



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)**