, and building climate resistant infrastructure.
Sanitation	For sanitation, UNICEF works to ensure access and use of basic toilets and ways to separate human waste from contact with people. One important area of work for sanitation is to end the practice of "open defecation," and facilitate community-led initiatives to build, maintain and use basic toilets.
Hygiene	UNICEF's work in hygiene is aimed at nurturing good hygiene practices,

	especially handwashing with soap. Although it sounds simple, this act is essential to prevent disease and the health of children.
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Note:

- Go through all the tables provided in Economic Survey Volume II and cover topics and schemes mentioned in those.
- Aspirants, part of ILP programme should cover Babapedia, ILP Tests, Compilation of Daily Quizes and 60 Days Programme for Prelims extensively and do more and more of revision.
- Restrict yourself to mentioned sources with lot of revision and be confident. You will not regret on the day of Prelims 😊



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