



## Economic Survey 2023-24

**For Prelims:** [Economic Survey](#), Chief Economic Adviser, [Current Account Deficit](#), [Retail Inflation](#), [Scheduled Commercial Banks](#), [Non-performing assets](#), [RBI's Financial Stability Report](#), [Gross Non-Performing Assets \(GNPA\) ratio](#), [Insolvency and Bankruptcy Code](#), [Food inflation](#), [External debt to GDP ratio](#), [World Bank Logistics Index](#), [PM-AWAS-Gramin](#), [Gram Sadak Yojana](#), [Employees' Provident Fund Organisation](#), [Female Labor Force Participation](#), [Kisan Credit Cards](#), [DigiLocker](#), [Foreign Direct Investment](#).

**For Mains:** Key Data Related to Inflation, NPA, GDP Growth, External Debt, Unemployment Rate, Sectors Driving India's Growth, Key Government Initiatives.

[Source: PIB](#)

### Why in News?

The [Economic Survey](#) for 2023-24 was recently tabled by the **Union Minister for Finance** in the parliament. It offers a comprehensive view of India's economic performance and future prospects.

### What is the Economic Survey?

- **About:** The **Economic Survey** is an annual document presented by the government ahead of the Union Budget to review the state of the economy.
  - It is prepared by the **Economic Division of the Department of Economic Affairs** in the Ministry of Finance under the supervision of the [Chief Economic Adviser](#) (currently **V. Anantha Nageswaran**).
  - It is tabled in **both houses of Parliament** by the Union Finance Minister
- **Purpose:**
  - To review the developments in the Indian economy over the previous 12 months.
  - To summarise the performance on major development programs
  - To highlight the **policy initiatives of the government**
  - To analyse the economic trends and provide an outlook for the coming year
- **Historical Context:**
  - First presented in **1950-51**.
    - Initially, it was a part of the budget documents.
  - Became a **separate volume in 1964**.

### What are the Key Takeaways from the Economic Survey for 2023-24?

- **State of the Economy:**
  - **Real GDP Growth:** India's [real GDP](#) grew by **8.2% in FY24**, surpassing the 8% mark in three out of four quarters of FY24.

- **Retail Inflation:** Retail inflation decreased from **6.7% in FY23 to 5.4% in FY24.**
- **Current Account Deficit (CAD):** The CAD improved to **0.7% of GDP in FY24 from 2.0% in FY23.**
- **Tax Revenue:** Direct taxes contributed **55% of the total tax revenue**, with indirect taxes making up the remaining **45%.**
- **Capital Spending:** The government progressively increased capital expenditure and provided free food grains to **81.4 crore people.**
- **Monetary Management and Financial Intermediation - Stability is the Watchword**
  - **Monetary Policy:** The RBI maintained a steady **policy repo rate at 6.5% throughout FY24.**
    - Consequently, **Core inflation** declined by around 4% from April 2022 to June 2024.
  - **Credit Growth:** Credit disbursement by **Scheduled Commercial Banks (SCBs)** reached **Rs 164.3 lakh crore**, growing by **20.2% by March 2024.**
  - **Banking Sector:** Gross and net **non-performing assets** are at **multi-year lows**, and bank asset quality has improved.
    - Data from the **RBI's Financial Stability Report** of June 2024 show that the asset quality of SCBs has improved, with the **Gross Non-Performing Assets (GNPA) ratio** declining to **2.8% in March 2024**, a 12-year low.
    - **Insolvency and Bankruptcy Code** has been recognised as an effective solution for the **twin balance sheet problem**, in the last 8 years, **31,394 corporate debtors** involving a value of Rs 13.9 Lakh Crore have been disposed off as of March 2024.
      - **Twin Balance Sheet Problem** refers to heavily **indebted corporations and banks burdened with bad loans**, creating a vicious cycle hindering economic growth.
  - **Capital Markets:** Primary capital markets facilitated capital formation of Rs 10.9 lakh crore, approximately **29% of the gross fixed capital formation of private and public corporates** in FY23.
  - **Insurance and Microfinance:** India is poised to become one of the fastest-growing insurance markets and has the **second-largest microfinance sector globally.**
- **Prices and Inflation - Under Control:**
  - **Inflation Trends:**
    - 29 States and Union Territories recorded inflation below 6% in FY24.
    - **Core services inflation** eased to a nine-year low in FY24
    - **Food inflation** increased from **6.6% in FY23 to 7.5% in FY24.**
    - Price cuts on LPG, petrol, and diesel helped in keeping **retail fuel inflation** relatively low.
  - **Future Projections:** The RBI forecasts inflation to decline to **4.5% in FY25 and 4.1% in FY26.**
- **External Sector - Stability Amid Plenty:**
  - **Exports:** India's **services exports** grew by **4.9%** to USD 341.1 billion in FY24, with significant contributions from IT/software and other business services.
  - **Remittances:** India remains the top global recipient, with **remittances** totaling **USD 120 billion in 2023.**
  - **External Debt:** India's **external debt to GDP ratio** stood at **18.7%** as of March 2024.
  - **Logistics Performance:** India's rank in the **World Bank Logistics Index** improved to **38th in 2023** from 44th in 2014.
  - **Tourism:** India's share in world tourism receipts increased from **1.38% in 2021 to 1.58% in 2022.**
- **Medium-Term Outlook - A Growth Strategy for New India:**
  - **Growth Strategy:** To sustain a **7%+ growth rate**, a tripartite compact between the Union Government, State Governments, and the private sector is required.
  - **Key Focus Areas:** Job and skill creation, agriculture, **MSME** bottlenecks, green transition, and addressing the education-employment gap are crucial for medium-term growth.
- **Climate Change and Energy Transition - Dealing with Trade-Offs:**
  - **Renewable Energy:** As of May 2024, **non-fossil sources** accounted for **45.4% of installed electricity generation capacity.**
  - **Energy Needs:** India's energy needs are projected to grow **2 to 2.5 times by 2047.**

- **Investment in Clean Energy:** The [clean energy sector](#) attracted investments of **Rs 8.5 lakh crore** between 2014 and 2023.
- **Social Sector - Benefits that Empower:**
  - **Welfare Expenditure:** Grew at a CAGR of **12.8%** between FY18 and FY24.
  - **Healthcare:** Over 34.7 crore **Ayushman Bharat cards** have been issued.
  - **Housing:** 2.63 crore houses constructed under [PM-AWAS-Gramin](#) in the past 9 years.
  - **Rural Infrastructure:** 15.14 lakh km of roads constructed under the [Gram Sadak Yojana](#) since 2014-15.
- **Employment and Skill Development - Towards Quality:**
  - **Unemployment Rate:** Declined to **3.2% in 2022-23**.
    - Net payroll additions under the [Employees' Provident Fund Organisation \(EPFO\)](#) have more than doubled to 13.15 million in the past five years, indicating robust growth in formal employment.
  - **Youth Unemployment:** Fell from 17.8% in 2017-18 to **10% in 2022-23**.
  - **Female Labor Force Participation:** Rising for six consecutive years (**37.0%** currently).
  - **Gig Economy:** Workforce expected to reach **2.35 crore by 2029-30**.
- **Agriculture and Food Management**
  - **Agricultural Growth:** The sector registered an average annual growth rate of **4.18%** at constant prices over the last five years.
  - **Credit and Micro Irrigation:** Credit disbursed to agriculture amounted to Rs 22.84 lakh crore.
    - **90 lakh hectares** covered under micro-irrigation since 2015-16.
  - **Kisan Credit Cards:** **7.5 crore** cards issued with a Rs 9.4 lakh crore limit.
- **Industry - Small and Medium Matters:**
  - **Industrial Growth:** Economic growth of **8.2% in FY24** is supported by an industrial growth rate of **9.5%**.
  - **Pharmaceutical and Clothing Sectors:** India's pharmaceutical market is the **world's third-largest by volume**, valued at USD 50 billion.
    - It is the second-largest clothing manufacturer globally, with textile and apparel exports reaching **Rs 2.97 lakh crore in FY24**.
  - **Electronics Manufacturing:** India's electronics sector accounts for an estimated **3.7% of the global market share**.
    - Domestic production increased to Rs 8.22 lakh crore, with exports rising to Rs 1.9 lakh crore in FY23.
- **Services - Fuelling Growth Opportunities:**
  - **Sector Contribution:** The services sector accounted for **55% of the economy** in FY24 and grew by 7.6% during the year.
  - **Digital Services:** India's share in global digitally delivered services exports increased to **6% in 2023**.
    - Globally, India's services exports constituted **4.4% of the world's commercial services exports in 2022** & accounted for **44%** of India's total exports in FY24.
  - **Aviation:** 15% YoY increase in total air passengers in FY24.
  - **E-commerce:** Expected to cross **USD 350 billion by 2030**.
  - **Start-ups:** Increased from around 2,000 in 2014 to approximately **31,000 in 2023**.
- **Infrastructure - Lifting Potential Growth:**
  - **National Highways:** The pace of [National Highways](#) construction increased from 11.7 km per day in FY14 to approximately **34 km per day by FY24**.
  - **Railways:** Capital expenditure on Railways increased by **77%** over the past five years.
  - **Aviation:** **21 new airport terminal** buildings operationalised in FY24.
  - **Logistics:** Rank in the International Shipments category improved to **22nd in 2023 from 44th in 2014**.
  - **Space:** India has **55 active space assets**, including 18 communication, 9 navigation, 5 scientific, 3 meteorological, and 20 earth observation satellites.
  - **Digital Infrastructure:** The [DigiLocker](#) platform has over **26.28 crore registered users** and over 674 crore issued documents.
  - **Telecommunication:** The overall teledensity (number of telephones per 100 population) in India increased from **75.2% in March 2014 to 85.7% in March 2024**.
    - The internet density also increased to **68.2% in March 2024**.
- **Climate Change and India:**

- **Current global strategies for climate change** are flawed and not universally applicable.
  - The **Western approach** does not seek to address the root of the problem, i.e., **overconsumption**, but rather chooses to substitute the means to achieve overconsumption.
  - A **one-size-fits-all approach will not work**, and developing countries need to be free to choose their own pathways.
- India's ethos emphasises a **harmonious relationship with nature**, in contrast to the culture of overconsumption in other parts of the developed world.
  - Shifting towards **'traditional multi-generational households'** could pave the way towards sustainable housing.
  - **"Mission LiFE" focuses on human-nature harmony**, promoting mindful consumption rather than the overconsumption that lies at the root of the global climate change problem.

## What are the Major Challenges and Recommended Solutions Outlined in the Economic Survey 2023-24?

### ▪ Key Challenges Identified:

- **Global Headwinds and FDI:** The prospects for **Foreign Direct Investment (FDI)** are not very promising **due to high interest rates in developed countries**, which increase the cost of funding and the opportunity cost of investing in developing nations like India.
  - Additionally, **industrial policies in developed countries** that offer substantial subsidies for domestic investment further complicate the competitive landscape.
  - Geopolitical uncertainties also pose challenges.
- **China Dependency:** India **remains heavily dependent on China for imports**, especially in the renewable energy sector.
  - Furthermore, China continues to **dominate the low-skill manufacturing** space that India has aimed to occupy.
- **AI Threat:** The rise of **artificial intelligence (AI)** could potentially disrupt the telecommunications and **Internet-driven business process outsourcing (BPO)** sector, which has seen significant growth.
- **Tepid Private Investment:** Despite tax cuts implemented in **September 2019** to boost capital formation, the corporate sector's response has been underwhelming.
  - **Corporate profits before taxes have surged**, but hiring and compensation have not kept pace.
- **Employment Imperative:** There is a notable **lack of high-quality and timely data related to employment**. This gap hampers effective labour market analysis and policy making.
  - To accommodate the growing workforce, the Indian economy must create approximately **7.85 million non-farm sector jobs annually until 2030**.
- **Lifestyle Disadvantages:** **Social media, excessive screen time, sedentary lifestyles, and unhealthy food choices** are identified as factors that could undermine public health and productivity, impacting India's economic potential.

### ▪ Recommended Solutions:

- **Job Creation by the Private Sector:** The survey emphasises that it is in the interest of the corporate sector, which is currently experiencing excess profits, to **take on a more active role in job creation**.
- **Lifestyle Changes by the Private Sector:** Indian businesses are encouraged to embrace **traditional lifestyle practices and healthy food recipes**, which not only align with global trends but also open up new commercial opportunities.
- **Revitalising the Farm Sector:** Given the challenges in manufacturing and services, the survey suggests **focusing on improving agricultural practices and policies**.
  - This includes increasing **value addition, boosting farmers' income, and creating opportunities in food processing** and exports.
- **Removing Regulatory Bottlenecks:** It advocates for reducing the regulatory burden on businesses, particularly for Medium, Small, and Micro Enterprises (MSMEs).
  - Streamlining licensing, inspection, and compliance requirements is crucial.
- **Administrative Strengthening:** Instead of large-scale reforms, the survey calls for

strengthening state capacity to support and **accelerate India's progress through effective implementation and management.**

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### Prelims

**Q. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if: (2018)**

- (a) Industrial output fails to keep pace with agricultural output.
- (b) Agricultural output fails to keep pace with industrial output.
- (c) Poverty and unemployment increase.
- (d) Imports grow faster than exports.

**Ans: (c)**

**Q. In a given year in India, official poverty lines are higher in some States than in others because: (2019)**

- (a) Poverty rates vary from State to State
- (b) Price levels vary from State to State
- (c) Gross State Product varies from State to State
- (d) Quality of public distribution varies from State to State

**Ans: (b)**

### Mains

**Q.1** "Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product(GDP) in the post-reform period" Give reasons. How far are the recent changes in Industrial Policy capable of increasing the industrial growth rate? **(2017)**

**Q.2** Do you agree that the Indian economy has recently experienced a V- shapes recovery? Give reasons in support of your answer. **(2021)**