



News Analysis (01 Feb, 2020)

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Economic Survey 2019-20: Highlights

Why in News

The Economic Survey 2019-20 has been tabled in the Parliament by the Union Minister for Finance.

The **theme** of Economic Survey 2019-20 is "**India's aspiration of # with its theme of #WealthCreation**".

Economic Survey

- The Economic Survey is a report that the government presents on the state of the **economy in the past one year**, the **key challenges** it anticipates, and **their possible solutions**.
It is a crucial document as it provides a detailed, official version of the government's take on the country's economic condition.
- The document is prepared by the **Economic Division of the Department of Economic Affairs (DEA)** under the guidance of the **Chief Economic Adviser (CEA)**, currently **Dr Krishnamurthy Subramanian**.
- It needs to be noted that the **government is not constitutionally bound to present the Economic Survey or to follow the recommendations** that are made in it.

ECONOMIC SURVEY 2019-20 **TOWARDS A \$5 TRILLION ECONOMY** 

MARKETS  **TRUST**

- Provide equal opportunities for new entrants
- Enable fair competition and ease of doing business
- Remove undesirable Govt. interventions
- Enable trade for job creation
- Efficiently scale up the banking sector
- Introduce “trust as a public good, that gets enhanced with greater use”
- Use data and technology to enhance Trust

Wealth Creation

- The Survey makes an attempt to craft a framework of policies that can foster wealth creation in India, which in turn, would set the economy firmly on an upward growth trajectory.
- The Survey identifies several levers for furthering Wealth Creation, which are:
 - **Grassroot Entrepreneurs:** Entrepreneurship as a strategy to fuel productivity growth and wealth creation.
 - **Competitive Market:** Promote 'pro-business' policies that unleash the power of competitive markets to generate wealth as against 'pro-crony' policies that may favour incumbent private interests.
 - **Remove anachronistic government interventions:** Eliminate policies that undermine markets through government intervention, even where it is not necessary.
 - **Assemble in India:** Integrate 'Assemble in India' into 'Make in India' to focus on labour intensive exports and thereby create jobs at a large scale. India should focus on other labour intensive sectors such as textile, clothing, footwear and toys.
 - **Banking:** Efficiently scale up the banking sector to become proportionate to the Indian economy and track the health of the shadow banking sector (NBFCs).
 - **Privatization:** Use privatization to foster efficiency and thus bolster the case for aggressive disinvestment of CPSEs.

Market Enables Wealth Creation

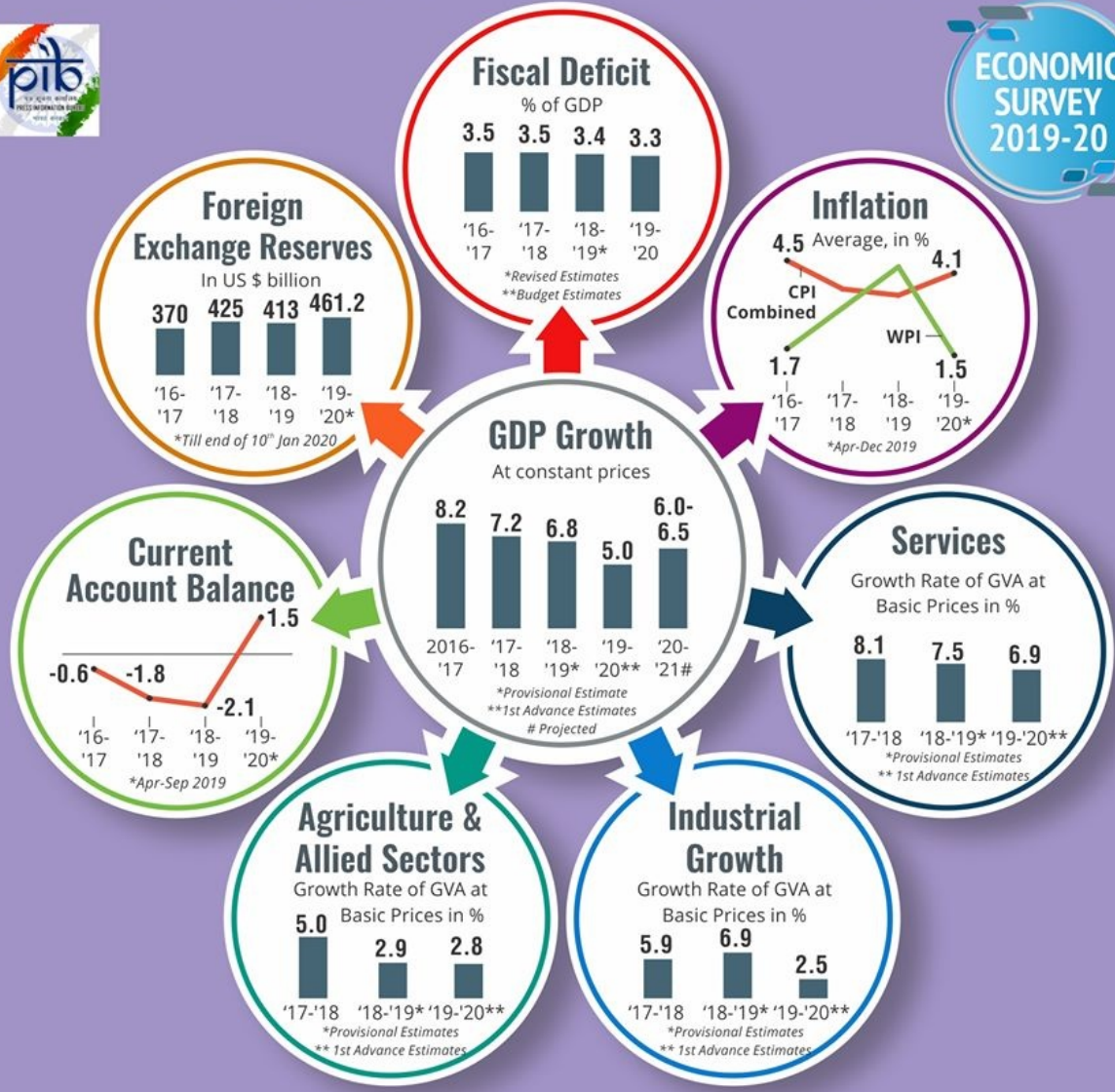
- The Survey lays stress on the importance of bringing an openness in the market that leads to wealth creation, in turn, boosting the economic activity through increased investment.
- India's historical dominance on the global economy is the result of **two factors: 'Invisible Hand of Market' and 'Trust'**. **E.g.** Indian economy returned to high growth trajectory post economic liberalisation.
- **Trust is a public good that increases with use.**

Thalinomics

- The Survey makes an attempt to relate economics to the common person using something that an individual encounters every day - a plate of food i.e a Thali.
 - Affordability of Thalis vis-à-vis a day's pay of a worker has improved over time, indicating improved welfare of the common person.
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Economic Survey 2019-20: Key Figures

INDIAN ECONOMY: A SNAPSHOT



- **GDP growth** pegged at 6-6.5% for 2020-21, up from 5% in 2019-20. The Survey also said that India's GDP growth is not overstated.
- **Government Expenditure**
 - The Survey called for **rationalization of non-committed revenue** expenditures like **subsidies** as a considerable proportion of revenue expenditure like interest payments, wages and salaries and pensions is committed.
 - However, the Survey has also **warned against cutting capital expenditure.**
- **Share of formal employment increased** from 17.9% in 2011-12 to 22.8% in 2017-18 reflecting formalization in the economy.

In 2018, India witnessed an increase of about 80 % in the creation of new firms in comparison to 2014. As per World Bank's data on Entrepreneurship, India ranks third in the number of new firms created.

- **Inflation declines** sharply from 3.2% in April 2019 to 2.6% in December 2019, reflecting weakening of demand pressure in the economy.
 - It needs to be noted that when demand surpasses supply, it leads to higher prices i.e. Demand pull inflation.
- **India's Balance of Payments (BoP)**
 - The Balance of Payments position improved to USD 433.7 billion in September 2019 because of narrowing **Current Account Deficit (CAD)** which is 1.5% of GDP in the first half of 2019-20.
- **Foreign Direct Investment:** Net FDI inflows remained buoyant attracting USD 24.4 billion in the first eight months of 2019-20, much higher than the corresponding period of 2018-19.
- **Remittances**
 - Net overseas remittances in the first half of 2019-20 were more than 50% of total receivables in 2018-19, standing at USD 38.4 billion.
 - As per World Bank report of 2019, India's **17.5 million diaspora** made it the top remittance-recipient country in 2018.
- **Merchandise Trade**
 - India's merchandise trade balance **improved** from 2009-14 to 2014-19, although most of the improvement in the latter period was due to **more than 50% decline in crude prices in 2016-17.**
 - India's top five trading partners continue to be USA, China, UAE, Saudi Arabia and Hong Kong.
- **Performance of Key Sectors**
 - **Industrial Sector:** As per **Index of Industrial Production (IIP)**, the sector registered a growth of 0.6% in 2019-20 (April-November) as compared to 5.0 % during 2018-19 (April-November).
 - **Service Sector:** The Services Sector accounted for about 55% of the economy and Gross Value Added (GVA) growth, two-thirds of total FDI inflows into India and about 38% of the total exports.
 - **Agriculture sector**
 - The share of agriculture and allied sectors in the total GVA of the country has been continuously declining on account of relatively higher growth performance of non-agricultural sectors, a natural outcome of development process. Also, livestock income has become an important secondary source of income for millions of rural families.
 - Agricultural productivity is also constrained by lower level of mechanization in agriculture which is about 40 % in India, much lower than China (59.5 %) and Brazil (75 %).

- **Ease of Doing Business:** Suggestions for Improving Rank in **Ease of Doing Business** (Rank 63 in 2019)
 - **Close coordination** between the Logistics division of the Ministry of Commerce and Industry, the Central Board of Indirect Taxes and Customs, Ministry of Shipping and the different port authorities.
 - Individual sectors such as tourism or manufacturing require a more targeted approach that maps out the regulatory and process bottlenecks for each segment.
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Economic Survey 2019-20: Banking Sector, Credit and Capital Market

- India has the **second largest emerging green bond market** after China.
- Monetary policy remained accommodative in 2019-20. Accommodative monetary policy occurs when a central bank attempts to expand the overall money supply to boost the economy when growth is slowing (as measured by GDP).
- The financial flows to the economy remained constrained as credit growth declined for both banks and Non-Banking Financial Corporations (NBFCs).
- **Gross Non Performing Advances Ratio**
 - Remained unchanged for Scheduled Commercial Banks (SCBs) at 9.3% between March and September 2019.
 - Increased slightly for the NBFCs from 6.1% in March 2019 to 6.3% in September 2019.
- **Capital to Risk-weighted Asset Ratio of SCBs** increased from 14.3% to 15.1% between March 2019 and September 2019.
- The General Government (Centre plus States) has been on the path of fiscal consolidation. **Fiscal consolidation** is a policy aimed at reducing government deficits and debt accumulation.

- India has only **one bank in the global top 100**. The Survey observes **2019** as the **golden jubilee year of bank nationalization**.
 - PSBs are inefficient compared to their peer groups on every performance parameter.
 - **Suggestions**
 - **Employee Stock Ownership Plan (ESOP)** for PSBs' employees
 - Representation on boards proportionate to the blocks held by employees to incentivize employees and align their interests with that of all shareholders of banks.
 - **Creation of a GSTN type entity** that will aggregate data from all PSBs and use technologies like big data, artificial intelligence and machine learning in credit decisions for ensuring better screening and monitoring of borrowers, especially the large ones.
 - The Economic Survey has suggested the use of a **'health score' index for NBFCs** which can help in detecting early signs of impending liquidity risks.
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Economic Survey 2019-20: Social Infrastructure, Employment and Human Development

- **Employment and Income**
 - Largest proportion of Indian population depends directly or indirectly on agriculture for employment opportunities as compared to any other sector.
 - The share of regular wage/salaried employees has increased by 5 percentage points from 18% in 2011-12 to 23% in 2017-18.
 - Gender disparity in India's labour market widened due to decline in female labour force participation, especially in rural areas.
- **Government Expenditure on Social Services**
 - The expenditure on social services (health, education and others) by the Centre and States as a proportion of GDP increased from 6.2% in 2014-15 to 7.7% in 2019-20.
 - Access to health services inter-alia through Ayushman Bharat and Mission Indradhanush across the country has improved and a 10 Year Rural Sanitation Strategy (2019-2029) launched to focus on sustaining the sanitation behavior change and increasing access to solid and liquid waste management.
- **Burning of agricultural residues**, leading to rise in pollutant levels and deterioration of air quality, is **still a major concern**, though the total number of burning events recorded reduced due to various efforts taken.
- All urban areas of 35 States/UTs have become **Open Defecation Free (ODF)** and percentage of waste processing rose from around 18% to 60%.

- The Survey emphasizes on sustainability of food security operations by:
 - Addressing the burgeoning food subsidy bill.
 - Revisiting the rates and coverage under National Food Security Act (NFSA).
 - **Privatization of Education**
 - The Survey proposes privatization of education at all levels as a policy initiative to fast-track entrepreneurship and consequently wealth creation.
 - It links literacy levels to start-up activity and cites the example of the eastern parts of the country, which have the lowest literacy rate of about 59.6% and also the lowest rate of new firms being set up.
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Fundamental Rights and OCI Cardholders

Why in News

Recently, the Union government has told the Delhi High Court that **Overseas Citizen of India (OCI)** cardholders **do not enjoy fundamental rights** guaranteed by the Constitution, including the right to freedom of speech and expression.

- This response was to a plea seeking information under the **Right to Information (RTI) Act, 2005**.
- The plea also sought exemption for overseas citizens from seeking permission under the **Foreign Contribution Regulation Act, 2010 (FCRA)** to make donations to religious and charitable institutions.
 - According to the plea, the right to make donations to religious institutions and the fundamental right to freedom of religion are guaranteed by the Constitution.

Key Points

- The Government has not specifically replied on the question of the right to practice religion in India. However, it says no fundamental rights are applicable to the OCIs.
- According to the government, OCI cardholders have merely been granted statutory rights under **the Citizenship Act, 1955**.
 - Centre held that the right to freedom of speech and expression is a statutory right and not a fundamental or a constitutional right for the OCI cardholders.
- The Central Government grants limited rights through **the Citizenship Act (Conferment of rights on overseas citizens of India)**. Therefore, it depends on the policies of the government what rights are granted to the OCIs.

- Centre's response contradicts earlier **Delhi High Court ruling in 2018**, where it held that OCI cardholders have the right to enjoy the fundamental rights of equality and freedom of speech and expression like other Indian citizens.

In **2018, the Delhi High Court** had said that an overseas citizen **can exercise fundamental rights guaranteed to "natural persons"** under the constitution.

- The **Supreme Court**, in multiple cases, has held that the Right to Information is enshrined in **Article 19(1)(a)**, that is granted to citizens and **Article 21**, which is guaranteed to all natural persons.

Article 19(1)(a)- Freedom of speech and expression: It provides every citizen with the right to express one's views, opinions, beliefs, and convictions freely by word of mouth, writing, printing, picturing or in any other manner.

Article 21: It declares that no person shall be deprived of his life or personal liberty except according to the procedure established by law. This right is **available to both citizens and non-citizens**.

Source: IE

Brexit

Why in News

Britain has officially left the **European Union (EU)** and has become the first country to leave the 28-member bloc.

Key Points

- The UK faced a lot of **challenges** in materialising this move finally.
- It is a notable change for the UK although nothing will change immediately because of the **11-month transition period** negotiated as part of an **EU-UK exit deal, 2019**.
- The UK will be **able to work in and trade freely with EU nations** and vice versa **until December 31, 2020**. However, it will **no longer be represented in the EU's** institutions.
- From 2021, the UK and EU will enter a new relationship possibly underpinned by a **free trade deal**.

EU-UK Exit Deal

- This agreement sets out the **exact terms of the UK and EU relationship immediately after exit** but it is not clear, on what terms the UK and EU's future relationship will be.
- A key part of the withdrawal agreement was, there would be a **transition period, until the end of 2020**.
- The transitional arrangement is **designed to make the separation process smoother** and it covers subjects like trade, law, and immigration.
It will give them more time to iron out all the details of their future relationship including a possible free trade deal.
- During the transition, the **UK will be officially out of the EU and not be represented on EU bodies** but would still have the **same obligations as an EU member**. That includes remaining in the EU customs union and the single market, contributing to the EU's budget and following EU law.

Source: TH

Agri Export Policy

Why in News

Recently, the **Agricultural and Processed Food Products Export Development Authority (APEDA)** along with State Government of Andhra Pradesh has dispatched the **first shipment** of high-quality bananas from Anantpur in Andhra Pradesh to Jawaharlal Nehru Port (JNPT) in Mumbai for **exports to international markets**.

The long-distance affects the viability of export shipments **due to high transport costs and quality losses**. Hence, this time efforts were made for reducing the transit time by using **refrigerated rail containers** (freight transport that is refrigerated for the transportation of temperature-sensitive cargo).

Agri Export Policy

Keeping in mind the significant Indian agriculture holds, Government of India introduced Agri Export Policy in 2018.

- **Objectives:**
 - **Double Exports:** To double **agricultural exports** from the present \$30 billion to \$60 billion by 2022 and reach \$100 billion in the next few years thereafter, with a stable trade policy regime.
 - **Diversification:** To **diversify** the export basket, and boost high value and value-added agricultural exports including focus on perishables.
 - **Non-Traditional Agri Products Promotion:** To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.
 - **Market Access:** To provide an **institutional mechanism** for pursuing market access, tackling barriers and deal with sanitary and phytosanitary issues.
 - **Global Integration:** To strive to double India’s share in world agri-exports by integrating with global value chain at the earliest.
 - **Benefit Farmers:** Enable farmers to get benefit of export opportunities in the overseas market.
- **Vision:** Harness export potential of Indian agriculture, through suitable policy instruments, to make India a global power in agriculture and raise farmers income.
- **Elements:**

Strategic	Policy Measures
	Infrastructure and Logistics Support
	Holistic Approach to boost exports
	Greater involvement of State Governments in Agri Exports

Operational	Focus on Clusters
	Promoting Value added exports
	Marketing and promotion of “Brand India”
	Attract private investments into production and processing
	Establishment of Strong Quality Regimen
	Research & Development
	Miscellaneous

Source: PIB

Global Forum on Childhood Pneumonia

Why in News

World’s first conference on Childhood Pneumonia was held in **Barcelona (Spain)** to make it part of the global health agenda.

- Despite being the biggest infectious killer of children, pneumonia remains a **neglected disease** both nationally and globally.
Every 39 seconds, a child under-5 dies from it.
- Global Forum on Childhood Pneumonia is an initiative of 9 leading health and children's organisations including **UNICEF**, **Bill & Melinda Gates Foundation**, and **Gavi** among others.
- The **theme** of the conference is '**Fighting for Breath**'.

Pneumonia

- Pneumonia is an **acute respiratory infection** of the **lungs**.
- **Cause:** It doesn't have one single cause – it can develop from **either bacteria, viruses or fungi** in the air.
- **Vaccine:** Pneumonia caused by **bacteria** is easily preventable with vaccines. 3 doses of the primary vaccine (**Pneumococcal Conjugate Vaccine (PCV)**) to prevent it are recommended.

A new vaccine for one of the main viral causes of pneumonia is under development.

India is planning for the nationwide rollout of PCV under **Universal Immunisation Programme (UIP)**.

- **Vulnerability:**
Children whose **immune systems** are **immature** (i.e. newborns) or **weakened** – such as by undernourishment, or diseases like HIV – are **more vulnerable** to pneumonia.
- **Spread:**
Pneumonia is **contagious** and can be spread through coughing or sneezing. It can also be spread through fluids, like blood during childbirth, or from contaminated surfaces.

Note:

- **Child mortality:** The death of children under the age of 5.
- **Infant mortality:** The death of children under the age of 1.

- **Preventable:**
 - The poorest children are most at risk because of **high rates of malnutrition, low vaccine coverage and limited access to correct diagnosis and timely treatment.**
 - **Almost all** of the deaths from childhood pneumonia are **preventable through vaccination, adequate nutrition, reducing risk factors like air pollution** (which makes the lungs more vulnerable to infection), **using good hygiene practices and treatable with low-cost antibiotics and oxygen,** **Outdoor air pollution** contributes to nearly 18% or nearly 1 in 5 pneumonia deaths among children under 5.
 - **Exclusive Breastfeeding:**
 - Exclusive breastfeeding during the **first 6 months** of a child's life can lead to a **23% reduction** in pneumonia incidence.
 - Infants who aren't breastfed are **15 times** more likely to **die** from pneumonia.
- **Incidence:**
 - **Global:** Together, the **Democratic Republic of Congo, Ethiopia, India, Nigeria and Pakistan** account for **more than half of all deaths** due to pneumonia among children under 5.
 - **India:** Annually, **14% of under-5 deaths** in India happen due to pneumonia.

Source: IE

National Consultation on the Review of Beijing+25

Why in News

To mark 25 years of the adoption of the Beijing **Platform for Action, Ministry of Women & Child Development, the National Commission for Women (NCW) and UN Women** organized a **National Consultation on the Review of Beijing+25**

- **National Consultation** brings on board **all** stakeholders (civil society, **women** and youth etc.) to implement actions that **remove** the most **visible barriers to gender equality.**
- 2020 marks the **25th** anniversary of the **4th World Conference on Women (WCW)** and adoption of the Beijing Declaration and Platform for Action (1995). Hence, it is referred to as Beijing + 25.

Key Points

- **Objective:** To assess **progress** and **challenges** to the implementation of the **Beijing Declaration and Platform for Action in India** over the past 5 years.
- The issue of gender equality has also been highlighted by the **Economic Survey 2019-20** and points out that in achieving sustainable development goals (SDGs), **India lags behind** in **Zero Hunger (SDG 2)** and **Gender Equality (SDG 5)**. Similarly, the **SDG India Index by NITI Aayog** raised the same concerns in achieving gender equality.

India has been ranked 112th among 153 countries in the annual **Global Gender Gap Index** for 2020, published by the **World Economic Forum (WEF)**.
- **Recent government schemes to achieve gender equality:**
 - Beti Bachao Beti Padhao
 - Pradhan Mantri Matru Vandana Yojana
 - Scheme for Adolescent Girls
 - National Nutrition Mission (NNM)
 - Pradhan Mantri Mahila Shakti Kendra

World Conferences on Women

- The United Nations has organized 4 world conferences on women.
 - Mexico City, 1975
 - Copenhagen, 1980
 - Nairobi, 1985
 - Beijing, 1995
- The 1995 4th **World Conference on Women (WCW)**, held in **Beijing**, was one of the largest ever gatherings of the United Nations, and a critical **turning point** in the world's focus on **gender equality** and the **empowerment of women**.

It marked a significant turning point for the global agenda for gender equality. The **Beijing Declaration** was adopted unanimously by the UN at the end of the 4th **WCW**.

 - **Beijing Declaration** is an agenda for women's empowerment and considered the key global policy document on gender equality.
 - It sets strategic objectives and actions for the advancement of women and the achievement of gender equality in 12 critical areas of concern like women and health, women in power and decision-making, the girl-child, women and the environment.

Source: PIB

Agrochemical Spraying through Drones Illegal

Why in News

Recently, the Union Government has clarified that drone-spraying is illegal as per the **Insecticides Act, 1968**.

This clarification has come after environmentalists highlighted that the usage of drones for agrochemical spraying has increased and has the potential to create problems.

Key Points

- The Insecticide Act, 1968 does not allow aerial spraying. As per its provisions, **aerial application of pesticides** needs **approval or permission** from the **Central Insecticides Board (CIB)**.
Further, the CIB has not granted any approval or permission in the past for the use of drones to spray pesticides.
- Aerial spraying **impacts a larger area** while **decreasing the efficacy** on the target pests.
- Drones and unmanned remote-controlled machines can be harmful tools for spraying chemicals.
There is **no scientific validity** that **drones help in precision spraying**.
- **Adverse weather and wind conditions can result in drifting** of the fine hazardous chemical beyond the range of application.
Kasargod in Kerala faced the negative consequences of aerial spraying of **Endosulfan (a pesticide)** for over 25 years.

Central Insecticides Board

- It was **established under Section 4 of the Insecticides Act, 1968** and it works under the **Ministry of Agriculture and Farmers' Welfare**.
- It advises the central government and state governments on technical matters arising out of the administration of the act and to carry out the other functions assigned to it.
Advice is given on:
 - The risks to human being or animals involved in the use of insecticides/pesticides and the safety measures necessary to prevent such risk.
 - The manufacturing, sale, storage, transport and distribution of insecticides/pesticides with a view to ensure safety to human beings or animals.

Kasargod Incident

- Over 20 years of aerial spraying on cashew plantations and on other crops in Kerala left many people especially children with **mental and physical disorders** like deformities and other health complications.
- The health effects of the chemical include **neurotoxicity, late sexual maturity, physical deformities, poisoning**, among others.

- Studies established linkages between aerial spraying of the pesticide and the growing health disorders in Kasaragod district.
- In **2011**, the **Supreme Court banned** its production and distribution of Endosulfan.

Source: TH

Someshwara Wildlife Sanctuary

- Someshwara Wildlife Sanctuary lies in the **Western Ghats** of Karnataka (Udupi & Shimoga districts).
The Western Ghats are on India's **World Heritage sites list**.
- It is named after the Someshwara temple located within the sanctuary.
- The sanctuary is mostly made up of **evergreen forests, semi-evergreen** and **moist deciduous** forests.
- It is situated very close to the **Kudremukh National Park**.
- **Sitanadi river** flows through the sanctuary.
- Some **Endangered** species are found viz; **Lion Tailed Macaque, Tiger, Dhole (wild dog)**.

Lion-tailed Macaque

- It is **endemic** to the **Western Ghats** in the states of **Karnataka, Kerala** and **Tamil Nadu**.
 - Although the species has a relatively wide range, its area of occupancy is small and severely fragmented.
 - Primarily **diurnal arboreal**, it prefers the upper canopy of primary **tropical evergreen** rainforest.
 - It **can** also be found in **monsoon forests** in hilly country and in disturbed forest.



- **Protected areas:**

- **Kudremukh National Park** (Karnataka)
- **Periyar National Park** (Kerala)
- **Silent Valley National Park** (Kerala)

- **Threats:**

Habitat loss and degradation - deforestation, agriculture, logging leads to a **scarcity of the fruit** on which the **Macaque** feed, which is particularly devastating.

- Creation of exotic plantations such as tea, eucalyptus and coffee.
- Hunting
- Pet trade

- **Conservation and Protection:**

- IUCN Red list: **Endangered.**
- It is listed in **Appendix I** of **CITES.**
- It is protected under **Schedule I**, Part I, of the **Wildlife (Protection) Act, 1972**

Source: TH
