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In fresh high, gross GST revenues shoot past ₹2.1 lakh crore in April

Record GST collections due to "strong momentum in the economy", says Finance Minister; April's GST revenues are usually the highest, as taxpayers meet compliance deadlines in March

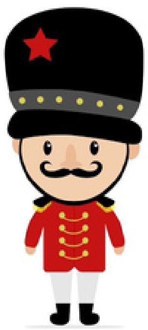
Centre allows export of 2,000 tonnes of onions

Gujarat is the predominant producer and exporter of white onions in the country, with Bhavnagar and Amreli — which go to the polls on May 7 — accounting for a large part of the produce; shipments must go through three specified ports in Gujarat and Mumbai

Indian Economy

In the ongoing discourse on the effects of BT Cotton, a recent study titled "Long-term Impact of Bt Cotton: An Empirical Evidence from North India" has asserted that its adoption in Punjab over the last decade has led to a net economic and environmental gain. While this appears promising, it raises important questions about the state of Indian agriculture. Why does India lag behind in agriculture? What drives farmers to resort to suicide? Why does the agricultural sector demand reform? Why are farmers protesting at the Delhi border? To truly understand the state of agriculture in India, we must delve beneath the surface.

A Brief History of Indian Economy



There was not only the Unilateral transfer of investible capital to Britain i.e. 'Drain of Wealth', but the unequal exchange was day by day crippling India's commerce, trade and the thriving handloom industry too.

At the time of Independence, literacy was only 17 per cent with 32.5 years of life expectancy at birth.

According to economic statistician Angus Maddison, there was no per capita growth in India from 1600 to 1870 — per capita growth was a meagre 0.2 percent from 1870 to 1947, compared with 1 percent in the U.K.

Once India became Independent, It was a real challenge for the government of the time to go for a systematic organisation of the economy.

- Government took direct responsibility for development.
  - Planned Economy
    1. Great Depression 1929.
    2. Dominant View.
    3. Role of govt to neutralise market failure.
- Vital role played by the public sector.
- Need for economic planning.
  - inspired by Soviet planning
  - Five Year planning
- Necessity for development of heav Industry.
  - Govt. chose Prime moving force Industry
  - INC Karachi Session 1931 NEP/FRs
  - Debate
- Discouragement of foreign investment
  1. Infra Need — Power, transport, communication
  2. Industrial Need
  3. Emp Generation
  4. Social Sector
  5. Rise of Pvt sector.

By mid 1990s
- State led planned economy → Mixed Economy
- Washington Consensus

LPG Reform
- Liberalisation
- Globalisation
- Privatization

Agricultural Sector

Features

1. Share of agricultural sector in the economy 17.4% of GDP. → USA 2%

1950-51 → 55.4% GDP

2. But from the livelihood point of view 49% of the people of India depends on agri sector → USA 2%

The reason why the people who depends on agri are poor.

3. Agriculture is deeply related to industrial growth and National Income (NI)

Eg: 1% increase in agri growth leads to 0.5% industrial & 0.7% NI ~ C. Rangarajan.

4. Productivity of major crop are lower in case of India in comparison to the world's best practices.

Eg Rice → 2202/hec → 4700/hec Global Avg

5. Around 51% of the cropped area in the economy still depends on the uncertainity of Monsoon.

Agricultural Holdings as per Agricultural Census.

Total no. of operational Holding → 146 million (+5.35%)

Total operated area 157.14 Mhec (↓)

Average operational holding → 1.08 hec (↓)

Small and marginal holdings → Holding 84.97 → 47.34% area.

Food Philosophy of India

I[st] phase → Achieving physical Access to food. → PL480 and Green Revolution by 1980s achieved.

II[nd] phase → Achieving economic access to food. → In early 2000 there was a paradoxical situation → 3x buffer stock — in several states people were dying due to lack of food.

III[rd] phase → Ecological access to food.

India is still in this phase (In Dumri) → employment, cutting food cost.

It boosted the productivity level 250 percent.

Impact

- Socio-economically it increased the inter-personal as well as inter-regional disparity → Malaria, Cropping pattern
- It created Ecological Crisis → Soil fertility declined, Water table falling, Environmental degra
  - Eg: PB/HR Nitrate contamination

Cold storage facilities only 10%.

Farm mechanisation below 50%

Tractor penetration 1% for marginal farmers

The Shanta Kumar Committee concluded in 2015 that only 6% farmers benefited from the support price scheme. In 2019-20 alone, three states — Punjab, Haryana and Madhya Pradesh — accounted for 85% of the wheat procurement.

Solutions:

- ✓ Pradhan Mantri Fasal Bima Yoj
- ✓ National Mission for Sustainable agriculture.
- ✓ DBT
- ✓ Financial Penetration
- ✓ Doubling farm income.
- ✓ Food processing Industry.
- ✓ ICAR Climate Resilient Crop.

Manufacturing Sector

The contribution of Manufacturing Sector in Indian GDP is 18.32%

It can help in reducing poverty and unemployment.

Employment to 12% Workforce

Industrial policy Regulation 1948
State's play Active Role
→ Period of License Raj
PSUs Raj

New Industrial policy, 1991 (LPG reform)

Constraints?

Dominated by informality
about 3/4 of workers are employed in informal manufacturing sector.

Indicative of the problem "Missing Middle"

Reasons

Rigid labour laws and Complex Regulations.
Eg: Industrial Dispute Act.
Entry & Exit Barrier.
High regulatory & Compliance Cost.

Inadequate Research and Development
Eg: 0.6% of GDP

Restrictive trade policies coupled with a stifling regulatory environment.
Licence Raj
Now Trade War China.

Low R&D lead to slow technological adoption in manufacturing sector
Eg: low productivity (1/3rd of China)

Inadequacy of skilled labour force in India
Eg: Skill India Report
47% of B-tech students employable.

Non-Performing Assets (NPA) problem in Banking sector
It leads to Crowding Out effect
which leads to high cost of credit.

It leads to twin balance sheet syndrom.

High cost of logistics is also a major impediment in manufacturing growth.

lack of infra → ↑ logistic → ↓ Competative-ness

Solutions:

"Need to focus on Human capital formation
National Education Policy 2020
Vocational training
Academia-Industry collaboration

2. We need to focus on logistic (infra) development
New logistic Division (D. Commerce)
PPP Model

3. Focus must be on labour intensive Idustries
Eg: Apparel, leather, footwear industry for employment generation.

4.
- Mudra Scheme for loans.
- Develop industrial Corridor (Delhi-Mum)
- MSME → Udyog category
- ASPIRE → promote Entrepreneurs.

Financial Inclusion

Why Financial Inclusion?

Objectives of financial Inclusion
- ✓ Banking for the Unbanked
- ✓ Securing the Unsecured
- ✓ Asset diversification
- ✓ Better Access to Credit at a reasonable cost.

Economic dev
↓
Saving = multiplier effect
Credit to MSMEs
Formalisation
reduce fraud (tax)
Balanced development

Poverty alleviation.
↓
loan → inexpensive
Micro insurance SHG
Welfare schemes & DBT
Eg COVID period.

Reality

According to World Bank data, in 2014 only 53 percent of adults had a bank account in India.

Now nearly 90% adults had account with financial institution.

According to NITI Aayog only 154/1000 adults in India had access to credit

challenges

- Lack of financial literacy amongst low income house holds and small informal business.
- There is lack of credit information of low-income households. constraint in lending
- Weak balance sheet and rising NPAs + Zero credit history Means No loan
- Remoteness of financial institutions major obstacle.
- Low financial inclusion of Disabled persons. Eg: Very few Banks and ATMs are disabled friendly
- High cost of operation. Reluctant to include Eg: MDR charges. Minimum Balance ATM Transaction charge.
- Majority of people in rural areas have low & irregular income level.

2% zyada lagega

Solutions

Government came up with various initiatives to increase financial inclusion.

- Priority sector lending (40%)
- Reserve Bank of India came up with various initiatives.

- ✓ PM Jan Dhan yojna
- ✓ PM Mudra yojna
- ✓ Ayushman Bharat
- ✓ PM Fasal Bima Yojna

- ✓ Financial literacy program
- ✓ National Inclusion for financial Inclusion.

Using technology to improve the assessment of credit-worthiness
↳ Data-sharing framework / JanDhan + Aadhar

Now launching a new scheme for comprehensive financial literacy.
↓
Arthik Shiksha Abhiyan
↓
Financial literacy include in school curriculum. + Mass Media campaigns.