



IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative

Highlights of Economic Survey 2018 Part I - Ten New Economic Facts on Indian Economy

Economic Survey

\n\n

- \n
 - The Department of Economic Affairs, Finance Ministry of India presents the Economic Survey.
- \n
 - The Chief Economic Adviser, Finance Ministry guides in its preparation.
- \n
 - It is presented in the parliament every year, just before the Union Budget.
- \n
 - The survey is the finance ministry's view on the annual economic development of the country over the previous 12 months.
- \n
 - It highlights the prospects of the economy in the short to medium term.
- \n
 - It also summarizes the performance on major development programs, and highlights the policy initiatives of the government.
- \n

\n\n

10 New Economic Facts on Indian Economy

\n\n

- \n
 - The Economic Survey highlights 10 new economic facts on the Indian economy based on the new data. They are as follows:
- \n

\n\n

- \n
 - **Goods and Services Tax** - GST has led to a 50% increase in the number of indirect taxpayers.

- \n
- There has been an increase in individual income tax filers as well.
- \n
- There has also been a large increase in voluntary registrations.
- \n
- This is especially in regards with small enterprises that buy from large enterprises.
- \n
- Availing the benefit of input tax credits was a major reason.
- \n
- The fear of undermined tax collections for states due to GST transition is allayed.
- \n
- Accordingly, the distribution of the GST base among the states got closely linked to the size of their economies.
- \n
- **Formal Sector payroll** - India's formal sector, especially formal non-farm payroll, is substantially greater than believed.
- \n
- "Formality" was earlier defined in terms of social security provisions like EPFO/ESIC.
- \n
- It is now being defined in terms of being part of the GST net.
- \n
- This has increased the formal sector payroll share to 53% from the earlier 31% of the non-agricultural work force.
- \n
- **Exports of states** - Economic Survey, for the first time, deals with data on the international exports of states.
- \n
- The data indicates a strong correlation between export performance and states' standard of living.
- \n
- States that export internationally and trade with other states were found to be richer.
- \n
- 5 States of Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana account for 70% of India's exports.
- \n
- India's internal trade is about 60% of the GDP.
- \n
- This is comparatively greater than last year's survey as well as other large countries.
- \n
- **India's exports** - The largest firms in India account for a much smaller

share of exports than in other comparable countries.

\n

- Evidently, top 1% of Indian firms accounts only for 38% of exports.

\n

- This is unlike the 50-70% as in countries like Brazil, Germany, Mexico and USA.

\n

- The relatively smaller share by larger firms in India makes the firm export structure of India more egalitarian.

\n

- This is indicative of a better contribution from the smaller firms than in other countries.

\n

- **Ready-made garments** - The Rebate of State Levies (ROSL) was announced in 2016.

\n

- Under the RoSL, the Centre gives garment exporters refunds against all the levies they shell out at the state level.

\n

- The relief was offered under the duty drawback scheme as part of the package for the garments industry in the GST regime.

\n

- The incentive package boosted exports of ready-made garments by about 16%.

\n

- **Male child preference** - The survey highlighted that Indian society still exhibited a strong desire for a male child.

\n

- It pointed out that most parents continued to have children until they get number of sons.

\n

- The survey brings out that this was resulting in skewed sex ratios.

\n

- **Tax Litigation** - There is substantial avoidable litigation in the tax arena which government action could reduce.

\n

- The tax department's petition rate is high, but its success rate in litigation is low and declining (well below 30%).

\n

- A smaller share of total pending cases accounted for a larger share of the money value at stake (due to the tax dispute). E.g.

\n

\n\n

\n

- i. 0.2% of pending cases - 56% of the value at stake
\n
- ii. 66% of cases (each less than Rs 10 lakh) - 1.8% of the value at stake
\n

\n\n

\n

- **Growth and Investment** - It was highlighted that growth in savings did not bring economic growth.

\n

- But the growth in investment did bring a substantial growth to the economy.

\n

- The survey thus emphasizes that raising investment was more important than raising savings.

\n

- **Direct tax collection** - Direct tax collections by States are significantly lower than those of their counterparts in other federal countries.

\n

- Indian states and other local governments empowered for tax collection realise lesser collection than their actual potential.

\n

- **Climate change** - Extreme temperature increases and deficiency in rainfall have been recorded as footprints of climate change.

\n

- These have adversely impacted agricultural yields of the country.

\n

- The impact was found to be twice as large in un-irrigated areas as in irrigated ones.

\n

\n\n

\n\n

Source: PIB

\n\n

Note: The following parts would be made subsequently.

\n



IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative