

ECONOMIC SURVEY OF INDIA

CHAPTER 1 & 2

LECTURE-1

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1) THE GLOBAL ECONOMY BATTLES THROUGH UNIQUE SET OF CHALLENGES:

- **Before 2020** (the third decade of this millennium) commenced, the global economic turbulence were generally spaced out, allowing economies breathing time to recover before preparing for the next challenge (E.g. the two world war, the great depression, Spanish Flu, intermittent oil shocks, the east Asian crisis (at the close of previous millennium), technology bust (at the beginning of the millennium), the global financial crisis etc.
- But the **third decade of this millennium** has come with a series of challenges:
 - » **Covid-19 Pandemic** notified by WHO in Jan 2020 was the first challenge to hit the global growth. In 2021 the global economic had started recovering.
 - » But, Feb 2022, came with the **Russia-Ukraine war** which led to swing in commodity prices and accelerated the inflationary pressure.
 - The prices of critical commodities such as crude oil, natural gas, fertilizers and wheat soared.
 - » **Monetary tightening all across the world** to rein in inflation emerged as the next big challenge. This monetary tightening drove capital flows to safe-haven US markets; led to rising bond yields and depreciated most currencies across the world.
 - This led to slowdown in global output beginning in second half of 2022. This was also reflected in Oct 2022's update of IMF's World Economic outlook.
 - **Further tightening** of monetary policy may aggravate fragilities build up in the financial system over the years, such a private and government debt structure, the effect of which could trigger financial contagion.
 - » **Slowing of cross border trade**: Nations faced prospects of stagflation and thus felt the need to protect their respective economic space. This also emerged as the fourth challenge to growth.
 - » **Slowdown in China** due to its policies [**zero Covid Policy**] has hampered global economic growth.
 - However, China has ended or relaxed most of its restrictive policies and it is possible that economic activity picks up in China sooner than expected.
 - » Finally, loss in education and income earning opportunities due to COVID-19 lockdown brought medium-term challenge to growth.

2) MACROECONOMIC AND GROWTH CHALLENGES IN THE INDIAN ECONOMY:

- **FY2023** opened with a firm belief that the pandemic was rapidly on the wane and India was poised to grow at a fast pace and quickly ascend to the pre-pandemic growth path. Output in FY22 went past its pre-pandemic level in FY20, with the Indian economy staging a full recovery ahead of many nations.
- **But many growth challenges emerged:**
 - A. **Russia-Ukraine War** necessitated a revision in expectations for economic growth and inflation.

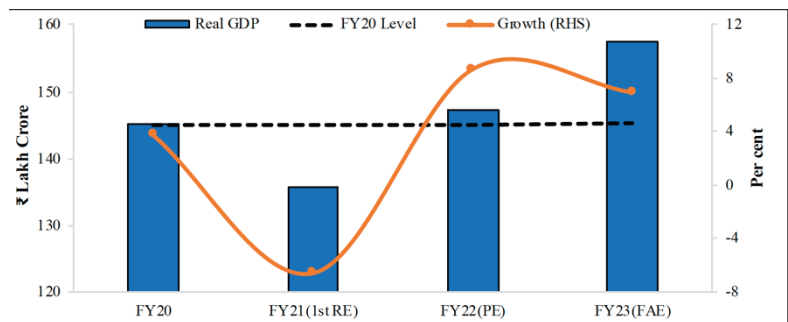
B. **Inflation:** India's retail inflation crept above 6% in Jan 2022 and it remained above target range for the next ten months, coming below target range only in Dec 2022.

- **Rising global commodity prices and extreme weather conditions** like excessive heat and unseasonal rains, which kept food prices high.

- **What steps were taken to control inflation:**

- Tightening of monetary policy by RBI
- Cutting of excise duty on petrol and diesel by government; restriction on exports of essential items like wheat.

C. **Challenges for exports:** Inflation and Tightening of monetary policy all across the world have not only led to slowing down of global economic growth but have also hampered International Trade. As per UNCTAD, the global trade growth turned negative during the H2:2022 and geopolitical frictions and persisting inflationary pressures and subdued demand are expected to suppress global trade further in 2023.



Source: NSO, MoSPI

Note: AE stands for Advanced Estimates, PE stands for Provisional Estimates, RE stands for Revised Estimates

3) INDIA'S ECONOMIC RESILIENCE AND GROWTH DRIVERS:

- Despite all the above challenges, as per international agencies and even according to estimates released by NSO, India is expected to grow in the range of 6.5 - 7.3% in FY 2023. This is the second highest rate of growth among major economies. This is reflection of India's underlying economic resilience; of its ability to recoup, renew and reenergize the growth drivers of the economy.

- **Key Growth Drivers for India:**

A. **Rebound in Domestic Consumption:** though the growth of export may have moderated in the second half of FY23, the surge of exports in FY22 and H1:FY23 induced a shift in gears of production process from mild acceleration to cruise model. This led to rebound in domestic consumption.

- **Private consumption** as a % of GDP stood at **58.4% in Q2 of FY23**, the highest among the second quarters of all the years since 2013-14, supported by rebound in contact-intensive services such as trade, hotel and transport, which registered a sequential growth of 16% in real terms in Q2 of FY23 compared to previous
- **Near Universal Coverage of Vaccination** was the single most factor which brought people out and repopulated marketplace. The contact-based service providers like restaurants, hotels, shopping malls, cinemas, and tourist destinations etc. soon ran a thriving business and significantly contributed to consumer sentiments.
- **Release of "pent-up" demand** was another factor leading to rebound in domestic consumption.
 - **Why was this factor more impactful in India?**
 - Share of consumption in disposable income is high in India. Thus, a pandemic-induced suppression of consumption built up that much greater recoil force.

- The "release of pent-up demand" was reflected in the **housing market too**. There has been an increase in housing loans. Housing inventories have declined, prices are firming up and new constructions have picked up.

B. Much Enlarged Capital Budget of Central Government:

- **Budget FY22 and Budget FY23** have seen substantial increase in **capital expenditure**.
 - Going by the Capex multiplier estimated for the country, the economic output of the country is set to increase by at least four times the amount of capex.
- **States** are also performing well in **capital expenditure**. It is supported by Centre's grant-in-aid for capital works and an **interest free loan repayable over 50 years**.
- This capex is not only **improving infrastructure** but is also leading to **crowding in private investment** into an economic landscape broadened by the **vacation of non-strategic PSEs** (disinvestment). It can be understood from:
 - **Direct tax revenue** has been **highly buoyant** and so have the **GST collection**. This has ensured **high capex** within the fiscal consolidation targets.

C. Strong Balance Sheet of Corporates: In the last decade, **Indian non-financial private sector debt and non-financial corporate debt** as a share of GDP **declined by nearly 30%**.

- This has **limited the interest costs** and has **saved overheads during COVID-19 pandemic** and may have further contributed to strengthening of balance sheet. This has also led to **increased profit** in the corporate world.
- **Better profitability** helped corporates to **pay their debts**. Therefore, even **corporates have more scope of taking loans and doing capex**.

D. Increased Robustness of Banking Sector: In the last few years, finances of public sector banks have seen a significant turnaround. Profits of banks have increased and **NPAs have gone down**. It has been made possible by an **effective Insolvency and Bankruptcy Code** which has allowed **quicker resolution and liquidation of assets**. Further, **government has also provided adequate budgetary support** ensuring that the **Capital to Risk Weighted Adjusted Ratio (CRAR)** remains comfortably above the threshold levels of adequacy. Further, **banks have negligible cross-border claims** in times when currency risk is high.

- This has **allowed banks to provide more credit** for the needs of corporate sector. The **Y-o-Y credit growth** has moved into **double digit** and is rising across most sectors. For MSME sector, **credit growth has grown by 30.5% on average**, during Jan-Nov 2022 supported by the **extended ECLGS** of the central government.

E. Inflation in Control: RBI has projected headline inflation at **6.8% in FY23**. Though, this is **outside RBI's target range**, but it is **not high enough to deter private consumption** and also **not so low as to weaken the inducement to investment**.

- India is the **third-largest economy in the world** in PPP terms and the **fifth largest in market exchange rates**. As expected of a nation of this size, the Indian economy in FY23 has nearly "recouped" what was lost, "renewed" what had paused, and "re-energized" what had slowed during the pandemic and since the conflict in Europe.

- India's Inclusive Growth:

- Growth is inclusive when **enough jobs are created**. Both **official and unofficial sources confirm** that jobs rose in FY23.
 - » **The Periodic Labor Force Survey (PLFS)** shows that the **urban unemployment rate for people aged 15 years and above declined from 9.8% in Sep 2021 to 7.2% in Sep 2022**.
- **MSME sector** has benefitted from the **Emergency Credit Line Guarantee Scheme (ECLGS)**. It has **succeeded in shielding micro, small and medium enterprise from financial distress**.
 - » More than 80% of MSMEs who availed ECLGS benefits were **micro-enterprises**.

- **MGNREGA** has also been creating more assets in respect of "Works on Individual's land" than in any other category. The share of this category rose to about **60%** in FY22, indicating that MGNREGA, besides generating daily wage employment, has also been creating assets for individual households to diversify their sources of income and lift their supplementary income.
- Further, schemes like PM-KISAN and PMGKAY have contributed to lessening of impoverishment in the country.
 - » An UNDP report in July 2022 stated that the recent inflationary episode in India would have a low poverty impact due to well targeted support.
 - » Further, NFHS-5 shows improved rural welfare indicators from FY16 - FY20, covering aspects like gender, fertility rate, household amenities etc.

4) OUTLOOK: 2023-24:

- The current growth trajectory of India will be supported by:
 - **Increased domestic consumption**
 - High Capex
 - Structural reforms over the last few years:
 - » Reform in Banking sector (reduction in NPA, Recapitalization)
 - » Tax Reforms (e.g., GST)
 - » IBC
 - Recessionary tendencies in advanced economies may slow down the monetary policy tightening. This could support the FPI flow towards India.
- **Factors weighing down global economic prospects:**
 - **Geo-political uncertainties:** For e.g. Ukraine-Russia war continues.
 - **Multi-decadal high inflation** in advanced economies - Tightening of monetary policy.
 - Therefore, global growth is forecasted to slow from 3.2% in 2022 to 2.7% in 2023 as per IMF's WEO released in Oct 2022.
- **Risks to India's Current Account balance:**
 - Commodity prices are still above pre-Ukraine-Russia war levels.
- **Survey Prediction:**
 - In this background, the Survey projects a baseline GDP growth of 6.5% in real terms in FY24. This projection is in sync with estimation of international financial institutions. The actual outcome of the real GDP growth will probably lie in the range of 6.0% to 6.8%, depending on the trajectory of economic and political development globally.
- **India's Economic Growth rate in Recent Years**

Year	FY23 (2022-23)	FY22	FY21 (2020-21)	FY20 (2019-20)	FY19 (2018-19)
Growth Rate	7% (FAE)	8.7%	-6.60%	3.70%	6.50%
- **GDP Growth Rate for FY24: 10.5% (nominal) (BE)**
 - It has been projected at Rs 301,75,065 crores.
- **GDP Growth Rate for FY23: 15.4% (nominal)**
 - Note: As per first Advanced Estimate (released in Jan 2023), the Nominal GDP is estimated at Rs 273.08 lakh crore in FY 23.
- **Note:** Budget didn't put out real GDP growth projections. However, ESI for 2022-23, released on Jan 31, has forecast a real GDP growth range of 6.5% in a range of 6-6.8%, for the next financial year.

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2. C-2: "INDIA'S MEDIUM TERM GROWTH OUTLOOK: WITH OPTIMISM AND HOPE"

Brief Summary: This chapter shows that India has seen transformative process of new age reforms between 2014-2022 and the economic energy and positive mindset that the reforms unleashed would have led to sharp acceleration in growth but for the balance sheet repair of the over-leveraged domestic financial sector (banking and non-banking) and the corporate sector and secondarily to the on-off global shocks that followed. But, as these problems subside, India is posed to grow at its potential.

1) HISTORY OF REFORMS IN INDIA: PRODUCT AND CAPITAL MARKET

A) INITIATION OF THE REFORMS - 1991:

- **Background:** Macroeconomic Imbalance of late 1980s and early 1990s:
 - » The high combined deficits of the central and state governments, elevated inflationary pressure, and large and unsustainable Current Account Deficit which led to Balance of Payment Crisis in the Indian Economy.
- **Key Reforms:**
 - » **Liberalization** of trade and investment.
 - Import licensing on almost all intermediate inputs and capital goods was done away with and entry restrictions for firms were simplified.
 - » **Privatization:** The new policy encouraged the entry of private sector firms by ending the public sector monopoly in many sectors and initiating the automatic approval policy for FDI upto 51%.
 - » **Exchange Rate** was made flexible and was allowed to depreciate as necessary to maintain competitiveness. The rupee was made fully convertible on the current account and partially on capital account.
- **Impact:**
 - » These reforms had positive impact on the economy and the real growth went up from an average of 5.5% during 1980s to 6.3% from FY93 to FY2000.
 - » **Trade liberalization** also had visible impact on external trade as the total goods and services to GDP rose from 17.2% in 1990 to 30.6% in 2020.

B) CONTINUITY OF REFORMS WITH A RENEWED IMPETUS:

- The product and capital market reforms continued slowly over the decade of the 1990s. Towards the end of 1990s they got renewed impetus.
 - » **Foreign Investments** were liberalized further to encourage FDI as a main source of non-debt creating capital inflows.
 - » **Telecom sector was completely reformed** with the new Telecom Policy, 1999. It was opened to private sector with a strengthened regulatory regime (TRAI).
 - The reforms separated the licensing and policy functions of the government from that of an operators BSNL. These reforms were cornerstone of IT sector boom in India and had widespread spillover benefits to other sectors of the economy.
 - » The **Policy on Disinvestment and Privatization** also gathered steam during this period.
 - A dedicated ministry was set up for the agenda.
 - Equities in some CPSEs were sold and many companies were privatized which included Maruti Udyog, Hindustan Zinc, Bharat Aluminium, and Videsh Sanchar Nigam Limited.

- **Infrastructure Development:** The period was also marked by the launch of then largest infrastructure project of Independent India, the '**Golden Quadrilateral**'. It brought significant economic benefit to the country and enhanced connectivity, improved industrial activity, trade and economic growth.
- **Structural Reforms:**
 - » The **FRBM Act** was passed to address the historic highs of the **combined Gross Fiscal Deficit of the Government**.
 - » **Banking Sector Reforms:**
 - Deregulation of interest rates
 - SARFAESI Act allowed banks and financial institutions to recover their dues by proceeding against the secured assets of the borrower/guarantor without the intervention of the court/tribunal.

C) ONE-OFF SHOCKS OVERSHADOWED THE REFORMS OF 1998-2002:

- **The Sanctions imposed by the USA on India** after India's nuclear test led to a sharp decline in capital flows in India during the months following the nuclear test.
 - **Weather vagaries:** The period between 2000 and 2002 also witnessed two successive droughts.
 - **End of Tech Boom** (Dot-com bubble crisis) and uncertainty in **geo-politics after the 9/11 attacks** also led to problems.
 - **Balance sheet** of India's banking sector and corporate sector was also under repair during this period.
- **These factors overshadowed the immediate impact of reforms undertaken by the government**, they laid the groundwork and prepared the Indian economy structurally to participate in the Global Boom which followed soon after.

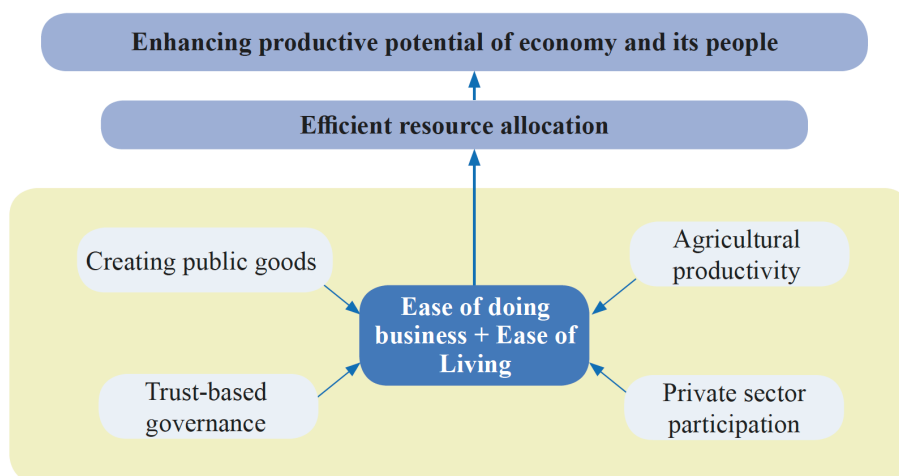
D) INDIA'S PARTICIPATION IN THE GLOBAL BOOM OF 2003-08:

- While the global growth averaged 4.8% during 2003-2008, the Indian economy grew at more than 8% on average.
 - The economic growth was supported by strong capital inflows, which indicated favorable domestic and external sectors. Some of these factors included sustained momentum in domestic economy, better corporate performance, a conducive investment climate, positive sentiment for India as a preferred investment destination, and encouraging global liquidity conditions/ interest rates.
- **ESI claims that this combination of structural economic reforms with their lagged effect on economic growth parallels to what is unfolding in the Indian economy presently.**

2) REFORMS FOR NEW INDIA – SABKA SAATH SABKA VIKAS

- **Before 2014**, the reforms primarily catered to product and capital market. These were continued after 2014 too. But, after 2014, a new dimension to these reforms were given. There was an **underlying emphasis on ease of living and doing business and improving economic efficiency**.
- The **broad principles behind the post 2014 reforms** were creating public goods, adopting trust based governance, co-partnering with the private sector for development and improving agri-productivity. This approach reflects a paradigm shift in the growth and development strategy of the government, with the emphasis shifted towards building partnerships amongst various stakeholders in the development process, where each contributes to and reaps the development benefits (***Sabka Saath, Sabka Vikaas***).

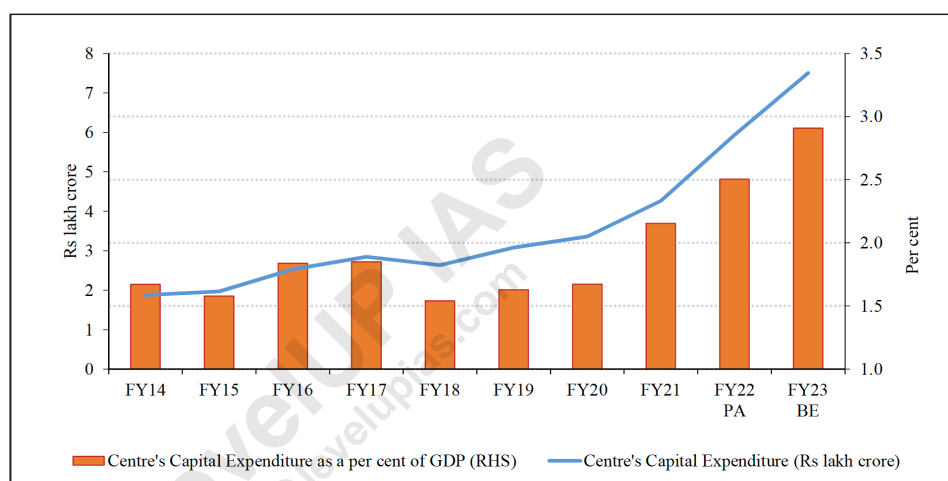
Figure II.6: Underlying framework for Reforms for a new India



A) CREATING PUBLIC GOODS TO ENHANCE OPPORTUNITIES, EFFICIENCY AND EASE OF LIVING:

- A **quantum leap** in policy commitment and **outlay for infrastructure** is now visible in last few years. This cushioned economic growth when the non-financial corporate sector was unable to invest due to **balance sheet troubles**.

Figure: II.7: Union government's capital expenditure as a per cent of GDP on the rise



Source: RBI, MoSPI, O/o CGA

- **Budget 2023-24:** On 1st Feb 2023, Finance Minister Nirmala Sitharaman announced that **capital investment outlay for FY24 is being increased steeply for the third year in a row by 33% to Rs 10 lakh crore**, which would be **3.3% of GDP**. This is almost **three times the outlay of FY21**.
 - **Effective Capital Expenditure** of the centre is **budgeted at Rs 13.7 lakh crores**, which will be **4.5% of GDP**.
 - Note: The direct capital investment by the Centre is complemented by the provision made for creation of capital assets through **Grants in aid** to states.

- Key Initiatives in recent years

- National Infrastructure Pipeline (NIP) in 2019:
 - NIP has expanded today to cover **9,000 projects across 35 sub-sectors** and covers **economic and social infrastructure projects** jointly funded by the Central government, State government and private sector.

- National Monetization Pipeline (NMP) in 2021
- **Focus on Developing Public Digital Infrastructure:**
 - As per RBI, India's core digital economy has grown 2.4 times the overall economic growth between 2014 and 2019.
 - Digital infrastructure also has a strong forward linkage to the non-digital sector as digitalization strengthens potential economic growth through various ways.
 - **Key contribution of Digital Infrastructure:**
 1. **Financial Inclusion:** PMDJY and JAM Trinity - Population covered by banks increased from 53% in 2015-16 to 78% in 2019-21. This contributes to economic growth.
 2. **Greater Formalization of Economy:** It has been made possible by transformed digital financial architecture, the digitized GST system and growth in the usage of UPI. The creation of digital identities such as Aadhar, registration of unorganized workers on the eshram portal, street vendors on SVANidhi, taxpaying firms on GSTN and MSMEs on Udayam portal have led to greater formalization.
 3. **Improvement in Governance: to Improve Ease of doing business**
 - Unified digital interfaces that connect various initiatives/portals have simplified governance resulting in a more efficient resource allocation in the economy. The **National Single Window System for business approvals**, the **JanSamarth portal** for credit-linked Central Government scheme, and the **UMANG app** for access to Central and state government services are essential steps towards enhancing the ease of doing business through the integration of existing systems.
 - **Eshram portal**, with more than 28.5 crore registered workers, has been integrated with various other digital portals for easy accessibility.
 - **PM Gatishakti**, the GIS-based platform that brings together multiple ministries for integrated planning and coordinated implementation of multimodal infrastructure connectivity projects, aims to reduce logistics costs. Thus, digital technologies being at the forefront of the reforms provide a unique opportunity to accelerate India's economic growth
 - **Some recently introduced digital initiatives:**
 1. **Open Network for Digital Commerce (ONDC) and Account Aggregator Framework -**
 - ONDC provides you an opportunity to grow via e-commerce, by connecting with other network partners that will complete your e-commerce solution.
 2. **Account Aggregator Framework of RBI:**
 - The RBI Account Aggregator (AA) Framework allows customers to seamlessly share information with their financial service providers. All the while, it gives customers significant control, allowing them to share only what they need and for as long as they need.

These will open up further avenues for e-commerce market access and credit availability for smaller businesses and strengthen the expected economic growth in the medium term.

B) TRUST BASED GOVERNANCE:

- **Why trust is important:** Building trust between the government and the citizens/businesses unleashes efficiency gains through improved investor sentiment, better ease of doing business and more effective governance.
- **Key steps towards Trust based governance:**

- **Insolvency and Bankruptcy Code** – It provides honorable exit mechanism for honest business failures and enable release of credit locked into the stressed assets for better resource allocation.
 - IBC has also brought changes in the debtor creditor relationships. The debtors are resolving stress early to avoid being pushed into insolvency.
- **Real Estate (Regulation and Development) Act (RERA)**: It is creating culture of transparent transaction in the real estate sector.
- **Decriminalization of Minor Offences under the Companies Act**: Government has brought civil liabilities for dealing with simple defaults that don't involve fraud or is a procedural lapse.
- **Better Tax regime like GST** has reduced scope of evasion and has increased tax collection by government. ITR reforms, technology, faceless assessment etc have also contributed to increase in direct tax collection.

C) PROMOTING THE PRIVATE SECTOR AS A COPARTNER IN THE DEVELOPMENT:

- **Disinvestment** worth Rs 4 lakh crore has been done between FY15 and FY23. Privatization of Air India was particularly significant for re-igniting the privatization drive.
- **The New Public Sector Enterprise Policy** for Aatmanirbhar Bharat has thus been introduced to realise higher efficiency gains by minimising the presence of the government in the PSEs to only a few strategic sectors.
- **Significant initiatives under Aatmanirbhar Bharat and Make in India programs**:
 - **Various sector specific Production Linked Incentives**
 - **Liberalization of Policies towards Foreign investors**: Most sectors are now open to 100% FDI under the automatic route. This has led to structural shift in the Gross FDI as a % of GDP in the country. From FY05-FY14, it was 2.4% of the GDP. From FY15-FY22 it was 2.6% of the GDP. Infact the highest ever FDI inflow of USD 84.8 billion was recorded in FY22.
- **National Logistic Policy (2022)** has been launched to create an overarching logistics ecosystem for lowering the cost of logistics and bringing it to par with other developed countries.
- **MSMEs** have been helped through support from **Emergency Credit Line Guarantee Scheme (ECLGS)** and **Revision of the definition of MSMEs**.

D) ENHANCING THE PRODUCTIVITY IN AGRICULTURE

- Various reforms like Soil Health Cards, Micro Irrigation Funds, support for natural and organic farming.
- FPOs, e-NAM, Agri-Infrastructure Fund, Cluster Development Program etc.

3) FACTORS WHICH HAMPERED THESE REFORMS FROM ACHIEVING THE ANIMAL SPIRIT IN ECONOMY

- **India's Balance sheet Stress – Hampered Credit to businesses**
- **Twin Deficit** (Fiscal and External)
- **Collapse of Infrastructure Finance and Leasing Services (IL&FS)** -> further hampered bank credit growth which came down to single digits towards the end of 2019.

But these problems have been worked upon:

- **Recapitalization of Banks**
- **Corporate Tax Cut**

Non-financial private sector debt to GDP ratio has come down to 83.8% by Dec 2018 (from 113.6% in Dec 2010)

A) THUS, THE PERIOD 2014-2022 IS ANALOGOUS TO THE PERIOD 1998 – 2022

1998-2002	2014-2022
Shocks to the economy	
♦ Nuclear device testing 1998; sanctions followed	♦ Period of Banking, Non-Banking and Non-Financial Corporate Sector Balance-sheet stress ♦ Unprecedented pandemic shock followed by inflation global commodity price shock followed by tightening of financial conditions
♦ Banking and Corporate Sector deleveraging and repairing balance-sheets	
♦ Two successive droughts	
♦ Technology bust; US recession and 09/11	
Structural reforms in the economy	
♦ Interest rate deregulation ♦ Privatisation ♦ Asset Recovery for banks ♦ Infrastructure (Golden quadrilateral) ♦ FRBM Act	♦ Unique Identity ♦ Financial Inclusion ♦ GST leading to formalisation ♦ Insolvency & Bankruptcy Code ♦ Privatisation ♦ Tax rates rationalisation and tax administration reforms ♦ Decriminalisation of offences ♦ Vaccines roll-out ♦ Expenditure Management Reforms ♦ AatmaNirbhar Bharat ♦ Public Digital Infrastructure
Growth returns	
♦ One-off shocks delayed the growth returns	♦ Balance sheets strengthened in the financial sector; the corporate sector deleveraged by about 30 percentage points (Non-financial private sector debt to GDP ratio)
♦ Once shocks faded away, structural reforms paid growth dividends from 2003 onwards	♦ Emphasis on macro-economic stability while dealing with global shocks

4) GROWTH MAGNETS IN THIS DECADE (2023- 2030)

- **Strong Balance Sheet of Banks and Corporate Sector** – Bank credit growth has been well into double digits for quite some time now.
- **The digitalisation reforms and the resulting efficiency gains** in terms of greater formalisation, higher financial inclusion, and more economic opportunities will be the second most important driver of India's economic growth in the medium term

- **Evolving Geo-Political Situation** also present an **opportunity**. Multinational firms are looking for diversifying their production bases. With enabling policy frameworks, **India presents itself as a credible destination for capital diversifying out of other countries**.

5) BUT WE NEED TO DO MORE

- The **deregulation and simplification of compliances** should continue to dismantle the licensing, inspection, and compliance regime entirely.
- **State governments** have to address power sector issues, and the financial viability concerns of the Discoms have to be addressed.
- Impetus must be given to **education and skilling** to match the requirements of modern industry and technologies, deal with twenty-first-century challenges such as climate change and energy transition, and make the most of India's demographic dividend.
- **Initiatives to sensitise the population towards a healthy lifestyle should be continued**.
 - Strategies to arrest and reverse the rising obesity levels should be adopted.
- Long-range plans need to be formulated to **secure the necessary metals and minerals required for energy transition and diversification**.
- Determined efforts should be taken to make the **public sector asset monetisation scheme successful in realising wide-ranging efficiency gains from the programme**. If asset monetisation revenues are used to reduce public sector debt, the sovereign credit rating will improve, leading to a lower cost of capital. That will be the biggest fiscal stimulus to the economy.
- **Reforms to reduce the compliance burden on MSMEs**, enhance their access to finance and working capital and equip them with skills, knowledge, and attitude to grow their businesses responsibly must continue. State governments should make conclusive progress on the various factor market reforms in different stages of completion

6) CONCLUSION:

The Indian economy had not lost its vigour, nor have government reform measures their effectiveness. Negative shocks will and do fade, as they did in the early years of the new millennium. It is a matter of time before the impact of reforms in growth become persistent in data.

Therefore, ESI has shown optimism that India will achieve an average of 6.5% of real GDP growth in the medium term. Further, if reformed suggested in pervious paragraph are pursued seriously, India's potential GDP growth can rise to 7-8% per annum in the medium term.

3. SOME PRACTICE QUESTIONS FROM BASIC CONCEPTS

1	<p>If India is witnessing a growth in real GDP every year, which of the following must necessarily be true?</p> <ol style="list-style-type: none"> India is witnessing a positive GDP growth rate every year when calculated at constant price India is witnessing a positive GDP growth rate every year when calculated at current market price Employment is increasing in India Income inequality is decreasing in India
2	<p>If an economy is going through recession it must mean:</p> <ol style="list-style-type: none"> It's nominal GDP is decreasing

	<ol style="list-style-type: none"> 2. It's rate of inflation is decreasing 3. Employment rate has become stagnant 4. It's rate of economic growth is decreasing <p>How many of the above statements is/are correct?</p> <ol style="list-style-type: none"> A. None B. Only 1 C. Only 2 D. Only 3
3	<p>Consider the following statements about India's economic growth since the LPG reforms of 1991:</p> <ol style="list-style-type: none"> 1. India's annual economic growth has always been positive (except for the FY 2020-21 due to COVID-19 lockdown) 2. India's economic growth rate has always been increasing (except for the FY 2020-21 due to COVID-19 lockdown) <p>Which of the above statements is/are correct?</p> <ol style="list-style-type: none"> A. 1 only B. 2 only C. Both 1 and 2 D. Neither 1 nor 2
4	<p>In the past decade, India's real annual GDP growth rate was highest in the FY 2021-22. The most important factor behind it was:</p> <ol style="list-style-type: none"> A. Economic reforms of the FY 2020-21 and various initiatives under the Atmanirbhar Bharat initiative B. One of the highest flows of FDI and FII in the country C. Base Effect D. India's increasing middle class population
5	<p>An economy is said to be in technical recession when:</p> <ol style="list-style-type: none"> A. The GDP growth has been negative for at least 1 quarter and there has been a decline in consumption and employment as well B. The GDP growth has been negative for at least 2 quarters and there has been a decline in consumption and employment as well C. The GDP growth has been negative for at least 1 quarter D. The GDP growth has been negative for at least 2 quarters
6	<p>If in FY2024, the rate of inflation is very high in India, very low in the USA and the rupee-US\$ exchange rate doesn't change in the FY2024. Then which of the following would be true for FY 2024?</p> <ol style="list-style-type: none"> 1. Weakening of India's purchasing power parity 2. Strengthening of India's purchasing power parity 3. Purchasing power parity will not be affected 4. Cannot be determined
7	<p>Despite being a high saving economy, capital formation may not result in significant increase in output due to [2018]</p> <p>(a) weak administrative machinery</p> <p>(b) illiteracy</p>

	(c) high population density (d) high capital-output ratio
8	<p>With reference to Indian economy, consider the following statements: [2015]</p> <p>1. The rate of growth of Real Gross Domestic Product has steadily increased in the last decade.</p> <p>2. The Gross Domestic Product at market prices (in rupees) has steadily increased in the last decade.</p> <p>Which of the statements given above is/are correct?</p> <p>(a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2</p>
9	<p>Economic growth in country X will necessarily have to occur if [2013 - I]</p> <p>(a) there is technical progress in the world economy (b) there is population growth in X (c) there is capital formation of X (d) the volume of trade grows in the world economy</p>
10	<p>Economic growth is usually coupled with [2011]</p> <p>(a) Deflation (b) Inflation (c) Stagflation (d) Hyperinflation</p>