

# ECONOMIC SURVEY

2020-21

VOLUME 2

































































## Performance of Central Public Sector Enterprises (CPSEs)

- CPSEs are operating in 4 sectors –Agriculture, Mining & Exploration, Manufacturing, and Services.
- The public sector enterprise policy enunciated by the Government in November 2020, spells a complete change in paradigm as compared to its policy of import substitution and self-sufficiency which became the basis of the Mahalanobis Plan in 1956.
- Under the aegis of the Atmanirbhar Bharat Mission, the government has proposed to rationalise the participation of the CPSEs in commercial activities.

## Ease of Doing Business

- As per the Doing Business Report (DBR), 2020, the rank of India in the Ease of Doing Business (EoDB) Index for 2019 has moved upwards to the 63rd position amongst 190 countries from a rank of 77 in 2018.
- As per the DBR 2020 report:  
**High performed components** of EoDB were ‘getting electricity’, ‘trading across borders, and others.  
**Low performer components** were ‘enforcing contracts’, ‘registering property’, ‘revoking insolvency’, and ‘pay taxes’.

## Start-up ecosystem in India

- To facilitate the growth of startups, Government of India had announced the “Startup India, Stand-up India” initiative
- The action plan is based on three pillars
  - i. Simplification and Handholding,**
  - ii. Funding Support and Incentives,**
  - iii. Industry-Academia Partnership and Incubation.**
- Government of India has recognized a total of 41061 startups and 4,70,000 jobs have been reported by more than 39,000 startups.
- The Government has taken following initiatives to promote the startups:
  - 1. Startups Intellectual Property Protection (SIPP) scheme** enable filing process of patent or trademark application transparently.
  - 2. The Fund of Funds for Startups (FFS)** with a total corpus of Rs. 10,000 crores were established with contribution spread over the 14th and 15th Finance Commission cycle based on the progress of implementation.
  - 3. Startup Yatra:** An initiative that includes traveling to Tier 2 and Tier 3 cities of India to search for entrepreneurial talent by conducting day-long boot camps.

## Foreign Direct Investment (FDI)

- FDI is an important source to boost the economy for driving the investment in the enhancement of productivity, skills, and technology development in the country.
- During FY20, total FDI equity inflows were US\$49.98 billion as compared to US\$44.37 billion during FY19.
- The bulk of FDI equity flow is in the non-manufacturing sector leading to a reduction in the share of manufacturing in the FDI flows.

## SECTOR WISE ISSUES AND INITIATIVES

### Steel:

- Steel is one of the critical inputs to industries, urban development and infrastructure development.
- India is the second-largest producer of crude steel only after China. India is also the second largest consumer of steel.
- **Government initiative under Atmanirbhar Abhiyan**
  1. 'Specialty Steel' incorporating under the Production Linked Incentive (PLI) scheme
  2. parity price under the Duty Draw Back scheme of DGFT
  3. preference to domestically produced iron and steel in government procurement
- The NSP-17 aims at achieving a crude steel capacity of 300 million tonnes (MT) and a finished steel capacity of 230 MT with a per capita consumption of 158 kg by 2030-31

### Coal:

- It accounts for 55 percent of the country's energy needs.
- Government Initiative to balance between energy demand and the environment:
  1. **Development of clean coal through creating carbon sinks.**
  2. **Two Coal Bed Methane (CBM) Projects** with considerable potential for carbon footprint reduction are in the pipeline.
  3. Several amendments were brought into like Coal Mines (Special Provisions) Act, 2015, Mineral Laws (Amendment) Act, 2020.

### Micro, Small & Medium Enterprises (MSME)

- With more than 6 crores MSMEs, the sector has been the backbone of the economy. It employs more than 11 crore people, contributes 30 percent of GDP, and contributes half of the country's exports helping in building a stronger and self-reliant India.
- **Government Initiative**
  1. Revision of the investment criteria in the MSME definition
  2. Champions Portal
  3. Udyam registration portal

### Textile and Apparels

- 2 percent of GDP and employment of 10.5 crore people. The sector is the second-largest employment generator in the country, next only to agriculture.
- India is the sixth-largest exporter of textile and apparel products after China, Germany, Bangladesh, Vietnam, and Italy.

### Govt. initiatives

- Amended Technology Up-gradation Fund Scheme.
- Scheme for Integrated textiles park for infrastructure.
- Samarth: focuses on capacity building in the textile sector.

### Infrastructure

- National Infrastructure Pipeline (NIP) for the FY 2020-2025 to facilitated world class infrastructure projects to be implemented.



- Public Private Partnership Appraisal Committee (PPPAC) responsible for the appraisal of PPP projects in the Central sector.
- Infrastructure Viability Gap Funding revamped scheme till 2024-25.

## Road sector

- The share of the transport sector in the GVA for FY19 was about 4.6 percent of which the share of road transport contributed roughly 67 percent.

## Civil Aviation

- India's domestic traffic has more than doubled from around 61 million in FY14 to around 137 million in FY20, a growth of over 14 percent per annum.
- From the third largest domestic aviation market, it is expected to become the third largest overall (including domestic and international traffic) by the year FY25.

## Port and Shipping

- In India, around 95 percent (68 percent) of total volume (value) of international trade is transported by sea.
- Sagarmala Programme: to promote port-led development in the country and reduce logistics costs for trade.

## Railways

- Indian Railways (IR) with over 67,580 route km, is the third-largest network in the world under a single management.
- The Government of India has allowed the private players to operate in the Railways sector through the PPP mode under the "New India New Railway" initiative.
- Kisan Rail to provide better market opportunity by transporting perishables and Agri-product.
- The Ministry of Railways has developed a National Rail Plan (NRP). It aims at developing adequate rail infrastructure by 2030 to cater to the projected traffic requirements up to 2050.

## Telecom Sector

- The telecom sector plays an important role in implementation of JAM-trinity (Jan dhan Aadhar Mobile) based social sector schemes and other pro-development initiative of the Government of India.
- The overall tele density in India stands at 86.6 percent at the end of November-2020, whereas tele density in rural and urban areas is 59.1 percent and 139.0 percent, respectively.
- BharatNet for achieving the goal of Digital India programme.

## Petroleum and Natural Gas

- India is the third-largest energy consumer in the world after USA and China.

## Power

- The total installed capacity has increased from 3,56,100 MW in March-2019 to 3,70,106 MW in March 2020.
- The capacity addition in the power sector was mainly driven by the Government in the year FY20

- 100 percent village electrification under Deen Dayal Upadhyaya Gram Jyoti Yojana
- Universal household electrification under 'Pradhan Mantri Sahaj Bijli Har Ghar Yojana' (Saubhaagya)

## **Mining Sector**

- It accounts for about 2.1 percent of the overall GVA during FY20.

## **Housing and Urban Infrastructure**

- The Government of India has been implementing the Deendayal Antyodaya Yojana - National Urban Livelihoods Mission in all the statutory towns to address the social & occupational vulnerabilities of the urban poor.
- PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi) was launched as part of the Atmanirbhar Bharat Abhiyan for providing micro-credit facility to the street vendors to restart their businesses post COVID-19 lockdowns.
- Pradhan Mantri Awas Yojan-Urban (PMAY-U) has been rapidly moving towards achieving the vision for providing a pucca house to every household by 2022.
- Light House Projects (LHPs): To provide impetus to innovative technology for housing construction, Prime Minister laid foundation stones of Light House Projects (LHPs) on 1st January 2021.

## **Way forward**

- The COVID-19 led economic crisis adversely affected the global and domestic economy.
- The crisis management strategy had to encompass all the stakeholders, especially the weaker and the vulnerable sections
- The year after the crisis (FY22) will require sustained and calibrated measures to facilitate the process of economic recovery and to enable the economy to get back to its long-term growth trajectory. The revival of the industrial and infrastructure sector will be key to overall economic growth and macroeconomic stability.

## Chapter 9 - Services

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### INTRODUCTION

- The COVID-19 pandemic, the subsequent lockdown, and social distancing measures have had a significant impact on the contact-intensive services sector.
- During the first half of the financial year 2020-21, the services sector contracted by almost 16 percent.
- The services sector's significance in the Indian economy has been steady, with the sector now accounting for over 54 percent of the economy and almost four-fifths of total FDI inflows.

### SERVICES SECTOR PERFORMANCE IN INDIA: AN OVERVIEW

#### Impact of COVID-19 on Services Sector:

- Services Purchasing Managers' Index (PMI), which was at an 85-month high of 57.5 in February 2020, fell to its lowest level of 5.4 in April 2020. As mobility restrictions were lifted and business resumed, Services PMI recovered sharply to 54.1 in October 2020.
- 'Trade, hotels, transport, communication & broadcasting services', 'Financial, real estate & professional services', and 'Public administration, defense & other services' are estimated to contract by 21.41 percent, 3.68 percent, and 0.82 percent, respectively.

#### Service sector share at the State and UT level

- The services sector accounts for more than 50 percent of the Gross State Value Added (GSVA) in 15 out of the 33 states.
- Chandigarh and Delhi stand out with a particularly high share of services in GSVA of over 85 percent while Sikkim's share remains the lowest at 27.02 percent.

#### FDI Inflows into Services Sector

- As per World Investment Report 2020 by United Nations Conference on Trade and Development (UNCTAD), India has improved its position from 12<sup>th</sup> in 2018 to 9<sup>th</sup> position in 2019.
- The Jump in FDI equity is driven by inflows into the 'Computer Software & Hardware' sub-sector.

#### Trade-in Services Sector

- World Trade Organization (WTO) projects the global merchandise trade volume growth to fall by 9.2 percent in 2020, the IMF expects the volume of global trade in goods and services to contract by 10.4 percent in 2020.
- WTO services trade activity index indicated a decline in global trade in commercial services of 4.3 percent in the first three months of 2020, reflecting partly the adverse effect from the spread of COVID-19.
- It remained among the top ten trading countries in commercial services in 2019 accounting for 3.5 percent of world services export.

## MAJOR SERVICES: SUB-SECTOR WISE PERFORMANCE AND RECENT POLICIES

### Tourism:

- As per the World Tourism Barometer of the United Nations' World Tourism Organization international arrivals fell by 72 percent globally over the first ten months of 2020 due to the pandemic.
- "Foreign tourists from the top 10 countries visiting India are from Bangladesh, USA, UK, Australia, Canada, China, Malaysia, Sri Lanka, Germany, and Russia. (67 percent)
- Tourism contributed 5 percent share to India's total GDP in 2018-19. It also supports almost 13 percent of total employment in India.

### Information Technology-Business process management (IT-BPM) Services

- Over the last decade, the industry grew by 102 percent reaching US\$ 190.5 billion in revenues in 2019-20. It also added 1.8 million employees, up 70 percent over the last 10 years.
- USA remained the biggest recipient of exports, followed by the UK.
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### Reforms

- Relaxation of Other Service Provider Terms & Conditions guidelines tremendously reduce the compliance burden of the BPO industry and enable it to 'Work from Home' (WFH).
- Consumer Protection Act, 2019, empowering consumers and protect their rights through its various notified rules and provisions such as Consumer Protection Councils.

### Ports, Shipping and Waterways Services

- Ports handle around 90 percent of export-import cargo by volume and 70 percent by value in India.
- To harness the coastline, 14,500 km of potentially navigable waterways, and strategic location on key international maritime trade routes, the Government has embarked on the ambitious Sagarmala Programme to promote port-led development in the country.
- This includes reducing the cost of transporting domestic cargo; lowering the logistical cost of bulk commodities by locating future industrial capacities near the coast; improving export competitiveness by developing port proximate discrete manufacturing clusters, etc.

### Space sector

- India spent about US\$ 1.8 billion on space programmes in 2019-20. However, the country still lags behind the major players in the space sector, such as the USA, which spent about 10 times more than India in the space sector in 2019-20, and China, which spent about 6 times more.
- India has launched around 5-7 satellites per year in recent years. On the other hand, the USA, Russia, and China dominate the satellite launching services with 19, 25, and 34 satellites respectively in 2019.
- New Space India Limited (NSIL), a Central Public Sector Enterprise under the Department of Space, has been mandated to transfer the technologies emanating out of the Indian space programme and enable the Indian industry to scale up its high-technology manufacturing base.

- The government of India has also established Indian National Space Promotion and Authorization Centre (IN-SPACe) for promoting industries and attracting investment in the space sector.
- The global space economy in 2019 was pegged at US\$ 366 billion, growing by about 1.7 percent over 2018. It also estimates that the Indian space economy is valued at US\$ 7 billion, which is around 2 percent of the global space economy.
- The Indian Space ecosystem is undergoing several policy reforms to engage private players and attract innovation and investment.

## Chapter 10 - Social Infrastructure, Employment and Human Development

<p><b>Trends in Social Sector Expenditure</b></p>	<ul style="list-style-type: none"> <li>Public spending on social sector was increased in 2020-21 to mitigate the hardships caused by the pandemic and the loss to livelihood due to the lockdown.</li> <li>The expenditure on social services (education, health and other social sectors) by Centre and States combined as a proportion of GDP increased from 6.2 to 8.8 per cent during the period 2014-15 to 2020-21 (BE)</li> </ul>
<p><b>Quality Education for All</b></p>	<ul style="list-style-type: none"> <li>As per U-DISE 2018-19, the physical infrastructure of more than 9.72 lakh government elementary schools has improved significantly.</li> <li>Government efforts to provide quality education in schools and education             <ul style="list-style-type: none"> <li><b>National Education Policy 2020</b></li> <li><b>Samagra Shiksha</b> – an overarching programme for the school education sector extending from pre-school to class 12. Under the Samagra Shiksha scheme, a National Mission to improve learning outcomes at the elementary level through an Integrated Teacher Training Programme called <b>NISHTHA</b> (National Initiative for School Heads’ and Teachers’ Holistic Advancement) was contextualized and made 100 per cent online according to the needs of teaching and learning during the COVID-19 pandemic</li> <li><b>Holistic approach to education:</b> Treat school education holistically as a continuum from Pre-school to Class 12 with inclusion of support for senior secondary levels and pre-school levels for the first time.</li> <li>Focus of two T’s – Teachers and technology</li> <li><b>DIKSHA platform</b></li> <li>Improve the Quality of Infrastructure in Government Schools at all levels</li> <li>Upgradation of <b>Kasturba Gandhi BalikaVidyalayas (KGBVs)</b> from Class 6-8 to Class 6-12</li> <li>Vocational education for Class 9-12 as integrated with the curriculum and to be made more practical and industry oriented.</li> </ul> </li> </ul>
<p><b>Impact of COVID-19 pandemic on School Education</b></p>	<ul style="list-style-type: none"> <li>Access to data network, electronic devices such as computer, laptop, smart phone etc. gained importance due to distance learning and remote working during the pandemic.</li> <li>Initiatives for school going students during COVID-19 pandemic             <ul style="list-style-type: none"> <li><b>PM eVIDYA:</b> It is a comprehensive initiative to unify all efforts related to digital/online/on-air education to enable multi-mode and equitable access to education for</li> </ul> </li> </ul>

	<p>students and teachers. The four PM e-Vidya components of school education are:</p> <ul style="list-style-type: none"> <li>▪ One nation, one digital education infrastructure</li> <li>▪ One class, one TV channels through Swayam Prabha TV Channels</li> <li>▪ Extensive use of Radio, Community radio and Podcasts</li> <li>▪ Providing learning content for the differently-abled</li> </ul> <ul style="list-style-type: none"> <li>○ Swayam MOOCs for open schools and pre-service education</li> <li>○ <b>National Repository of Open Educational Resources (NROER):</b> NROER is an open storehouse of e-content</li> <li>○ <b>PRAGYATA guidelines on digital education</b> was developed</li> <li>○ <b>MANODARPAN:</b> It is an initiative for psychosocial support.</li> </ul>
<p><b>Skill Development</b></p>	<ul style="list-style-type: none"> <li>• <b>There is an improvement in the proportion of skilled people over the annual cycle of Periodic Labour Force Survey (PLFS) across rural, urban and gender classification</b></li> <li>• Policy Reforms under Skill Development Initiatives <ul style="list-style-type: none"> <li>○ Operationalizing Unified Skill Regulator</li> <li>○ Pradhan Mantri Kaushal Vikas Yojana 3.0 (PMKVY 3.0)</li> <li>○ grading of ITIs has been undertaken to improve their quality and transparency</li> <li>○ Integration of Vocational and Formal education both at school and higher education</li> </ul> </li> </ul>
<p><b>Status of Employment</b></p>	<ul style="list-style-type: none"> <li>• The size of labour force in 2018-19 was estimated at about 51.8 crore persons: about 48.8 crore employed and 3.0 crore unemployed <ul style="list-style-type: none"> <li>○ The size of the labour force increased by about 0.85 crore between 2017-18 and 2018-19.</li> <li>○ Number of unemployed persons declined by about 0.79 crore between 2017-18 and 2018-19, largely in the category of females, and in rural sector</li> <li>○ The females labour force participation rate increased from 17.5 per cent in 2017-18 to 18.6 per cent in 2018-19</li> </ul> </li> <li>• Unemployment rates at all India level, for all ages, as per usual status, declined marginally to 5.8 per cent in 2018-19 from 6.1 per cent in 2017-18</li> </ul>
<p><b>Labour Reforms</b></p>	<ul style="list-style-type: none"> <li>• Nearly 29 Central Labour laws are being amalgamated, rationalized and simplified into four labour codes viz.: <ul style="list-style-type: none"> <li>○ the Code on Wages, 2019,</li> <li>○ the Industrial Relations Code, 2020,</li> <li>○ the Occupational Safety, Health and Working Conditions Code, 2020</li> <li>○ the Code on Social Security, 2020</li> </ul> </li> </ul>

<p><b>Changing Nature of Work: Gig and Platform Workers</b></p>	<ul style="list-style-type: none"> <li>• The nature of work has been changing with the change in technology, evolution of new economic activities, innovation in organization structures and evolving business models</li> <li>• India has emerged as one of the largest country for flexi-staffing in the world.</li> <li>• The gig economy has become popular amongst the workers in India. The benefit of the gig economy is that it allows flexibility in employer-employee relationship to both service seeker and service provider</li> <li>• Gig workers have been brought under the ambit of the newly introduced Code on Social Security 2020 by defining them exclusively in the category of unorganized worker for providing social security benefits</li> </ul>
<p><b>Programmes and schemes to improve employment opportunities</b></p>	<ul style="list-style-type: none"> <li>• Aatmanirbhar Bharat Rojgar Yojana (ABRY)</li> <li>• Pradhan Mantri Rojgar Protsahan Yojana (PMRPY)</li> <li>• Shramik Special Trains</li> </ul>
<p><b>Gender dimension of employment</b></p>	<ul style="list-style-type: none"> <li>• LFPR of females in the productive age (15-59 years) was 26.5 per cent in 2018-19, as compared to 80.3 per cent for males (rural+urban)</li> <li>• Time spent by a female on unpaid domestic services and unpaid caregiving services to household members is prominent and higher than male counterparts (Time Use Survey 2019).</li> <li>• This explains the reason for the relatively low level of female LFPR in India. There is a need to promote non-discriminatory practices at the workplace like pay and career progression, improve work incentives, including other medical and social security benefits for female workers</li> </ul>
<p><b>Health</b></p>	<ul style="list-style-type: none"> <li>• India has made significant progress in improving its health outcomes over the last two decades by eliminating Polio, Guinea worm disease, Yaws and maternal &amp; neonatal Tetanus.</li> <li>• Health Indicators (2018)             <ul style="list-style-type: none"> <li>○ Total Fertility Rate (TFR) – 2.2</li> <li>○ Maternal Mortality Ratio (MMR) was 113 per 1,00,000 live births</li> <li>○ Under Five Mortality Rate (U5MR) was 36 per 1000 live births</li> <li>○ Public health measures were taken in pre-emptive, pro-active and graded manner based on the evolving scenario</li> <li>○ COVID-19 Emergency Response and Health Systems Preparedness Package' of Rs.15000 crore was announced and implemented</li> </ul> </li> </ul>
<p><b>Phase-I of National Family Health Survey-5 (NFHS-5)</b></p>	<ul style="list-style-type: none"> <li>• NFHS-5 (Phase-I), results show improvement in immunization coverage for children, institutional birth, infant mortality rate and under-five mortality rate in most of the selected States.</li> </ul>



<p><b>Water and Sanitation</b></p>	<ul style="list-style-type: none"> <li>• <b>Swachh Bharat Mission-Grameen (SBM-G)</b> – More than 10 crore toilets have been built since 2014</li> <li>• <b>Jal Jeevan Mission (JJM)</b> - Goal of JJM is to enable every rural household get assured supply of potable piped water at a service level of 55 litres per capita per day (lpcd) regularly on long-term basis by ensuring functionality of the tap water connections</li> </ul>
<p><b>Rural Development</b></p>	<ul style="list-style-type: none"> <li>• <b>Deen Dayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM)</b> - to alleviate rural poverty through building sustainable community institutions of the poor.</li> <li>• <b>Pradhan Mantri Gram Sadak Yojana (PMGSY)</b> - to provide single allweather road connectivity to all eligible unconnected habitations of the designated population size (500+ in plain areas, 250+ in North-Eastern and Himalayan States) in rural areas of country</li> <li>• Garib Kalyan Rojgar Abhiyan (GKRA)</li> </ul>