



## 10 New Economic Facts on Indian Economy

### Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Economy, 10 new economic facts, Economic survey

### Recently:

- ❖ The Economic Survey presented by the Union Finance Minister Shri Arun Jaitley in Parliament has relied upon analysis of the new data to highlight ten new economic facts.

### Ten new facts about Indian Economy:

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

### Details of above points are as under:

1. Large increase in registered indirect and direct taxpayers:
  - Goods and Services Tax (GST) has given a new perspective of the Indian economy and new data has emerged. There has been a fifty percent increase in the number of indirect taxpayers. There has also been a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises wanting to avail themselves of input tax credits.
  - The Survey also stated that fears of major producing states that the shift to the new system would undermine their tax collections have been allayed as the distribution of the GST base among the states got closely linked to the size of their economies.
  - Similarly, there has been an addition of about 18 lakh in individual income tax filers since November 2016.
2. Formal non-agricultural payroll much greater than believed:
  - India's formal sector, especially formal non-farm payroll, is substantially greater than what it currently is believed to be.
  - It became evident that when "formality" was defined in terms of social security provisions like EPFO/ESIC the formal sector payroll was found to be about 31 percent of the non-agricultural work force.
  - When "formality" was defined in terms of being part of the GST net, such formal sector payroll share was found to be 53 percent.
3. States' prosperity is positively correlated with their international and inter-state trade:
  - For the first time in India's history, data on the international exports of states has been dwelt in the Economic Survey.
  - Such data indicates a strong correlation between export performance and states' standard of living. States that export internationally and trade with other states were found to be richer.



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- Such correlation is stronger between prosperity and international trade.
  - India's firm export structure is substantially more egalitarian than in other large countries.
4. India's exports are unusual in that the largest firms account for a much smaller share of exports than in other comparable countries:
- Top one percent of Indian firms account only for 38% of exports unlike in other countries where they account for substantially greater share – (72, 68, 67 and 55 percent in Brazil, Germany, Mexico and USA respectively).
  - Such tendencies were also found to be true for the top five or ten per cent of the Indian companies.
5. Clothing incentive package boosted exports of readymade garments:
- It was pointed out that the Rebate of State Levies (ROSL) has increased exports of ready-made garments (man-made fibers) by about 16 per cent but not of others.
6. Indian parents continue to have children until they get the desired number of sons:
- The data highlighted another seemingly known fact that Indian society exhibits a strong desire for a male child.
  - It pointed out that most parents continued to have children until they get number of sons.
7. Substantial avoidable litigation in tax arena which government action could reduce:
- The survey pointed out that tax departments in India have gone in for contesting against in several tax disputes but also with a low success rate which is below 30 per cent.
  - About 66 per cent of pending cases accounted for only 1.8 per cent of value at stake.
  - It further stated that 0.2 per cent of cases accounted for 56 per cent of the value at stake.
8. To re-ignite growth, raising investment is more important than raising saving:
- Extrapolating the data the survey indicated that growth in savings did not bring economic growth but the growth in investment did.
9. Direct tax collections by Indian states and local governments are significantly lower than those of their counterparts in other federal countries:
- The survey mentions that collections of direct taxes by Indian states and other local governments, where they have powers to collect them is significantly lower than their counterparts in other federal countries.
  - A comparison has been given between ratios of direct tax to total revenues of local governments in India, Brazil and Germany.
10. Extreme weather adversely impacts agricultural yields:
- The survey captures the footprints of climate change on the Indian territory and consequent adverse impact on agricultural yields.
  - Extreme temperature increases and deficiency in rainfall have been captured on the Indian map and the graphical changes in agricultural yields are brought out from such data.
  - The impact was found to be twice as large in un-irrigated areas as in irrigated ones.



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## Measures To Control Inflation

### Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Economy, measures to control inflation, Economic survey

### Recently:

- ❖ Controlling inflation has been a priority area for the Central Government, says the Economic Survey 2017-18 placed in Parliament recently by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley . It says that the Government has taken a number of measures for this purpose.

### The measures to control inflation include the following:-

- Advisories are being issued, as and when required, to State Governments to take strict action against hoarding & black marketing and effectively enforce the Essential Commodities Act, 1955 & the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980 for commodities in short supply.
- Regular review meeting on price and availability situation is being held at the highest level including at the level of Committee of Secretaries, Inter Ministerial Committee, Price Stabilization Fund Management Committee and other Departmental level review meetings.
- Higher MSP has been announced so as to incentivize production and thereby enhance availability of food items which may help moderate prices.
- A scheme titled Price Stabilization Fund(PSF) is being implemented to control price volatility of agricultural commodities like pulses, onions etc.
- The Government approved enhancement in buffer stock of pulses from 1.5 lakh MT to 20 Lakh MT to enable effective market intervention for moderation of retail prices. Accordingly, a dynamic buffer stock of pulses of upto 20 lakh tones has been built.
- Pulses from the buffer are being provided to States/UTs for PDS distribution, Mid-day Meal scheme etc. The requirement of pulses by Army and Central Para-military Forces.
- The Government has imposed stock holding limits on stockiest/dealers of sugar till April, 2018.
- The Government imposed 20% duty on export of sugar for promoting availability and moderating price rise.
- Permitted import of 5 lakh tones of raw sugar at zero duty; subsequently, import of additional 3 lakh tones was allowed at 25% duty.
- Export of all varieties of onion will be allowed only on letter of credit subject to a minimum export price (MEWP) of \$850 per MT till 31st December, 2017.
- States/UTs have been advised to impose stock limit on onions. States were requested to indicate their requirement of onions so that import of requisite quantity may be undertaken to improve availability and help moderate the prices.



## Improving Ease Of Doing Business – Coordination Between Government And Judiciary

**Relevancy:**

- ✓ GS Prelims, GS Mains paper III
- ✓ Economy, Ease of doing Business, Economic survey, Coordination between government and judiciary

**Recently:**

- ❖ 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.

**Background:**

- The Economic Survey notes that India jumped 30 places to break into the top 100 for the first time in the World Bank's Ease of Doing Business Report (EODB), 2018.
- The rankings reflect the government's reform measures on a wide range of indicators.
- India leaped 53 and 33 spots in the taxation and insolvency indices, respectively, on the back of administrative reforms in taxation and passage of the Insolvency and Bankruptcy Code (IBC), 2016.
- It also made strides on protecting minority investors and obtaining credit, and retained a high rank on getting electricity, after a 70 spot rise in EODB, 2017 due to the government's electricity reforms.
- The Survey however says that India continues to lag on the indicator on enforcing contracts, marginally improving its position from 172 to 164 in the latest report.
- The Survey attempts to make a preliminary enquiry at highlighting the developments based on new data compiled for the survey, which it says are simple and stark:-
- High number of delays and pendency of economic cases in the Supreme Court, Economic Tribunals and Tax department are taking severe toll on the economy, in terms of stalled projects, mounting legal costs, contested tax revenues and reduced investment.
- Delays and pendency are caused due to the increase in overall workload of the judiciary, in turn due to expanding jurisdictions and use of injunctions and stays; in the case of tax litigation, this stems from government persisting with litigation despite high rates of failure at every stage of the appellate process; and
- Actions by courts and government acting together can considerably improve the situation.
- The Government has taken a number of actions to improve the contract enforcement regime. Some of the steps briefly are as follows:-
  - Scrapping of over 1,000 redundant legislations.
  - Amending the Arbitration and Conciliation Act, 2015.
  - Passing the Commercial Courts Commercial Divisions and Commercial Appellate Division of High Courts Act, 2015.
  - Expanding the Lok Adalat Programme.



- The Judiciary has at the same time expanded the National Judicial Data Grid (NJDG) and is near to ensuring that every High Court is digitized.

**The Economic Survey 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.



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## 'Feminisation' of Agriculture Sector

### Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Economy, Feminisation of agriculture, Economic survey, Agriculture sector

### Recently:

- ❖ 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.

### Global trends:

- 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.

### Conclusion:

- 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.



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