



सत्यमेव जयते

Economic Survey 2018-19

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Preface

At the outset, we would like to express our sincere gratitude to the leadership provided by previous Chief Economic Advisors, which has elevated the Economic Survey to a much anticipated event in India's economic calendar. The contribution they have made through their erudition, rigour and, most importantly, their ideas can only be expressed through Sir Isaac Newton's immortal quote: *"If I have seen further than others, it is by standing upon the shoulders of giants."* This Survey makes a humble effort to carry forward this glorious tradition.

This Survey is the first for the new Government, which came to power with an overwhelming mandate. With the aspirations that have been kindled among our predominantly young population, India stands at a historic moment when sustained high economic growth has become a national imperative. Aptly, the Honourable Prime Minister laid down the vision of India becoming a \$5 trillion economy by 2025 (*#Economy@5trillion*) and has inspired every citizen to contribute his or her bit to this worthy cause. In his words, *"If every one of the 130 crore Indians takes one step forward, the country too will go that many steps ahead."* By laying out the strategic blueprint for fructifying this vision, the Survey extends its absolute commitment to a collective endeavour: 130 crore Indians creating an inclusive India by 2022 when we, as a nation, complete 75 years of Independence (*#India@75*).

Imbued by the power of the opportunity that beckons, the team for Economic Survey 2018-19 has been guided by "blue sky thinking." The Survey adopts an unfettered approach in thinking about the appropriate economic model for India. This endeavour is reflected in the *sky blue cover* of the Survey. To achieve the vision of *#Economy@5trillion*, India needs to shift its gears to accelerate and sustain a real GDP growth rate of 8%. The Survey departs from traditional thinking by viewing the economy as being either in a virtuous or a vicious cycle, and thus never in equilibrium. Rather than viewing the national priorities of fostering economic growth, demand, exports and job creation as separate problems, the Survey views these macroeconomic phenomena as complementary to each other. The cover design captures the idea of complementary inter-linkages between these macroeconomic variables using the pictorial description of several inter-linked gears.

Drawing upon the trajectories followed by East Asian economies that experienced long periods of high growth, the Survey postulates the centrality of investment as the "key driver" that catalyses the economy into a self-sustaining virtuous cycle when supported by a favourable demographic phase. After laying out the strategic blueprint for fulfilling the vision of *#Economy@5trillion*, the Survey describes some of the tactical devices required to navigate an uncertain world in constant dis-equilibrium. *Inter alia*, the Survey focuses on nourishing MSMEs to create jobs and become more productive so that they can become internationally competitive, enhancing legal reform, ensuring consistency of policy with the vision and the strategic blueprint, reducing the cost of capital, and rationalizing the risk-return trade-off for investments.

In its attempt at unfettered thinking, the Survey utilises the significant advances made in Behavioural Economics in the last few decades, which culminated in the 2017 Nobel Prize in Economic Sciences being awarded to Prof. Richard Thaler. The impact created by Government's flagship initiatives such as *Swacch Bharat Mission*, *Jan Dhan Yojana* and the *Beti Bachao Beti Padhao* provide testimony to the potential for behavioural change in India. Given our rich cultural and spiritual heritage, social norms play a very important role in shaping the behaviour of each one of us. Behavioural economics provides the necessary tools and principles to not only understand how norms affect behaviour but also to utilise these norms to effect behavioural change. The Survey, therefore, lays out an ambitious agenda for behavioural change by applying the principles of behavioural economics to several issues including gender equality, a healthy and beautiful India, savings, tax compliance and credit quality.

Heading into a century where data has become the new oil and analytics from data the new tool for decision making, the Survey foresees countless opportunities in creating data as a public good "of the people, for the people and by the people".

In preparing this Survey, time and talent have been devoted to make our analysis understandable to all readers while maintaining the necessary level of rigor. To illuminate the key insights and demystify the concept for readers across all disciplines, an *Abstract* and a *Chapter at a Glance* have been included for each Chapter of the Survey.

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

The Economic Survey attributes its existence and popularity to the collaborative effort of all Ministries and Departments of Government of India, the prodigious resource base of the Indian Economic Service officers, valuable inputs of researchers, consultants and think tanks both within and outside the government and the consistent support of all officials of the Economic Division, Department of Economic Affairs. The Survey has made a sincere effort to live up to the expectation of being an indispensable guide for following, understanding and thinking about the Indian economy. While our immensely enriching journey represents our ultimate reward, we hope readers share the sense of excitement with which we present the Survey.

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ABBREVIATIONS

AgDSM	Agriculture Demand Side Management	ICDS	Integrated Child Development Services
ANBC	Adjusted Net Bank Credit	ICT	Information and Communications Technology
API	Application Programming Interface	IDA	Industrial Disputes Act
APL	Above Poverty Line	IHHL	Individual Household Latrine
APL	Aadhaar Linked Payments	IIPS	International Institute for Population Sciences
ASI	Annual Survey of Industries	ILC	International Labour Conference
BAU	Business as Usual	ILO	International Labour Organization
BBBP	Beti Bachao, Beti Padhao	IMD	India Meteorological Department
BCE	Before Christian Era	ISRO	Indian Space Research Organisation
BEE	Bureau of Energy Efficiency	IVA	Independent Verification Agency
BEVs	Battery Electric Vehicles	JAM	Jan Dhan, Aadhaar and Mobile
BHIM	Bharat Interface for Money	KUSUM	Kisan Urja Suraksha Evam Utthaan Mahabhiyan
BPL	Below Poverty Line	LCR/R and P	Lower Courts Records - Records and Proceedings
BRICS	Brazil, Russia, India, China, South Africa	LED	Light-Emitting Diode
CAFE	Corporate Average Fuel Efficiency	LFPR	Labour Force Participation Rate
CAGR	Compound Annual Growth Rates	LPG	Liquefied Petroleum Gas
CBSE	Central Board of Secondary Education	MAA	Mothers' Absolute Affection
CCR	Case Clearance Rate	MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
CEPEJ	Commission for the Efficiency of Justice	MIS	Management Information System
CO ₂	Carbon Dioxide	MoDWS	Ministry of Drinking Water and Sanitation
CPI	Consumer Price Index	MoEF&CC	Ministry of Environment, Forest and Climate Change
CSC	Common Service Centre	MoU	Memorandum of Understanding
CV	Coefficient of Variation	MPCE	Monthly Per Capita Expenditure
D&S courts	District and Subordinate courts	MSME	Micro, Small & Medium Enterprises
DBT	Direct Benefit Transfer	MtCO ₂	Metric Tons of Carbon Dioxide Equivalent
DBTL	Direct Benefit Transfer for LPG	MTOE	Million Tonne of Oil Equivalent
DC	Designated Consumers	NARSS	National Annual Rural Sanitation Survey
DDU GKY	Deen Dayal Upadhyaya Grameen Kaushalya Yojana	NBFC AA	Non Banking Financial Company Axxount Aggregators
DISCOMs	Distribution Companies	NDC	Nationally Determined Contribution
DSM	Demand Side Management	NEFMS	National Electronic Fund Management System
E- NAM	National Agriculture Market	NEMMP	National Electric Mobility Mission Plan
ECBC	Energy Conservation Building Code	NEV	New Energy Vehicle
ECC	Employment Conditions Commission	NFLMW	National Floor Level Minimum Wage
EESL	Energy Efficiency Services Limited	NJDG	National Judicial Data Grid
EODB	Ease of Doing Business	NRM	Natural Resource Management
EPU	Economic Policy Uncertainty	NSSO	National Sample Survey Organisation
ESCerts	Energy Saving Certificates	NVA	Net Value Added
EUS	Employment & Unemployment Survey	ODF	Open Defecation Free
EVs	Electric Vehicles	OECD	Organisation for Economic Cooperation and Development
FAME	Faster Adoption and Manufacturing of Electric vehicles	OLS	Ordinary Least Squares
FCEVs	Fuel Cell Electric Vehicle	ORS	Oral Rehydration Solutions
FII	Foreign Institutional Investment	OSH	Occupational Safety and Health
GHG	Greenhouse Gas	PAN	Permanent Account Number
GIS	Geographic Information System	PAT	Perform Achieve and Trade
GST	Goods and Services Tax	PDS	Public Distribution System
GVA	Gross Value Added	PHEVs	Plug-in Hybrid Electric Vehicles
HDI	Human Development Index	PMAY-G	Pradhan Mantri Awas Yojana- Gramin
HRD	Human Resource Development		
ICAR	Indian Council of Agricultural Research		

PMJDY	Pradhan Mantri Jan Dhan Yojana	UAE	United Arab Emirates
PMO	Prime Minister's Office	UIDAI	Unique Identification Authority of India
PSL	Priority Sector Lending	UJALA	Unnati Jyoti by Affordable LEDs
RE	Renewable Energy	UK	United Kingdom
SBM	Swachh Bharat Mission	ULBs	Urban Local Bodies
SBM(G)	Swachh Bharat Mission (Gramin)	UNICEF	United Nations International Children's Emergency Fund
SDGs	Sustainable Development Goals	UPI	Unified Payments Interface
SLWM	Solid and Liquid Waste Management	USA	United States of America
SRB	Sex Ratio at Birth	UTs	Union Territories
SSI	Small Scale Industries	VDA	Variable Dearness Allowance
TFR	Total Fertility Rate	WHO	World Health Organization
TOE	Tonnes of Oil Equivalent	ZEVs	Zero Emission Vehicles
TWh	Terawatt-hour		