# MISTAKING WEALTH ACCUMULATORS AS WEALTH CREATORS

## An Analysis of the Economic Survey 2019-2020

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## An Analysis of the Economic Survey 2019-2020

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# PREFACE

Each year, Economic Survey is only hurriedly looked into. It comes a day before the budget presentation and it comes usually in two volumes, each having nearly 300 odd pages. By the time one figures out the key messages of the Survey, the Budget is presented, with actual numbers and rightly so, the attention is shifted to the budget and the discussions thereafter.

An Economic Survey looks into the major economic developments of the last one-year, and gives a glimpse of what is to come ahead in the short to medium term. It provides a theoretical base and arguments for Budget, presented the next day.

Hence, the privatisation, PPP model, bank mergers / privatisation of banks, dismantling of PSUs etc and all that which is reflected in the Budget 2020 have found ample arguments in favour in the Survey, backed up by data.

That's why we considered it to be imperative to look into what the Survey says, within our limited capacities.

This analysis is not meant for economists or experts, but for common people and activists who want to understand the sum of what is written in the Survey.

We would like to specially thank Com. Thomas Franco for letting us use his analysis of the Survey.

We would welcome comments and suggests on the analysis. We hope that this document will help people monitoring and working on key projects on the ground to understand the thinking behind government's policies and programs.

**Joe Athialy**
Centre for Financial Accountability

# WRONG DIAGNOSIS & HARMFUL PRESCRIPTION

Joe Athialy

The Economic Survey 2019-2020 has three key attributes:

1. It's argued on wrong premises and the parameters used to establish the data of a rosy picture of economy that is skewed.
2. There are number of studies which established how the economy is in shambles. The Survey fails to acknowledge it. Hence the prescriptions/recommendations emanating from it are misplaced.
3. The Survey defends and promotes privatization brazenly.

The Survey promotes markets and valorises lopsided wealth creation – which leads to inequity and exploitation of human and nature– by quoting scriptures and relying on the history that India was once a global economic power, attributing that economic dominance to 'invisible hand of wealth creation.'

The Survey says, "For more than three-fourths of known economic history, India has been the dominant economic power globally. Such dominance manifested by design. During much of India's economic dominance, the economy relied on the invisible hand of the market for wealth creation with the support of the hand of trust. Specifically, the invisible hand of markets, as reflected in openness in economic transactions, was combined with the hand of trust by appealing to ethical and philosophical dimensions."

It's an interesting aside at a time when Islamophobia rules the day and there's a systematic 'othering' of Muslims, the period of India's economic dominance eulogized by the Survey is the period of Mughal India.

Ranjan Sarkar, in his book writes:

> Mughal period (1526-1858 AD) was one of the brightest periods of Indian economy. The gross domestic product of India in the 16th century was estimated at about 25.1% of the world economy. The gross domestic product of Mughal India in 1600 AD was estimated at about 24.3% (of) the world economy, the second largest in the world. By this time the Mughal Empire had expanded to include almost 90 per cent of South Asia, and enforced a uniform customs and tax-administration system. By 1700, Mughal India had become the world's largest economy, producing about a quarter of world output. Mughal India

> produced about 25% of global industrial output.
>
> During the Mughal Empire, India was the world leader in manufacturing, producing 25% of the world's industrial output up until the mid-18th century, prior to British rule.[1]

The Survey may have strong reasons not to acknowledge the period when India enjoyed economic dominance.

The Survey fails to look into how that economic dominance was methodically destroyed. Shashi Tharoor writes, "Taxation (and theft labelled as taxation) became a favourite British form of exaction. India was treated as a cash cow; the revenues that flowed into London's treasury were described by the Earl of Chatham as 'the redemption of a nation… a kind of gift from heaven.' The British extracted from India approximately £18,000,000 each year between 1765 and 1815. 'There are few kings in Europe', wrote the Comte de Châtelet, French ambassador to London, 'richer than the Directors of the English East India Company.'[2]

Again, the Survey may have reasons not to look into who and how India's economic dominance was systematically squandered.

### Wealth Creators

The Survey (Volume 1, Chapters 1&2), following the emphasis in the press conference of Finance Minister in August 2019 on 'facilitating wealth creators'[3], speaks a lot on wealth creators and argues that "a feeling of suspicion and disrespect towards India's wealth-creators is ill advised." Taking a swipe on the socialist history of India, it goes on to say that "given India's 'tryst' with Socialism, scepticism about the benefits of wealth creation is not an accident."

But here, neither the Survey, nor the Budget presented the next day, is talking about wealth-creators. But about wealth-accumulators. A day after the Budget presentation, Anil Agarwal of Vedanta Industries says. "My key takeaway from today's budget is this one sentence, which I think summarizes the Modi government's efforts to stimulate the economy: Wealth creators will be respected in this country! I am one of them!"[4]

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[1] Made in India: History of Post Independence Economic and Industrial Development in India by Ranjan Sarkar (2018)
[2] An Era of Darkness: The British Empire in India by Shashi Tharoor (2016)
3 https://www.businesstoday.in/current/economy-politics/nirmala-sitharaman-press-meet-live-updates-fm-announce-stimulus-package-slowdown/story/374776.html
[4] https://www.livemint.com/budget/opinion/government-makes-it-clear-that-wealth-creators-will-be-respected-in-this-country-11580584755659.html

The real wealth-creators are the unorganised/informal sector. It employs 86.8% of total workforce of India and contributes a Gross Value of 52.4% to the economy. There are 92.4% informal workers (with no written contract, paid leave and other benefits) in the economy. There are also 9.8% informal workers in the organised sectors indicating the level of outsourcing. These are possibly the contract workers.[5]

According to International Labour Organisation, women are likely to be engaged more in the informal economy but significantly more likely than men to be working as informal workers in the formal sector.[6]

Demonetisation could be the one detrimental step this government took, which broke the back of the informal/unorganised sector, from which it has not recovered even after three years. Demonetisation contributed to reversing the revival of rural and informal economy. "… it did contribute to reversing the revival of the rural economy, which was showing signs of recovery after two years of back-to-back droughts. The revival of the rural economy in 2016, which saw a good monsoon after being hit by low commodity prices and drought, was reversed by demonetisation. The impact on the rural economy was not only limited to agriculture but also the informal economy which was suffering from demand deflation."[7]

The Survey doesn't talk anything for the revival of this sector, i.e. the real wealth creators.

Instead, it is talking about wealth accumulators, in the guise of wealth creators. Even in the series of press conferences held by the Finance Minister in August 2019, to roll out the measures taken by the government to revive the economy, in the name of facilitating wealth creators she showered sops on the wealth accumulators.[8] In December 2019 the corporate tax was reduced from 30% to 22% for existing companies and 25% to 15% for new manufacturing units.[9] The latter has been now extended to power companies in the latest budget.

What has this pampering of wealth accumulators led to? The recent Inequality Report of Oxfam tells about it:

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[5] Measuring Informal Economy in India _ Indian Experience By S V Ramana Murthy https://www.imf.org/~/media/Files/Conferences/2019/7th-statistics-forum/session-ii-murthy.ashx

[6] https://www.ilo.org/newdelhi/areasofwork/informal-economy/lang--en/index.htm

[7] https://www.livemint.com/Opinion/4d7dGQxSBhrgy00IrlAmRK/Demonetisation-inequality-and-informal-sector.html

[8] https://www.businesstoday.in/current/economy-politics/nirmala-sitharaman-press-meet-live-updates-fm-announce-stimulus-package-slowdown/story/374776.html

[9] https://economictimes.indiatimes.com/news/economy/policy/lok-sabha-passes-bill-to-effect-corporate-tax-reduction/articleshow/72336914.cms?from=mdr

"India added 17 new billionaires last year, raising the number to 101 billionaires. Indian billionaires' wealth increased by INR 4891 billion – from INR 15,778 billion to over INR 20,676 billion. INR 4891 billion is sufficient to finance 85 per cent of the all states' budget on Health and Education. 73 percent of the wealth generated last year went to the richest one percent, while 67 crore Indians who comprise the poorest half of the population saw one percent increase in their wealth. In the last 12 months, the wealth of this elite group has increased by Rs 20,913 billion. This amount is equivalent to total budget of Central Government in 2017-18. Between 2018 till 2022, India is estimated to produce 70 new millionaires every day. Number of billionaires has increased from only 9 in 2000 to 101 in 2017. It would take 941 years for a minimum wage worker in rural India to earn what the top paid executive at a leading Indian garment company earns in a year. India's top 10% of population holds 73% of the wealth."[10]

The income disparity has led to the poor becoming poorer.
India slipped to 102nd position out of 117 countries in 2019[11] down from 55th position in 2014 in the Global Hunger Index. Farm sector continue to reel under severe stress, leading to the suicides of thousands. As per the National Crime Records Bureau data of 2016, the latest to release, the number of farmer suicides in 2016 were 11,379. It was 12,602 in 2015 and 12,360 in 2014.[12]

As senior journalist P. Sainath says, "We are celebrating inequality."[13]

### Ostrich Approach

The Survey is a good example of ostrich approach. Not only it fails to recognise the state of economy in India, it also fails to see the global trends.

The World Economic Forum's annual Global Risks Report, which surveyed 800 leaders from business, governments, and non-profits to showcase the most prominent economic risks in 2020, identifies risks related to environmental concerns as the foremost (Fig: 1).[14]

The top five risks to the global economy, according to this report, in terms of their likelihood are extreme weather, climate action failure, natural disasters, biodiversity loss and human made environmental

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10 15 shocking facts about inequality in India https://www.oxfamindia.org/blog/15-shocking-facts-about-inequality-india?gclid=EAIaIQobChMIyai0qOy-5wIVUqaWCh3DaQdgEAAYASAAEgKS5_D_BwE

11 https://www.globalhungerindex.org/pdf/en/2019/India.pdf

12 https://www.businesstoday.in/sectors/agriculture/farmer-suicide-ncrb-finally-releases-data-11000-deaths-in-2016-maharashtra-tops-the-list/story/389497.html

13 https://psainath.org/we-are-celebrating-inequality-p-sainath-on-his-vision-for-india-at-the-ds-borker-memorial-lecture/

14 https://www.visualcapitalist.com/biggest-risks-global-economy-2020-environment/

disasters. In terms of likely impact, they are climate action failure, weapons of mass destruction, biodiversity loss, extreme weather and water crisis.

Despite India facing extreme weather conditions in the past few years and the impact of climate change already showing, the Survey pays the least attention to it.

**Fig: 1**


*Source: Global Risks Report*

## Privatisaiton as the magic pill

Probably, one thread which runs through the Survey is the brazen promotion of privatisation.

Analysing the before-after performance of 11 Central Public Sector Enterprises (CPSEs) (Volume 1, Chapter 9) that had undergone strategic disinvestment from 1999-2000 to 2003-04 (during the first NDA government under Prime Minister Vajpayee) the Survey examines the realized efficiency gains from privatization in the Indian context. It argues that these privatized CPSEs, "on an average, perform better post privatization than their peers in terms of their net worth, net profit, return on assets (ROA), return on equity (RoE), gross revenue, net profit margin, sales growth and gross profit per employee." It affirms that "privatization unlocks the potential of CPSEs to create wealth" and reinforces and promotes the "aggressive disinvestment of CPSEs". Vajpayee government was the first one to have a Ministry of Disinvestment, when Maruti, VSNL and a number of PSUs were sold off.

One cannot but recall how international financial institutions like IMF and World Bank promoted privatization over the past decades, and has put forward as conditionality for many countries to receive assistance from these institutions. Philip Alston, the UN special rapporteur on extreme poverty and human rights, in his October 2018 report had criticized these institutions for promoting privatization of public goods, saying that such privatization is "systematically eliminating human rights protections and further marginalising those living in poverty."[15] Analysis of IMF conditionalities on 141 developing countries from 1982 to 2014 found that privatization of PSUs has undermined anti-corruption efforts and has promoted corruption.[16]

This government is hell-bent on disinvestment for primarily two reasons – cover up the deficit it is facing in in-direct tax collections and to keep the fiscal deficit at/around 3.3% of GDP to convince international capital about India's fiscal consolidation.[17] "The government has become even more dependent on the public sector's own resources, central bank dividend and reserve transfers, and off-budget expenditures, to window-dress its budget."[18]

Does privatisation improve efficiency? Taking the example of Singapore, economist Jomo Kwame Sundaram argues that the PSUs there are "generally considered well-run, public ownership is not used there to explain poor governance, management or abuse; instead, public ownership is recognized there as the reason for public accountability, better governance and management."[19]

Jobloss due to privatisation is a well documented impact. The general strike early January[20] ,which saw lakhs of workers as participants, was a clarion call against jobloss due to privatisation.

Yet, without considering any of the long term impacts of privatisation, pushing it merely on short term gains and to cover up the inefficiency and failures of this government would be suicidal for the economy.

[15] https://www.brettonwoodsproject.org/2018/12/imf-and-world-banks-support-for-privatisation-condemned-by-un-expert/
[16] http://www.ipsnews.net/2019/07/privatization-increases-corruption/
[17] https://www.networkideas.org/news-analysis/2019/01/the-strange-form-of-disinvestment/
[18] Ibid
[19] https://www.networkideas.org/news-analysis/2018/09/revisiting-privatizations-claims/
[20] https://www.reuters.com/article/us-india-strike/tens-of-thousands-strike-in-india-as-slowdown-hits-jobs-idUSKBN1Z70ME

# HUNGER & MALNUTRITION IN THE TIMES OF THALINOMICS

Aswathi Nair

The Chief Economic Advisor to the BJP government, Krishnamurthy Subramanian, has come up with a vacuous coinage namely Thalinomics in the Economic Survey Report, 2019-2020 (Volume 1, Chapter 11). An entire chapter of the survey has been dedicated to a preposterous defence of the economic schemes of the Modi government, starting from their first tenure in 2014, that apparently brought down the prices of a *thali* of food in India by 2015-2016. Described as "the economics of a plate of food in India," Thalinomics seeks to compare the inflation in the *thali* prices across the country that varies in both quantity and quality as one oscillates between "Lutyens Delhi and a road-side *dhaba* in the hinterland." The report states that the affordability of vegetarian *thalis* improved by 29 per cent from 2006-07 to 2019-20 while that for non-vegetarian *thalis* improved by 18 per cent during the same time period, taking into account the annual earnings of an average industrial worker. While the income of a subject group definitely is a marker to gauge affordability, there are a couple of exigent handicaps that the report attempts to look through.

Firstly, the Thalinomics chapter talks of *thalis* filled with food recommended in the dietary guidelines of the country (NIN, 2011) - be it cereals, vegetables, pulses or meat- but does not effectively present a picture of what exactly are consumed by the people in both rural and urban areas. Even the cost of the fuel, accounted as per the dietary requirements stipulated by national guidelines varies, depending on the kind of the "real" (and not likely) dietary intake of common people. Further while talking about the annual earnings of industrial workers, the report conveniently shrugs off the large scale retrenchment in the industrial sector owing to the economic slowdown during the last few years. Thus the purchasing power of a community is being discussed in the report without taking into account their possible unemployment and consequent lack of earnings.

Also, the fact remains that, as per the calculations of FAO[21], around 195 million people in India are deprived of the basic dietary energy intake (which have been contested by Indian economists as a downsized figure as such international estimates most often does not include the workforce engaged in manual scavenging which is unique to India). The incumbent government along with fudging numbers time and again has also not bothered to release the data procured from the consumption survey. Nevertheless, they still believe thalinomics is about "relating economics to the common person's everyday life." While the report takes pride in the rise of agricultural productivity in the country in the last 5 years which is then attributed to low inflation and subsequent improvement in the purchasing power of common man, it fails to spot the massive farmers' protests that erupted across the country during the tenure of this government or the absolute economic mayhem generated by the inept economic policies of the incumbent regime.

At a time when food prices are going up, with food inflation being 26% year over year and vegetable inflation pegged at 62% year over year; a full-fledged thali seems a far cry, when the common person is forced to be content with 2 square meals a day in the country. The government in the report has absolutely done no assessment of how the shrunken supply of labour translating into unemployment have brought down the real rural wages to an all-time low, thereby directly affecting the weekly/monthly incomes of these households. In fact the proportion of young working age people employed in any sector for that matter has fallen drastically in the last 4-5 years, as per the estimates of the employment statistics. Hence, the government is in effect talking about a hypothetical "complete, nutritious" diet that is to be ideally consumed by the industrial workers, which again is a workforce that is substantially dwindling in numbers due to unemployment. It is also to be noted that the farmers received no procurement incentives or loan waivers to boost productivity and the consumers ended up paying more and more for edibles as a result of the food inflation, the onion crisis being the recent, thereby throwing the entire supply chain from farms to the markets to doldrums.

So while the report pegs a veg *thali* in Jharkhand at Rs.50 and one in Bihar at Rs.100 or more, it is not reflective of what exactly the people in

[21] https://in.one.un.org/un-priority-areas-in-india/nutrition-and-food-security/

Bihar or Jharkhand are spending on their daily food requirements as neither the majority in both these states are industrial labourers [who have been the supposed primary subjects of the survey] nor do they in real consume the imaginary healthy diet that constitutes the veg and non-veg *thalis* encapsulated in the report. Rather the food price index that has shot up drastically over the years has a different story to tell. The reality lies in the steep increase in food prices since the incumbent government's first tenure in office has affected both affordability and the quality and quantity of basic dietary consumption. The hunger index and the nutrition index of the country, which in fact puts 37% of the population as anaemic, helps one debunk the myth of consumers saving around 10,000 per year in food bills irrespective of income oscillations.

As per a report published by Al Jazeera[22] on 29/11/2018, India is home to 46 million children with stunted growth as a result of malnutrition. Apart from children's diets, the report flagged up gender inequality, early child-bearing and economic status as influential factors in India's malnutrition crisis. UNICEF India has further reported that a third of women of reproductive age in India suffer from malnutrition with a BMI of less than 18.5 kg/m2. Hence, the report finds it inevitable that "an undernourished mother would give birth to an undernourished baby, perpetuating an intergenerational cycle of undernutrition." It is for this reason that the hypothetical *thali* coughed up by the Economic Survey comes across as brutal mockery of those who bear the expense of a full healthy meal.

[22] https://www.aljazeera.com/news/2018/11/world-stunted-children-live-india-report-181128191651345.html

# ECONOMIC SURVEY 2020 – CLUELESS, CARELESS & DIRECTIONLESS

Thomas Franco

Economic Survey of the government earlier used to provide a lot of analytic data. The report constituted of what has been achieved and what has to be the direction for economic and social development of the country. Unfortunately the current years' Economic Survey lacks in every field and is full of wrong analysis, supporting failed theories and practices.

Let's analyze the financial sector report in the Economic Survey and the chapter on Privatization (Volume 1 Chapters 7,8,9). Analyzing the positives of Nationalization and its achievements the survey quotes some obscure analysis of pro-private authors arguing that the achievements of reduction of poverty, increase in rural branches also increase in rural credit are not due to Nationalization but due to Green Revolution and Integrated Rural Development Programme etc. Yet this argument fails to explain that all the schemes including the above were implemented by the public sector banks, for which the developments would not have taken place.

They claim that "public sector banks are inefficient", whereas private banks are efficient. Well the two are incomparable in the first place. Public sector banks can't be compared with private banks as their objective, clients and targets are different. Public sector banks have social goal imposed by the government. They provide credit to the government. Its public sectors banks that implement all social economic schemes launched by the government, like IRDP, PMRY, Jan Dhan Yojana, Mudra Loans, Agriculture Credit, Pension Yojana, Education Loan, MSME loan, etc. If not for public banks, Jan Dhan Yojana would not have been successful in the first place. Now due to bank charges these accounts are getting closed. The survey should also have analyzed this. For the future of banking what is prescribed is recruiting people from the market with MBA, take support of Fintech Companies and use AI, machine learning etc. With low salary and heavy workload MBAs who join also do not stay with the bank. On the Budget day entire banking industry was on strike and government did not care. Many Fintechs are collapsing. PSBs have their own Fintech Solutions which could be improved. AI is already used by PSBs.

SBI Chairman had said "to reach $ 5 trillion economy by 2025, we need to increase the loans from present outstanding by 3 times". This can't be done without expanding Branches, at least doubling employee strength and providing autonomy in decision making. NPA recovery is more for haircut by NCLT and recovery from owners is NIL. Companies go bankrupt but not the owners. The biggest example is Anil Ambani.

The survey has not mentioned what happened to Rs.1.76 lakh crores taken from RBI. The survey says public banks made a loss of Rs.66000 crores last year but does not mention that the operating profit was Rs.149804 crores. For the corporate NPA, government is responsible. They closed DFIs and forced Banks to provide loans to power, Steel Telecom Infrastructure etc. where the NPA is high. Now also they are forcing banks to lend by fixing targets every month. They never botherd to implement the recommendations of Finance Standing Committee on NPA (Feb2016).

Survey says we want 6 Global Banks. It quotes countries like China and Japan. Both the countries had economic growth through Development Financial Institutions which helped growth. They did not merge banks to make them big. [see Box 1: the size of Banks to understand where we stand].

**Box:-1 Asset size of some Big banks**

| | |
|---|---|
| Industrial Commercial Bank of China [DFI] | $ 3.62 trillion |
| China Central Finance Corporation | $2.94 trillion |
| Agriculture Bank of China | $2.82 trillion |
| Bank of China | $2.63 trillion |
| HSBC | $2.57 trillion |
| JP Morgan | $2.45 trillion |
| Credit Agricole Group [10th position] | $ 1.91 trillion |
| SBI (55th position) | $ 0.52 trillion |

SBI is 55th among 100 Banks. Even by doubling the business it can't reach one among top 10. What is needed is larger scale expansion of

banking system. That is possible only though PSBS, especially in rural areas.

Privatizations of all public sector is proposed as solution quoting UK and Ms.Marget Thatcher. A quick glance at Re Nationalization in few countries show the contrary.

**Box:-2 Renationalisation after year 2000 in few countries**

| **United Kingdom** | |
|---|---|
| 2001 | Rail track to Network Rail |
| 2003 | South Eastern Franchise of Railway |
| 2008 | Northern Rock Bank |
| 2008 | Bradford and Bingley – Mortgage Bank |
| 2008 | Royal Bank of Scotland |
| 2009 | London and Continental Railways |
| 2013 | Cardiff Airport |
| 2013 | Glasgow Prestwick Airport |
| 2018 | London North Eastern Railway |
| 2019 | Ferguson Marine Engineering |
| 2020 | Northern Rail and South Western Railway |
| | |
| **Argentina** | Postal, Radio, Water supply, Sanitation, Shipyards, Airlines Pension funds, Oil, Railway. |
| | |
| **Netherlands** | Belgian Deutsche Bank (2008) SNS Bank (2013) |
| | |
| | |

| | |
|---|---|
| **New Zealand** | 2001- Auckland Railway |
| | 2003- Air New Zealand |
| | 2004- Rail network |
| | 2008- KIWI Rail |
| | |
| **Sri Lanka** | 2001 – Seylan Bank |

The Economic survey is not at all useful for bringing back growth and employment. Until and unless goals are clear, solutions won't generate. It's a sad state of affairs.

# NOT SWEATSHOPS - NEED JOBS WITH DIGNITY & LABOUR RIGHTS

Priya Dharshini

The chapter in Economic Survey 2019-2020 titled "Creating Jobs and Growth by Specializing to Exports in Network Products" (Volume 1, Chapter 5) summaries the Ministry of Finance's suggestion to tackle the ongoing crisis of unemployment and low growth. In twenty four pages filled with multiple graphs, formulas and analysis of trade agreements, exports over decades have come up with one magical solution – assembling computers, electronic and electrical equipment, telecommunication equipment, road vehicles etc!

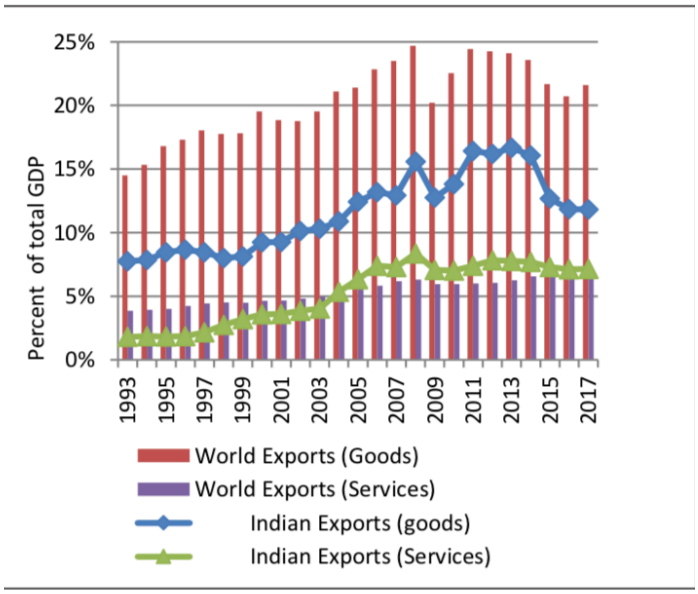
The chapter is written in such aspirational language and in detail bringing various components both domestic and international the survey expects one to believe that all is good with the economy and that this is only another way to boost jobs! But once the façade is torn down, we see a government that is unable to boost the manufacturing sector, exports of capital intensive products and is facing an unprecedented unemployment and job-loss that now it has turn to labour intensive assembling to create jobs at a large scale, modelling after China!

The Survey claims, "The current environment for international trade presents India an unprecedented opportunity to chart a China-like, labor-intensive, export trajectory and thereby create unparalleled job opportunities". This current unprecedented opportunity is explained to be the US-China trade war, which is causing 'adjustments in the Global Value Chains (GVC)' forcing companies to look for similar markets outside China. More interesting is the fact as to why the government thinks this is an opportunity for India? In their own words, "China's image as a low-cost location for final assembly of industrial products was rapidly changing due to labour shortages and increases in wages" meaning that the wage increase for workers in China has become a bother to the big corporate companies and hence Indian government is willing to open its market to these companies promising that they can cut down on their wages for workers!! Hardly a surprise from the government that has stripped the workers of their protection and safeguards in the Labour Code on Wages Act, passed last year.

The strategy and expectation provided by the Survey is "By integrating 'Assemble in India for the world' into Make in India, India can create 4 crore well-paid jobs by 2025 and 8 crore by 2030. Exports of network products, which is expected to equal $7 trillion worldwide in 2025, can contribute a quarter of the increase in value-added for the $5 trillion economy by 2025".

This chapter takes the 70 million jobs created by labour intensive exports during 2001 and 2006 as the base for this proposed model for India in 2020. The survey analyses that India has had minimal growth compared to China in terms of its service exports in the two decades and points that this is due to "India spreading its exports thinly over many products and partners, leading to its lacklustre performance compared to China".

**Figure 1(a): Share of exports in GDP, India versus World**




*Source: Economic Survey*

But it does not give any explanation to the dip in the exports of goods which was above 15 percent in 2013 that has come down to 11 percent, with a sharp decline since 2014. Similarly, in comparing India and China's non-oil merchandise exports, the survey points that India's non-oil merchandise exports declined by almost one-half from 30.7 per cent in 2000 to 16.3 per cent in 2018.

But, this only takes in account the unskilled labour intensive sectors and not the capital intensive products like automobile, steel production, transportations etc. The survey further says that China's export on capital

**Figure 4(a): Composition of India's Non-oil Merchandise Exports**

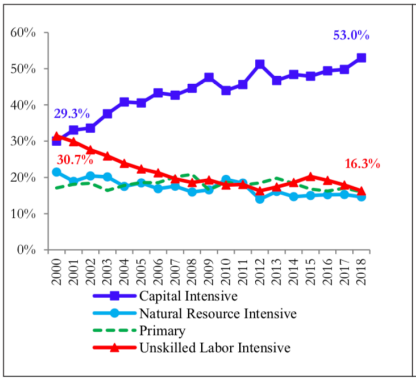
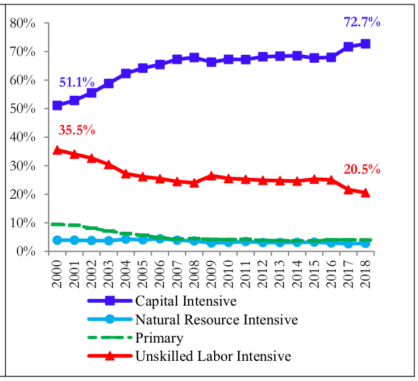



**Figure 4(b): Composition of China's Non-oil Merchandise Exports**




*Source: Economic Survey*

intensive products since the 1990s has been through "integrating its domestic industries within the GVCs" and hence has "emerged as a major assembly hub for several capital-intensive products". This has primarily been by China becoming a major hug for assembling products, from automobile, electronics and telecommunications etc.

This analysis is dangerous for this suggests there is no intent to revive the failing manufacture sector, but a course change. The survey implies that India has to follow a similar path to China and focus its capital intensive exports in assembling, rather than production. It is a shame that, the only idea for increasing jobs is to create sweatshops for Multi-National Companies!

The survey then goes on to sell this idea by pointing out "since the early 2000s, India's exports of assembled cars (completely built units) have increased at a much faster rate than automobile parts (Athukorala and Veeramani, 2019). The case of mobile phone assembly is another recent success story for India (see Box). In contrast to auto industry, the MNEs that have set up production bases in India's electronics and electrical goods industries have been mainly involved in production for the domestic market (Athukorala, 2014, Tewari and Veeramani, 2016)". It

wants "laser-like focus must be placed on enabling assembling operations at mammoth scale in network products."

While one can critique the chapter by getting into every logic that has been provided for such a shift, it is really not necessary as the idea itself is a flawed one and it does not address the problem at hand – need of jobs! Yes, we are facing a stiff crisis of unemployment and lack of job creation and there has been consistent demand for employment and jobs. But when one demand jobs from a government, it is to a job with

**Box 5: Assembly of mobile phones in India**

India toppled Vietnam to become the second largest manufacturer of mobile phones globally following China in 2018 with a world share of 11 per cent. India could manufacture around 1.25 billion handsets across various segments by 2025, firing up an industry worth around $230 billion (ICEA-McKinsey report, 2018). Between 2013 and 2017, while India's import of telecom handsets declined from US$4.47 billion to US$3.31 billion that of telecom parts increased steadily from US$1.34 billion to US$9.41 billion. At the same time exports of telecom handset increased significantly during the last three years. This pattern is consistent with the emergence of India as an assembly centre for telecom handsets.

*Source: Economic Survey*

dignity that would respect labour, not to open sweatshops at a mass scale. Given the track record of this government with labour laws and regulations, one cannot be assured that these assembly lines will have any regard for any security for the workers – financial or social.

Further, one of the fundamental flaws is the comparison of 2001 – 2006 with India in 2020. The economic survey shows a blissful ignorance of the global trends in the market. 2001 – 2006 falls well before the global recession of 2008 set in and the new global slowdown that the markets are facing today! Even by their own admission, the survey says that one of the reasons that the big MNCs are looking for a market outside China is cut down wages of workers. It speaks volumes that this government finds "unprecedented opportunity" for jobs that does not have protection for workers.

The Survey portrays the focus on assembling network products as the one stop solution for unemployment in the country. This is not just a non-solution but also reflects their lack of understanding of the crisis at hand. The survey claims that this shift in focus would yield "38.5 million additional jobs in the country by 2025 and about 82 million additional jobs by 2030" but by their own admission these would be 'unskilled' or

'medium-skilled' labour. But those facing job loss or unemployment do not just fall under these categories. Today even those who are educated and highly qualified are unemployed. A report by the Centre for Monitoring Indian Economy (CMIE) points that unemployment rate among higher education section touched 13.2 per cent during September-December 2018. Another report by Periodic Labour Force Survey (PLFS) 2017-18 highlights that 33% of the formally trained youth was unemployed in 2017-18. This government has done nothing to create suitable jobs. What it suggests instead is to force them into underemployment.

More than what the chapter says, those it has silently overlooked or tried to divert is equally noteworthy. While this government does not miss any opportunity to falsely claim the success of 'make in India', it is clear from this chapter that the project is a failure and now they have to include "assemble in India" into the make in India to boost it. The primary focus of this chapter is the "unskilled" and "semi-skilled" labour, which points out that a major chuck of the labour force is put of job. While academics and civil society had argued for the last few years, those policies like demonetization and GST has caused huge job-loss in the unorganized sector, this government had never formally accepted its colossal mistake. It also makes one wonder, if paving way for 'assembling in India' was one of the motive behind pushing the country's labour market into a crisis.

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# INFRASTRUCTURE DEVELOPMENT IN INDIA - DEEPENING THE CRISIS?

Gaurav Dwivedi

This chapter (Volume 2 Chapter 8) deals with infrastructure sector, continuing with earlier ones this economic survey also emphasizes on the role of infrastructure in boosting economic growth across the country. It talks about further improving power and transport infrastructure. It notes that India has recently launched the National Infrastructure Pipeline 2020 – 25 to achieve GDP of $5 trillion by 2024 – 25, the country needs to spend $1.4 trillion (Rs 100 lakh crore) during this period.

National Infrastructure Pipeline (NIP) for each of the years from FY 2019-20 to FY 2024-25, an inter-ministerial Task Force was set up in September 2019 under the chairmanship of Secretary (DEA), Ministry of Finance.

Report of the Task Force on National Infrastructure Pipeline was released in December 2019. The NIP has projected total infrastructure investment of Rs 102 lakh crore during the period FY 2020 to 2025 in India. Major sectors under infrastructure investment include - Energy (24 per cent), Roads (19 per cent), Urban (16 per cent), and Railways (13 per cent) amount to over 70 per cent of the projected capital expenditure

As per the NIP, Central Government (39 per cent) and State Government (39 per cent) are expected to have equal share in funding of the projects followed by the Private Sector (22 per cent). It is expected that private sector share may increase to 30 per cent by 2025. Out of the total expected capital expenditure of Rs 102 lakh crore, projects worth Rs 42.7 lakh crore (42 per cent) are under implementation, projects worth Rs 32.7 lakh crore (32 per cent) are in conceptualization stage and rest are under development.

It is important to note that the Task Force has given its recommendations on required changes to several key sectoral policies and other reform initiatives by the Central and State Governments such as developing a robust bond market for infrastructure companies, speedy resolution of infrastructure disputes, optimal risk sharing through better and balanced PPP contracts, and sanctity and enforceability of contracts.

However, it also states that financing of the National Infrastructure Pipeline would be a challenge. Hoping that a bouquet of well-prepared projects would attract investment from Central and State Governments, Urban Local Bodies, Banks and Financial Institution, PE funds, and private investors, both local and foreign.

Despite the ambitious plans, the sectoral developments given in the Economic Survey do not present an encouraging picture. For instance, under the road sector construction of roads per day has decreased from 22.65 (2018 – 19) to 12.7 (2019 -20) kms per day compared to the previous year. The figures also show that the investment in the sector has come down from Rs 1.59 Lakh crores (2018 – 19) to 0.81 (2019 -20) Lakh crores in this year. The private sector investment has also come down from 0.22 Lakh crores in 2018 – 19 to 0.12 Lakh crores in 2019 – 20.

In the railways, the major activity appears to be modernisation/ upgradation of railway stations with 1,253 stations identified for development under Adarsh Station Scheme and are planned to be developed by 2019-20. Indian Railway Station Development Corporation (IRSDC) Limited, a dedicated SPV, has been set up to carry out modernization of railway stations on PPP mode.

Under civil aviation it says that 100 more airports are to be made operational by 2023-24 as well as using 46 idle airstrips, 16 private greenfield airports, 15 AAI airports, 31 heliports, and 12 waterdromes would be developed. Six airports (Ahmedabad, Guwahati, Jaipur, Lucknow, Mangalore, and Thiruvananthapuram) have been taken up for development under PPP mode. Five new greenfield airports Durgapur (West Bengal), Shirdi (Maharashtra), Pakyong (Sikkim), and Kannur (Kerala) and Kalaburagi/ Gulbarga (Karnataka) were also operationalised this year. While recording that a large private airlines suspended operations last year in April 2019.

In the telecom sector which is dominated by private sector with a share of 88.81 per cent (10,606 lakh connections) at the end of September, 2019 while the share of public sector was 11.19 per cent (1,336 lakh connections). It notes that there are serious challenges. Since 2016, the sector has witnessed substantial competition and price cutting by the Telecom Service Providers (TSPs) creating financial stress in the sector. As a result, the sector is experiencing consolidation. While some private

operators have filed for bankruptcy, others have merged, in their quest to improve viability.

Under Housing and Urban Infrastructure, it states that a validated demand of 1.12 crore houses has been registered. Out of 1.03 crore houses approved, 60 lakhs have been grounded for construction, of which 32 lakh houses have been completed and delivered.

Over and above the year-on-year budgetary provisions, a separate mechanism through creation of National Urban Housing Funds (NUHF) has been approved by Union Cabinet to mobilise resources through Extra Budgetary Resources (EBR) to the tune of Rs 60,000 crore for funding PMAY(U). Government has also created an Affordable Housing Fund (AHF) in the National Housing Bank (NHB) with an initial corpus of Rs 10,000 crore using priority sector lending shortfall of banks/financial institutions. The fund is used for micro financing of the HFCs and NBFCs which provide loans at reduced interest rate.

It states that under Smart City Mission, all cities have incorporated Special Purpose Vehicles (SPVs), City Level Advisory Forums (CLAFs) and appointed Project Management Consultants (PMCs). Since the launch of the mission, 5,151 projects worth more than Rs 2 lakh crores are at various stages of implementation. As on November 14, 2019, 4,154 SCM projects worth Rs 1.49 lakh crores (72 per cent of the total proposals) have been tendered, of which 3,359 projects worth Rs 1.05 lakh crores (51 per cent of total proposals) have been issued work orders. 1,290 projects worth Rs 22,569 crores have been completed and are operational. Out of these 82 projects amounting to Rs 3,704 crores have been completed under PPPs.

The Economic Survey shows that majority of the funds needed for these infrastructure projects would come from the government/ public sources with expectations that the private sector would also contribute to the investments required. Private sector investments are to be attracted through the 'not-so-successful' mechanisms like PPPs and SPVs. Over a past couple of decades the experiences of PPPs in different sectors in India and across the world have shown that the model is flawed and needs an immense amounts of public support to enable private sector to earn profits. Even though it has been put on record that private sector participation and public private partnerships are not a 'panacea' to boost investments or improve efficiency or equitable access, the government

appears to have taken that path for much needed public infrastructure development in the country.

The present Economic Survey continues with the idea of pushing infrastructure construction as the earlier ones. It is understood that this would increase the economic growth levels and provide investment opportunities attracting private investments. Simultaneously, policies and regulations that lead to increased ease of doing business have been brought about with scrapping of several land, labour and environmental regulations in the past few years. PPPs are being promoted in various sectors claiming efficient project implementation and bringing in private investments. However, experiences of PPP projects in different sectors have not been able to match the claimed results. It has been well documented that PPP projects raise funds from public sources for their investments as well as other forms of public support for their projects. SPVs and PPPs also lack government oversight and accountability mechanisms and bypass the decision making processes of the local governments and people's representatives. According to Arvind Subramanian (*Economist and former Chief Economic Advisor to the Finance Ministry*), the current economic crisis has now turned into a four balance sheet crisis – the original public sector bank NPA issue, the overleveraged infrastructure companies, now further complicated by the NBFC crisis and the slowdown in real estate.

Regardless of all the above, discussions about these mega projects and their implementation pushing the economic growth rates to higher levels than before as well as the huge amounts of investments required continue. On the other hand, there has been lack of a larger public discussion or debate regarding the implications of these massive projects and investments on the rural and urban communities, agriculture, land and water commons as well as the increased ecological footprint. In addition, several financial institutions, public and private, looking to invest in infrastructure projects lack appropriate environment and social safeguard policies as well as transparency and accountability mechanisms. Such mechanisms are imperative to hold these myriad institutions accountable for the investments they make and the impacts on the local communities in terms of loss of livelihood, displacement, environment damage and claiming appropriate resettlement and rehabilitation. As increasing number of private investors and market

based instruments are used to bring in finance for these projects for creating revenue streams and extracting profits.

Big infrastructure projects might look good in plans but experiences from ground realities demonstrate that they have serious implications on the local people, democratic governance processes, natural resources, wildlife habitats and the delicate ecological systems.

# THE NEWSPEAK ON CLIMATE CHANGE & ENERGY

Rajesh Kumar

The section (Volume 2, Chapter 6) in the Economic Survey talks about progress India made on sustainable development goals (SDGs), climate change, renewable energy, afforestation and financial tools like green bond and national voluntary guideline for industry and banking sector.

Rather than doing a realistic assessment on the progress made about its climate commitments, it just says, "Paris Agreement is to be implemented in post-2020 period in line with the guidelines adopted under Paris Agreement Work Programme." The report claims that 40 percent of cumulative electric power installed capacity would be from non-fossil fuel sources by 2030. The report says that out of the 175 GW RE commitment made in 2015 in the Paris agreement, Indian as achieved 83 GW. The report does not discuss the slow paceof implementation, nor a road map ahead achieve the target of 175 GW capacity by 2022.

The way in which the 83GW is achieved so far is problematic too. Instead of going for small scale, rooftop and decentralized RE projects, India is going for mega and ultra mega projects in RE, replicating the strategies employed in the thermal power sector, which involved land grab, displacement, loss of livelihood, water crisis, ecological and environmental issues. RE is critical for India's energy future and fossil fuel sources are not sustainable. However, projects like that of Pavagada, world's largest solar park, spread over 13,000 acres, with 2000 MW capacity, is plagued with seious human and environmental problems.[23]

The Prime Minister announced another target of 450 GW in UN Summit in September last year, even when the implementation of the 175 GW commitment made in the Paris commitment is facing problems both in meeting targets and in its implementation. The Survey fails to reveal an implantation strategy, which are both sustainable as well as socially and environmentally benign.

Announcing the renewable energy targets at global platform will not solve the problem of climate crisis in the country. It needs comprehensive planning , significant resource allocation and a political will. The target of 450 GW renewable energy, if it is achieved majorly through utility scale solar projects, like it is done so far in RE projects, it

[23] https://www.deccanherald.com/opinion/panorama/flip-side-of-large-scale-solar-power-785028.html

will take away the livelihood of thousands of people, put stress on commons and will pose threat to food security, biodiversity and water.

Very often the ruling  government comes up with a new target and scheme under the programe of "electrification" yet more than 24 crore people are still forced to live in dark, without electricity.

While the energy targets grow from time to time, one wonders about the fact India is a power surplus country. India's current installed capacity is more than 367 GW against peak demand capacity of 170 GW. The economic growth trajectory is on a downward spiral. All indices point to the fact that industrial usage of power is at its lowest. Economy is at a tipping point of recession. We do not have takers for the power which is produced now, that around 60% of projects are either running well below capacity, or are shutting down. Government do not seem to have a strategy to revive the economy, or, whatever they are trying are not helping the revival. In that context, how will the additional power generated be used – both in the traditional sectors, as well as the renewable sector? The Survey does not talk about this.

In addition, Prime Minister had pitched for a global power grid at the 1st general assembly of International Solar Alliance in October 2018 to evacuate RE to SAARC countries, expect Pakistan.

Nepal is building hydropower projects to export power to India. Bhutan is self reliant in power. Sri Lanka, technically is more expensive to evacuate power. Leaving poor Bangladesh as the only possible consumer for our power. We are helping build Rampal thermal projects there, PM's friend Adani's Godda thermal project in Jharkhand is aiming to export power to Bangladesh. After all that, we also want to export the RE to them. How much power will Bangladesh be able to purchase, whose total peak demand is less than 15 GW?

Last year, government made foreign direct investment the coal mining sector 100%[24]. Opening up the coal mining sector for 100% FDI is an invitation for more coal mining, and use. India's Paris pledge[25] was to reduce the emission intensity of its gross domestic product (GHG emissions per unit GDP) by 33-35 percent over 2005 levels by 2030. Bringing FDI in Coal Mining Sector in contradiction to its commitment to Paris agreement and its level of seriousness to tackle the risk of climate crisis, but the Survey does not see the contradiction in it.

[24] https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/coal-sector-gets-nod-for-100-fdi/articleshow/70885133.cms?from=mdr
[25] https://www.carbonbrief.org/the-carbon-brief-profile-india

The Survey failed to mention about the extreme stress faced by the debt-ridden DISCOMs. "DISCOMs are the weakest link in the electricity value chain, plagued by low collection, increase in power purchase cost, inadequate tariff hikes and subsidy disbursement, and mounting dues from government departments. This has resulted in DISCOMs having poor payment records."[26] As of September 2015 the total debt of all state-owned DISCOMs was around Rs. 2.45 lakh crore, putting burden even on RE projects because of the non-payment by DISCOMs to RE companies. How does the Survey presuming that the electricity sector will grow without fixing the DISCOMs?

Power sector has nearly 50% of non-performing assets with Rs 5.65 lakh crore outstanding loans (as of March 2018)[27]. The Survey fails to recognise this as a problem and does not refer to it.

The Economic Survey report discusses innovative financing instruments, the Solar Risk Mitigation Initiative launched by the World Bank and African Development Bank in support of the ISA.It aims at supporting the development of bankable solar programs in developing countries leveraging private sector investments. The European Investment Bank and the Asian Development Bank is providing US$ 2 Million Knowledge Support and Technical Assistance (KSTA) to six South Asian Countries in partnership with the ISA. MDBs like World Bank and ADB have played a crucial role to dismantle and privatize the Indian power sector. These institutions are going to come with their own development agenda and privatization. They will reestablish the monopoly of large corporate in renewable energy sector as they did in the thermal power sector instead of making it decentralized and people access. Such institutions came in the name of "ending poverty from India" yet their financial mechanism has widened the inequality gulf in societies.

### Financial Mechanism

Further, the report mentions that SEBI mandated adoption of National Voluntary Guidelines [NVG's] on Social, Environmental and Economic Responsibilities of Business by the listed Indian companies including banks. In 2014-15, a working group was set up by Indian Banks' Association (IBA) to generate the concept and finalize the guidelines of responsible financing on NVGs. These guidelines lay down 8 principles which cover different aspects of environmental, social and governance (ESG) responsibilities for informed business action. However such guidelines should be mandatory instead of voluntary for all kinds of

[26] https://www.livemint.com/industry/infrastructure/to-discipline-discoms-central-govt-looking-to-link-their-loans-with-performance-1565893895790.html
[27] https://energy.economictimes.indiatimes.com/news/power/power-sector-stressed-assets-rbi-gov-says-revised-guidelines-will-improve-credit-culture/69709933

financial institutions. These kinds of voluntary guidelines are meaningless and financial institutions like public banks have always tried to escape from accountability and transparency. Today, Indian banks and non-banking institutions would not be facing the mountain stressed and non-performing assets if these voluntary guidelines were made compulsory and strong.

The Economic Survey has also said that the Climate Bonds remain focused on green bonds which are specifically linked to climate change mitigation, adaptation and resilience. India has the second-largest emerging green bond market after China. A number of government agencies have contributed to this issuance such as Indian Renewable Energy Development Agency (IREDA) and the Indian Railway Finance Corporation (IRFC). In 2018, the SBI entered the market with a US$ 650 million Certified Climate Bond. In order to scale up the environmentally sustainable investments, India joined the International Platform on Sustainable Finance (IPSF) in October 2019. The Platform acknowledges the global nature of financial markets which has the potential to help finance the transition to a green, low carbon and climate-resilient economy by linking financing needs to the global sources of funding. Such kinds of finance tools need to be monitored and demystified from the people's perspective.

### Forest Cover

The Survey claims that "India is among a few countries in the world where, despite ongoing developmental efforts, forest and tree cover are increasing considerably" And increase in forest cover provides an additional carbon sink equivalent to 2.5 to 3 billion tons of carbon dioxide by 2030.

The increase in forest cover was mentioned in the State of Forests Report released by the Minister for Environment & Forests Prakash Javadekar in December 2019. The bi-annual report claimed that the forest cover increased by 5,188 square kilometres in the past two years. The Minister then said "This report gives us confidence that we are on track to achieve our Paris Agreement goals."

Environment journalist Nitin Sethi pointed out why the numbers projected by the report are unreliable. He is quoted in a report in Newsclick:[28]

"As my reportage has shown before, the State of Forest Report is unreliable for four fundamental reasons. First, it does not distinguish between natural forests and plantations -- though the government is

[28] https://www.newsclick.in/State-Forests-Report-Released-Questions-Remain

technically capable of doing so. Two, it factors in the flux in forest cover in India's North East to give the country-wide picture.

"Methodologically, this is wrong because these are not long-term changes but mere flux due to shifting cultivation. Third, the government constantly revises previous year figures in an unsystematic manner rendering all temporal comparisons useless. Fourth, it even conflates resolution improvement of imagery with improvement in real forest cover."

For the Survey to base its projections on a Report with dubious methodology and unreliable data would lead to misplaced conclusions.

# THE MISPLACED FINE LINE BETWEEN PRO-BUSINESS AND PRO-CRONYISM

Tani Alex

The chapter on Pro-Business versus Pro-Crony of the Economic Survey of India 2019-20 (Volume 1, Chpater 3) highlights the differences in the growth of Indian economy when pro-business policies like liberalisation were adopted as against the growth made from massive wealthy profits made by few incumbent firms out of common people's expense, through massive lending made by banks.

According to the Economic Survey of India, Pro-business is where

- Firms compete on a level playing field
- Resource allocation in the economy is efficient
- Citizens' welfare is maximized

Pro-crony is where

- Some incumbent firms may receive preferential treatment
- Resource allocation in the economy may not be efficient
- Citizens' welfare may not be maximized

The Survey says pro-business is creative destruction[29] and pro-crony is wealth destruction. It duly summarises that crony "promoters have collectively siphoned off wealth from banks which led to losses that dwarf subsidies directed towards rural development." In effect, the blame has been placed on the corporate looters alone for the rich getting richer and the poor being stolen off their due benefits. The Survey does not delve deep into the reasons how this wealth was siphoned off?, What were the factors around it? And how even now, most of the loans written off as NPAs are not recovered?. despite very few instruments like having Insolvency and Bankruptcy Code (IBC) and National Company Law Tribunal (NCLT) in place to recover debt losses. Instead, its suggested in the report that the quick fix and alternative solution for wealth creation is accelerated adoption of pro-business policies.

[29] https://www.investopedia.com/terms/c/creativedestruction.asp

## Relying on Sensex, Ease of Doing Business Model

The Government's pro-business agenda runs through the initial section of this chapter[30]. It derives examples from rise of the Sensex over three phases - from the time India adopted liberalisation in 1991. The Survey has heavily relied on data of Sensex from Bloomberg and Bombay Stock Exchange BSE, while many economists, market experts including India's former Chief Economic Advisor Arvind Subramanian have critiqued the disconnect of the data with the reality on ground. India's GDP growth plunged to six-year low in April-June and July-September quarters of 2019-20 with most experts predicting that full year growth will struggle to cross 5 per cent. Though market performance and economic growth can vary owing to different reasons, market performance indicators are driven only by a handful of stocks. "A lopsided rally it is, and it fully reflects a struggling economy with only a few sectors or companies doing well", as reported by the Economic Times[31].

The pro-business agenda of the Government is thrust through the Ease of Doing Business model in other chapters of the Survey as well Citing ample reasons such as making it easy to start a business, register property, enforce contracts, obtain credit, bid for natural resources, get permits and resolve insolvency to help firms to function effectively and thereby enable competitive markets. However India scrapped 1000 pieces of legislation and passed more than 7,000 detrimental reforms over the last years as disclosed in Parliament in July 2017[32], without democratic consultations and decision-making. The first assault on peoples' rights in India came from reforms proposed to land laws. The next assault after the land laws was on environmental regulations. 150 million workers went on strike early January in the country, demanding genuine consultations over reforms of labour laws and a halt to pro-employer labour law amendments. How will such detrimental easy-to-do business reforms essentially further the eventual goal of maximizing social welfare?

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[30] https://www.indiabudget.gov.in/economicsurvey/doc/vol1chapter/echap03_vol1.pdf

[31] https://economictimes.indiatimes.com/markets/stocks/news/roaring-stocks-struggling-economy-its-the-smart-money stupid/articleshow/72987953.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

[32] https://www.cenfa.org/international-finance/ease-of-doing-business-what-does-it-conceal/

## Unholy Political Alliances

Further, the report mentions that cronyism erodes wealth and "connected" firms along with politically allied firms enjoy an array of benefits at the cost of unconnected firms and society at large. "Firms shift their focus away from growth through competition and innovation towards building political relationships, thus undermining the economy's capacity for wealth creation" and that "crony firms leverage their connections to extract a larger share of existing wealth instead of expanding the available wealth." In addition, a case study based on coal allocation in India has been used in the Survey to explain how preferential allocation of projects and resources to private companies have been conducted through political clout. The Coal Mines (Special Provisions) Bill, 2014 and its subsequent rules were passed in December 2014 and the Coal Mines (Special Provisions) Act, 2015, was included in the Indian mining legislative framework. The Act ensured that any future allocation of coal blocks would solely be through competitive auctions.

But, the Survey does not engage deep into the established political patronages which is enjoyed by the corporations and wealthy firms of India. A very recent media report [33] shared findings of an audit report of the Public Accounts Committee of the Gujarat Legislative Assembly, revealing that the Gujarat government bestowed "undue" favours on Adani Group of Companies, headed by Gautam Adani, owner of India's largest Private Port Operator - Gujarat Adani Port Limited [now known as Adani Port] and Special Economic Zone Limited - who in turn owns and manages many ports in Gujarat, Kerala, Tamil Nadu and Odisha. Gujarat Maritime Board, a state government undertaking benefited from the construction of Mundra Port by not charging waterfront and other charges. Defects in Lease and Possession agreement were also reported by the CAG, whose audit observations led to the investigation by the PAC. The PAC report[34] stated that the government is keen to develop only private ports and the capacity of government ports remains under-utilised. The Gujarat Government suffered Rs. 20 crore losses to benefit Adani Group.

[33] https://www.newsclick.in/eXCLUSIVE-how-gujarat-government-helped-adani-port-company

[34] https://timesofindia.indiatimes.com/city/ahmedabad/gmb-benefiting-private-ports-at-cost-of-its-own-pac/articleshow/72860762.cms

Employee unions of the Public Telecom sector have been raising their woes over the last few years about how the Modi Government favours Mukesh Ambani's Reliance Jio, by not allotting spectrum for 4G services to BSNL in order to prevent it from competing against Reliance Jio. Whole telecom industry is in a crisis due to the predatory pricing of Reliance Jio and it is openly patronised by the Modi Government[35]. January 31 of this year was the last working day for over 92,000 employees – over 78,500 from BSNL and nearly 13,500 from MTNL, who have been forced to opt for Voluntary Retirement or rather 'Forced Retirement.' With 47% and 10% employees still remaining in BSNL and MTNL respectively, "It's going to be an altogether different situation after January 31. Will it be an oppressive deployment strategy? Will it be a drastically different transfer policy? Will the retirement age be lowered? In other words, will a situation arise when further reduction in staff strength will appear to the Centre's unspoken objective?" questions asked by Swapan Chakraborty, Deputy General Secretary of the BSNL Employees Union[36]. By forcing public undertakings to shut down in a hurried manner, by meting out retirement cum revival packages, the present Government has effectively removed competition, if any, favouring its bosom ally- the Reliance Jio.

### Wilful Defaulting

Again, many firms enjoy profits in good times but often rely on the state or their financiers to bail them out in bad times. The Survey has included that 'wilful defaulting' of such firms is the "peculiar way to reap rewards without commensurate risk." Firms take loans and "divert the proceeds out of the firms for the personal benefit of the owners." Then they default on loans, declare bankruptcy and expropriate a range of stakeholders – lenders, minority shareholders, employees, regulators and state coffers. As of 2018, wilful defaulters owed their respective lenders nearly 1.4 lakh crores and the number has been steadily rising since the early part of the current decade. The defaulters are spread across several sectors, with manufacturing firms constituting the largest share. Some of them being listed by RBI are Gitanjali Gems Limited, REI Agro limited, Winsome Diamonds and Jewellery Limited, Ruchi Soya Industries Limited, Rotomac Global Private Limited, Kingfisher Airlines Limited, Kudos

[35]https://telecom.economictimes.indiatimes.com/news/bsnl-employee-unions-allege-govt-patronising-reliance-jio-plan-indefinite-strike-from-december-3/66858896
[36]https://www.newsclick.in/VRS-BSNL-MTNL-Non-retiring-Employees-Apprehensive-of-Employment-Terms

Chemie limited, Zoom Developers Private Limited, Deccan Chronicle Holdings Limited, ABG Shipyard Limited, Gupta Coal India Private Limited, Jain Infraprojects Limited, Surya Pharmaceutical Limited and more[37].

**Burden on Aam Aadmi – true sentiment but false solution**

A combination of various factors- the lack of public scrutiny of PSBs, lack of Government monitoring of lending, lack of ethical and responsible banking rules, crony-lending and overlooking the repayment history of the corporate borrowers- have contributed to the high NPAs of PSBS, which stood at Rs. 7.27 Lakh crore as on September 30, 2019[38]. Meanwhile, the Survey adds: "Had the money siphoned away by wilful defaulters stayed in the economy, the resulting wealth would have been equivalent in value to that needed to double the allocation towards health, education and social protection, double the allocation towards rural development, or triple the allocation towards MGNREGA." But, what has been happening in India for the past few years is the reverse – the recapitalisation of public sector banks which happened from budgetary allocations. In August 2015, the government under its Indradhanush framework announced that Public Sector Banks would be provided Rs. 70,000 crores from budgetary allocations spread over four years between FY 2015-16 and FY 2018-19. By December 2017, Finance Ministry intimated that they had so far infused Rs. 51,858 crores in Public Sector Banks under the Indradhanush plan[39]. Further announcement of a recapitalisation plan of Rs 2.11 lakh crores came where it would infuse Rs. 18,000 crores from the budget, Rs. 58,000 crores would be raised by the banks by selling shares and Rs 1.35 lakh crores would be raised through Recapitalisation Bonds. But, the frequent use of the bank as recapitalisation tool sends a wrong signal to the borrowers and they shall repeatedly default on their loans without any severe penalties. *However, whatever be the modalities for implementing recapitalisation of debt-burdened banks, common people's money is used*. Rather than prioritizing the recovery of NPAs by criminal reinforcements and political will and preventing such mounting NPAs through due diligence, robust safeguards and lending policies, this Government has put the burden

[37] https://www.business-standard.com/article/finance/rbi-finally-discloses-details-of-major-wilful-defaulters-under-rti-119112100441_1.html

[38] https://www.livemint.com/industry/banking/npas-of-public-sector-banks-stand-at-rs-7-27-lakh-crore-as-on-h1fy20-govt-11580733371206.html

[39] https://www.cenfa.org/finance/budgeting-for-losses-npas-recapitalisation-and-budgetary-allocations/

again on the tax paying ordinary people, who are not responsible for these NPAs! And then the Government is reducing budgetary allocations on social spending.

The chapter concludes that Public sector banks get their equity from taxes paid by the common public. They get their debt from deposits made by common people. When unscrupulous firms willfully default, it is the ordinary people who lose. While most policy initiatives ideally should aim to redistribute wealth from the rich to the poor, wilful default achieves the opposite. "Rich businesses that want to get richer use wilful default as an instrument to redistribute wealth away from the poor," says the report.

Yet, in recent times we have seen the systemic destruction of many public sector institutions and now the attack is on the Public Sector Banks. Manipulation of truth and half-baked truth has become the norm for this Government, it seems the Economic Survey is also following suit. In last year's Merger of Banks announcement, the systemic annihilation of PSBs was packaged in neat wrappers of governance reforms. In a statement released by Financial Accountability Network India last year, many organisations and individuals condemned the Government's decision to merge 10 PSBs into 4 big banks which will be Private Banks gradually. "The Bank boards have caused the NPA crisis by their reckless credit approval without any due diligence. Not a single action has been taken on any of the board members for lending to repeat defaulters. And now, the Bank Boards have been 'empowered' by the Finance Ministry to appraise the senior management, to give longer-term or to reduce the number of members in the Board, to enhance the 'fees' of Non-official Directors (NOD), to train directors and more. But the cherry on the cake is the Management Committee of the Board's (MCB) loan sanction threshold which has increased to 100% to favour large borrowers and them now having the power to recruit "Chief Risk Officer" from the market"[40]. The question remains - isn't this pro-crony?

[40] https://www.fanindia.net/statement-mergers-systematic-privatisation-of-public-sector-banks/

# CRISIS IN NON-BANKING FINANCIAL SECTOR: SYSTEMIC OR ISOLATED PROBLEM?

Ashish Kajla

The chapter on Financial Fragility of NBFC Sector (Volume 1, Chapter 8) focuses on the crisis in the non-banking financial sector. Non-banking financial sector is a part of shadow banking system, which operates in a less regulated sphere unlike the traditional commercial banking system. It tries to explain the financial mechanisms responsible for the crisis in non-banking sector emerging out of shocks to the assets-liability sides such as excess reliance on short-term funding, asset liability mismatch and interconnectedness leading to liquidity crunch in the whole sector through increased rollover risk and credit rationing.

By taking representative samples of Housing Finance Companies (HFC) and Non-Banking Financial Companies (NBFC), an indicator called 'Health Score' is developed which captures the risks to NBFCs. It is being claimed that this Health Score can be used as an early warning system and therefore a crisis such as today's can be averted. But the chapter only talks about the causes and how they can be detected, missing completely on the viability of such system and the actions which should be taken to avert the crisis in totality.

The crisis in the non-bank sector which started with the defaults of loan payments by IL&FS in 2018 and by DHFL in 2019, later spiraled into the whole NBFC sector, creating serious liquidity crunch for both NBFCs and HFCs. Due to the better balance-sheet and enough capital, some of NBFCs could manage well, while others faced difficulties in raising funds. NBFCs raise funds for short term at lower cost through commercial papers and lend for longer terms (house loans, small business loans, vehicle loans, gold loans etc.), putting them at risk of asset liability mismatch in case problems emanate with long term lending (generally called supply side shocks). The asset liability mismatch then makes rolling over of the credits difficult for NBFCs. In good times, a NBFC dependent on short term funding, take another loan by issuing fresh commercial papers (CP) to repay the debt obligations. But the situation changes when there is possibility of drop in cash flows from long-term

assets of NBFCs, changing the perceptions of debt mutual funds. Payment defaults by IL&FS and DHFL exposed the mutual fund investment in NBFCs and increased the pressure on debt mutual funds (similar to bank run), forcing them to get rid of investment in stressed NBFCs.

The Health Score tries to predict such a scenario in non-banking financial sector using the asset size and their duration, short term funding from debt mutual funds and its ratio in borrowing, liquidity buffer, capital adequacy ratio, provisioning policies, cash percentage of borrowing, loan quality and operating expense ratio. Greater monitoring of NBFCs, appropriate corrective measures, optimal directing of capital to deserving NBFCs and limiting the short-term funding for shadow banking firms are the few suggested actions after detecting the signs with Health Score index. All the actions suggested above in the Economic Survey can only be used after "early detection" of deteriorating condition of NBFCs. To strengthen the regulation and supervision of NBFCs, the government also increased the powers of RBI to impose penalties, removal of Directors and resolution of NBFCs. In its Financial Stability Report (June, 2019), RBI recognised the possibility of contagion effect, spreading of the crisis in NBFC sector into the whole financial sector. In another move, government also issued a notification under IBC, giving powers to resolve the crisis ridden NBFCs through IBC process. All the actions taken by the government with respect to NBFCs, will certainly put some restrictions and delay the issue at hand but do not have the capacity to prevent the crisis or the repetition of the same crisis in near future.

Adequate regulatory mechanisms and necessary policies reforms related to financing of long-term projects should be devised to change the current functioning style of shadow banking firms to avoid a crisis (such as massive asset liability mismatch that we are seeing today in the sector). While IL&FS's default of around Rs. 1.2 lac crore initiated a chain of events, DHFL and Altico were next in line to default on their payments, taking the whole NBFC sector into the liquidity crisis in a short span of time. The government of the day, have repeatedly said that Asset Quality Review (AQR) of scheduled commercial banks in 2015, gave the clear idea of the non-performing assets in Indian banks, while some experts still doubted that there are more bad loans sitting with banks. But to get the real picture of the situation with NBFCs, government has denied

doing Assess Quality Review for NBFCs and continued to provide liquidity with the help of public sector banks. The government as well as the RBI have asked public sector banks to provide credit to NBFCs without trying to look into the root cause of problem i.e. the governing structure of non-banking financial companies and financing of projects running up to 10-20 years. In the case of IL&FS, with over 300 subsidiaries of its own, the decisions of investment-consultancy-management in almost all sector of infrastructure like energy, water, roads, transport, maritime infrastructure and urban development were taken in complete opaqueness where investors, developers and consultants belonged to the same group of company. Financing of projects running up to a decade or longer by NBFCs is another aspect which Economic Survey failed to focus upon.

Health Score index is certainly useful for early detection of an upcoming crisis, but keeping a status quo for the existing mechanisms and operational structures of NBFCs is not going to take us much far. The year on year growth of loans from NBFCs has declined from 27.6% in September 2018 to 9.9% in September 2019. This shows a clear decline in the loans given by NBFCs since IL&FS defaulted. The recurrence of such an event (default by one company leading to liquidity crunch for all NBFCs due to asset liability mismatch) is inevitable in the current structure, where short term funds are being used for long term credit. On one hand, the government should do an Assess Quality Review of all systemically important (considered as too big to fail) non-banking financial companies and change the overall governing structure to bring more transparency. While on the other, it should work towards revival of an alternative medium to provide long term credits for large scale projects i.e. development banking model.

Earlier development banks had the responsibility of providing credit for long terms projects and commercial banks mainly focused on retail loans. This shift has led to the banking crisis where corporates have siphoned off money from public sector banks and now banks are facing a huge amount on of non-performing assets. Shadow banks joining the hands of commercial banks to provide for large projects (that too by raising funds through commercial papers) has exposed financial sector to more vulnerabilities. Post 2008 global crisis, many countries are trying to bring back development banks to provide long term credit for infrastructure development. Commercial banks and non-banking sector

should focus on priority sector by lending to small and medium enterprises, agriculture and allied activities, automobiles, retail loans to individuals whereas development banks supported by the state should undertake the responsibility of providing long terms credit to large developmental projects.

### Monetary policies, Repo rate and its transmission

The Survey talks about continuous repo rate cuts by Reserve Bank of India and banks are reluctant to pass this rate cut to the borrowers. The reason behind this is attributed to the lower global and domestic demand conditions. But there is no serious attempt to check why banks are not reducing the interest rate despite RBI reducing it five times since January 2019 and after repetitively asking the banks to do so. Lending rate of interest of banks are decided by their own board of directors, now with the linking of interest rate with MCLR, the interest rate will be in a definite range, but not transmit as much as the regulator wants to increase the consumption in the economy. What is missing here is that, banks themselves are facing a crisis of unprecedent level, first because of the corporate loans turning into huge NPAs, provisions to cover the losses from NPAs are eating a large chunk of their profit, and then their exposure to the crisis ridden non-banking financial companies. Banks are not willing to transfer the benefit of rate cuts to borrowers, due to the above stated reasons and additionally because of the decline in credit growth for both banks and non-banking financial companies.

### Insolvency and Bankruptcy Code

It's been three years since Insolvency and Bankruptcy Code came into operation in 2016. According to Economic Survey, though the absolute amount of recovery for scheduled commercial banks' NPAs has increased (due to the higher number of cases referred), the percentage of non-performing assets recovered through the resolution process under IBC has come down from 49.6% in 2017-18 to 42.5% in 2018-19.

While mentioning the three amendments in the Code, namely to bar promoters from bidding for their own entities, to provide creditors the option to withdraw their application, treating home buyers as financial creditors for real estate developers and to adhere to strict timeline in completing the process, it doesn't mention about the new rule notified on November 15, 2019 under Section 227, to include financial service providers (except banks) for the purpose of insolvency and liquidation

proceedings. This rule is nothing but a temporary provision to resolve the NBFCs and other systemically important financial service providers till revival of Financial Resolution and Deposit Insurance Bill in its original format or through a modified version of it.

# EXTERNAL SECTOR: IGNORING THE GROWING THREAT

Anuradha Munshi & Maju Varghese

Based on the Survey (Volume 2, Chapter 3 External Sector) India's Balance of Payments (BoP) position witnessed improvement from US$ 412.9 billion of forex reserves in end March, 2019 to US$ 433.7 billion in end September, 2019, anchored by narrowing of current account deficit (CAD) from 2.1 per cent in 2018-19 to 1.5 per cent of GDP in H1 of 2019-20. India's foreign reserves stood at US$ 461.2 billion as on 10th January, 2020 .

Under trade facilitation, India has improved its ranking from 143 in 2016 to 68 in 2019 under the indicator, "Trading across Borders", monitored by World Bank in determining the overall ranking of around 190 countries in its Ease of Doing Business Report.

**Moving up on the EoDB ladder**

On policy front the focus of government has been improving foreign investments and trade for which liberalization and relaxation of norms and procedures. India ratified the WTO Agreement on Trade Facilitation (TFA) in April 2016 and subsequently constituted a National Committee on Trade Facilitation (NCTF) to commence the implementation. National Trade Facilitation Action Plan focused further on easing out the bottlenecks to trade. India's ranking from 143 in 2016 to 68 in 2019 under the indicator, "Trading across Borders", which is monitored by World Bank as a parameter for Ease of Doing Business Report. Costs required to comply with documentary requirement and border requirement for export and import have been relaxed.

In terms of trade, the Indian warehousing and logistic market received around US$ 3.4 billion of institutional capital over the last few years (January 2014 - January 2018). It is being looked as the sector, which has, most potential for trade growth. The economic survey predicts that, in terms of job creation, logistics sector can be the largest job creator by 2022.

On World Bank's Logistics Performance Index, India ranks 44th in 2018 globally, up from 54th rank in 2014. To improve trade logistics, Government is building infrastructure through ambitious projects like the Bharatmala, Sagarmala and the Dedicated Freight Corridors. Inland waterways are being developed as a cost effective means of transportation. Multimodal logistic parks are being created to promote multimodal transportation. These are part of the infrastructure project

pipeline worth `102 lakh crore whose details have been released by government in December, 2019. The infrastructure projects will be created over the next five years.

There is a complete apathy to the impacts to these massive infrastructural projects. At a time when agricultural crisis is at its peak these land and common resource intensive infrastructural projects will not create jobs at the cost of physically and economically displacing agricultural communities. Port development projects, Bharatmala projects have already come under scanner for fast tracking of land acquisitions, clearances from the Ministry of Environment, Forest and Climate Change and other clearances. Rajendra Singh, well-known water conservationist and environmentalist points out in an article that, "building new inland water systems require dredging river beds making waters muddy – a possible threat to aquatic ecosystems. The inland waterways also said to put the lives of fishermen and agrarian communities at risk who are dependent on rives for their livelihood. People involved with small businesses and trade by the rivers will find it difficult to adapt with the changing economic activities in the area due inland waterways."[41]

The Sagarmala project primarily aimed at developing ports, transport through waterways and promote shipping, in other words it is just a port-based development model. However, a port-based development of multiple projects intended at bringing in foreign currency, should be understood differently from coastal development. This port based development would come at the cost of livelihood of lakhs of fishworkers across the coastline in India.

The government's focus going forward is to bring down the cost of logistics, which they assume will boost the competitiveness of manufacturing sector. Measures to boost the economy include correcting for mistakes on taxation, decriminalizing defaults on corporate social responsibility obligations, simplifying laws related to labour, companies and the environment, streamlining government procedures, facilitating capital flows in financial markets, and so on. But, these measures have been a trap in terms of bringing silent structural adjustment polices, influencing and impacting land, labour and environment, alliance between IFIs, State and Private Capital with no checks and balances and undermining democratic and legislative processes.

[41] http://www.businessworld.in/article/Inland-Waterways-A-Threat-To-Aquatic-Life-Communities-Dependent-On-Rivers-/23-07-2019-173818/

## A look at the FDI

Net FDI in the first eight months of 2019-20 stood at US$ 24.4 billion. The improvement in BoP position from March, 2014 to March, 2019 is mainly attributed to almost doubling of net FDI into the country from 2009-14 to 2014-19. Continuous liberalization of FDI guidelines has been responsible for rising inflows of foreign investment.

The Economic Survey recognizes that, in recent times India's trade partners seek a cut in the country's basic custom duties. Though there is recognition of the fact that it is necessary for protecting the vulnerable businesses in India. The Survey states, "However, Government is aware that some reduction in tariff rates may have to be done in respect of intermediate inputs and raw material to correct the presently inverted duty structure. A corrected duty structure will reduce the cost of intermediate inputs imported for manufacturing of exports thereby making the country's exports more competitive. The resulting increase in exports will strengthen India's BoP position."

As per the International Labour Organization, over 80 per cent of the Indian economy is in the informal sector, while only 6.5 per cent constitutes the formal sector. The perks of these liberalised policies and FDI benefits do not percolate down to the informal sector. It is therefore critical to focus on this micro economy to manage our macroeconomic growth.

The growth rate of GDP has been falling since 2015-16. According to the Economic Survey of 2018-19, the growth rate (at constant price and base year of 2011-12) was 7.5 percent in 2014-15, which went up to 8 percent in 2015-16 and then declined to 7.1 percent in 2016-17 and 6.5 percent in 2017-18 further declined to 5% in 2019-20. The Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of March 2019 stands at 140.2, which is 0.1 percent, lower as compared to the level in the month of March 2018.

Prasanna Monaty, policy editor at India Today Group in an article in Firstpost points out that, "FDI is going up when the relevant macroeconomic indicators are going down? What exactly is FDI doing to the Indian economy?" World Bank says that though worldwide studies have shown that better business regulation (reflected in DBI ranking) is "associated with higher levels of FDI", yet this association "does not imply causation" and that there is no evidence of such association for 'developing countries'."[42]

[42] 'https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB13-Chapters/DB13-CS-Doing-Business-matter-for-FDI.pdf

Also it is further pointed out that, Mauritius and Singapore continue to be the biggest investors with 24% and 30% percentage of inflows respectively in 2019. 'Round-tripping' – channelling local funds abroad, which subsequently return to the local economy in the form of direct investment – is another issue that needs probing. Mauritius has emerged as one of the top FDI source for India.

The analysis, carried out by business newspaper Mint found that, given the higher weight of the rural population, the estimated overall poverty rate in India went up nearly a percentage point to 23 percent in 2017-18. The rise implies that 30 million people fell below India's official poverty line and joined the ranks of the poor over the past six years. This also implies distress in the primary sector of the economy, which will definitely not benefit from any of these liberalization measures which and would rather deepen the crisis. Neither FDI growth nor the improved rankings have changed anything for the declining growth rate. As the poverty rates continue to go up, rural distress is more than evident. In channelling its focus on improving rankings and inviting investments the government is definitely misjudging the situation and taking measures for corporate benefits with no actual relief for the people, which is further escalating the economic distress.

### Growing Debt and Growing concerns

The Economic Survey of India paints a picture of an economy, which is not too dependent on external finance, with a high foreign exchange reserve and foreign debt, which is manageable. While this may be true of numbers, the threat and susceptibility in the external sector is very much present.

Globally, there is a debt wave, as described by the World Bank after the global financial crisis, starting from 2010 with debt reaching $55 trillion in 2018 - so far described as the largest, broadest and fastest growing of all debt so far. India has so far been escaping heavy impacts of this global crisis, thanks to the robust policies and a public sector banking system with less exposure to international markets. The debt in India is largely internal, mostly from the Indian financial institutions, which comes to about 69% of the GDP. Over the past years, India is witnessing a large internal debt coupled with a twin balance sheet problem resulting in high non performing assets (NPA) in public sector banks which stands currently at Rs. 9.36 lakh crore, as per the government. The large scale NPA resulted in declining credit within the country, leading companies to look for cheap credit outside the country. The rise in the external credit and non-concessional loans through market has to been seen in this

light. This opens up the possibilities of companies falling into debt traps and external institutions take over defaulting projects.

According to the Economic Survey, India's external debit to GDP ratio increased by 0.3 percent, which is attributed to the increase in commercial borrowing, non resident deposits and short-term credit. India's external debt to GDP ratio remains low below the ratio of all developing countries but has increased from 19.8% in 2018 -19 to 20.1 % in 2019 -20 as per the Economic Survey.

The Reserve Bank of India (RBI) in its Assessment of India's External Debt Sustainability and Vulnerability report in January 2020, has pointed out that India's external debit has increased since 2017 on account of external commercial borrowings (ECB), non-resident deposits, and short-term trade credit. At March-end 2019, India's external debt witnessed an increase of US$ 13.9 billion (i.e., 2.6 per cent) over its level a year ago and was placed at US$ 543.2 billion. It further expanded by US$ 14.3 billion (i.e., 2.6 per cent) to US$ 557.5 billion at September-end 2019. It has to be noted that the increase in the debt GDP ratio is despite the fact that the country witnessed valuation gains to the tune of US $ 4.6 billion due to appreciation of US dollar against Indian rupee.

The nature of debt has also changed from sovereign debts to that of non-sovereign debts and from concessional loans to non-concessional ones. External Commercial Borrowing now bags a large share of the composition of external debt rather than debt from multilateral institutions like World Bank, or other bilateral institutions. About 38.8% of all the debt is now due to External Commercial borrowing. Commercial bank loans and Foreign Portfolio Investments (FPI) have been the two major components of commercial borrowings, which together accounted for about 76 per cent of total outstanding commercial borrowings at end-September 2019.

The rise in the external debt and the nature of debt is a worrisome factor. India is the most externally indebted country with a total external debt of US $ 521.2 billion, behind China and Brazil, which stood at US$ 1,965.2 billion and US$ 665.8 billion respectively. India also in the largest recipient of World Bank loans till now from both IBRD and IDA. India has lost the concessional funding from IDA after its increase in per capita income, but continues to be the largest recipient of non-concessional loans from IBRD.

The rise in external debt will further increase the vulnerability of the country in terms of policy influences and more susceptible to external risks and crisis, particularly after RBI has changed its policy and allowed for FPI into Government securities including in Treasury Bills, and State

Development Loans (SDLs) without any minimum residual maturity requirement.

The true nature of the external investment funds was revealed in Argentina when the country fell into financial crisis around 2012. While the country was able to negotiate with the local bondholders to restructure their debt by two-third, the institutional investor extracted a profit upto 1500 per cent. India's former billionaire giant Anil Ambani is now battling a claim from three Chinese banks after he failed to honour repayments of its loans and is being sued in a London court. Failure to repay debts from foreign sources could result in infrastructure falling into hands of foreign companies as witnessed in the case of Hambanthota port in Sri Lanka, or airports and power plants in Zambia, which were taken over by Chinese financiers, for debt repayment defaults.

It will be better for the country to reduce its foreign liabilities and restrict the unlimited greed for more capital with lesser interest rates as we are witnessing now rather than repenting at a latter stage.

# WHAT LIES BEHIND THE GLORIFIED NUMBERS ON SOCIAL INFRASTRUCTURE, EMPLOYMENT & HUMAN DEVELOPMENT?

Aswathi Nair

The overarching theme of the Economic Survey 2019-20 is undoubtedly wealth creation and enrichment of the already running pro-business policies. The Survey (Volume 2, Chapter 10) talks of ethical wealth creation being central to the Indian economy and envisions a $5 trillion economy by 2025. It is around this primary agenda that the government has weaved its financial allocations and justifications for the defrayment in social sectors such as education, health care, employment generation, water supply and sanitation. The Survey claims to have made significant progress in the disbursal of funds within the social services sector by ensuring large scale public participation and awareness along with employing technological resourcefulness and direct benefit transfer schemes.

The Survey calculates that the spending on social services, as a proportion of GDP, has increased by 1.5 percentage points during the period 2014-15 to 2019-20. In the case of access to education, it postulates a sizeable advancement in the participation in education system at all levels both in rural and urban areas. Special mention has been made of renewed efforts to augment skill development amongst women through a wide network of ITIs. Further, the Survey computes an increase from 8% in 2011-12 to 9.98% by 2017-18 in the formal employment sector of the country without however giving any estimates on the informal, unorganized sector. The government, in its report, also credits the Ayushman Bharat and Mission Indradhanush schemes for bettering healthcare access across the country. About 76.7 per cent of the households in the rural and about 96 per cent in the urban areas also supposedly had houses of pucca structure. The survey also stresses on the Jal Shakti Abhiyan, a flagship endeavour of the government to promote water conservation activities in water stressed districts of India.

However, a closer look at the facts and figures belies the conformance of the Survey. Government has been true to its agenda of privatization and

pushes for the same in the survey too. In the name of ensuring "fast track entrepreneurship", government proposes active privatization of the education sector even when its own data points towards more spending by students on private educational institutions in comparison to the government run ones. In tune with its agenda of wealth creation the Survey also doltishly frames a link between literacy levels and initiatives around new start-ups; it links the 59.6% low literacy rate of the eastern regions as the reason for the dismal number of new business firms in the area. The testimonies to the dismal state of higher education in this country can be seen in the state of affairs of some of the most reputed universities in the country. While student loans are not easy to obtain in India, thanks to the inefficiency and fraudulent practices in public sector banks and higher real interest rates on loans, the government is working overnight to break the backs of premier institutions like JNU by introducing monumental fee hikes. In a university where more than 40% of the students come from low income backgrounds, a steep increase in room from 20rs to 600rs per month with an additional service charge of 1700rs per month would literally be the death knell for more than half of the students who will then have to abandon hopes of access to higher education. JNU protests have found significant solidarity from Central Universities in other parts of the country like the IITs, Jadavpur University in Kolkata and TISS, Mumbai who have also been bearing the brunt of fee hike.

Further, just as railways and air transport are being increasingly privatized, the government is also all set to involve the corporate sector in the public private partnership models earmarked for rural connectivity and healthcare. The Finance Minister in her budget speech has already made a proposal for instituting a viability-gap funding window to be employed in constructing more hospitals under PPPs. For the first phase, only districts with no Ayushman Bharat empanelled hospitals will be considered, which the FM labelled as "aspirational districts". While the Ayushman Bharat scheme has as per the report made possible the creation of 28,005 health and wellness centres as on 14$^{th}$ January 2020 (with no further information on its actual functioning and consequent efficacy), the latest National Health Accounts for 2016-17 points to a decline in the out of pocket expenditure on health, out of the percentage of total expenditure on health, from 64.2% in 2013-14 to 58.7% by 2016-17.

As for job creation in rural and urban areas, even when the government claims a significant jump of around 2.62 crores new jobs in the country, combining both the rural and the urban, and a rise in the regular wages of salaried employees from 18% in 2011-12 to 23% by 2017-18, the fact remains that the incumbent regime has failed to generate additional employment or augment any qualitative formalization of the economy all through its tenure. The economic survey largely immune to the reality of the economy today also pegs 8% rise in the employment rates of women from 2011-12 to 2017-18. However, the Periodic Labour Force Survey for 2017-18 clinches joblessness amongst women in urban areas as 10.8% and 3.8% in rural areas. While the government tries to gloat over the fact that 50% of the country's population are between 20-59 years old, the ideal working age, it makes no effort to address the rising unemployment rates in the country leading to increasing frustration amongst these supposed "demographic dividends" which is nothing but a social cataclysm in waiting. Lastly, while the survey stresses on a National Floor Minimum Wage, to be fixed at levels not lower than the floor wage, it does not bother to account for the reality than 1 in every 3 wage workers in India are still not protected by the already existing minimum wage law.

In fact, the data released by the Labour Ministry shows the unemployment rate in India as 6.1% between 2017 and 2018. This effectively corroborates the pre-election leaked data of the Periodic Labour Force Survey from July 2017 to June 2018 that pegged unemployment in the country at an all time high in the last 45 years. Further, the Narendra Modi cabinet which has been quite active in data smudging have had to admit during the beginning of their second tenure that around 7.8% of all employable urban youth in the country were unemployed with a 5.3% unemployment rate in rural areas. Hence, the glorified numbers in the Survey negates the previously leaked estimates of the Labour Ministry.

# MARKETS AND DEBT: KNOCKING AT THE WRONG DOOR

Joe Athialy & Aswathi Nair

Towing the mantra of *less government, more governance* and paving way for privatization, the Survey argues (Volume 1, Chapter 4 Undermining Markets: When Government Intervention Hurts More Than It Helps) "there are several areas in the Indian economy where the Government needlessly intervenes and undermines markets." The Survey goes on to say that earlier "interventions that were apt in a different economic setting, possibly because the 'market failures' were severe then, may have lost their relevance in a transformed economy where the 'market failures' are not severe" raising doubts about how much the Survey is realistic about their assessments of markets. Also if everything is going good for the market, why is the government spinning on its tail and offering all incentives to corporations to revive the markets, including an average corporate tax waiver the past few years of more than Rs. 5 lakh crore per year – which is nearly one-fifth of the Union budget of past years.[43] Despite this, the Survey goes on to conclude that "eliminating such instances of needless Government intervention will enable competitive markets and thereby spur investments and economic growth."

When the primary commitment of the state is towards wealth creation, it is but natural for the state structures to see "anachronistic" governmental interventions as dampening the ability of the markets to facilitate capital generation. The cardinal principle of the need for a governmental regulation of markets to protect the best interests of commoners has been blowing in the wind ever since this government took charge in 2014 and hence, it is of no surprise that the government continues to attribute the economic slumber to the diminution of the economic freedom accorded to big businesses and firms.

Blinded by the glitter of privatization, standard of development pegged only at the fluctuations of Sensex and ease of doing business rankings, the Survey tries to demonize public distributive system and debt wavers,

[43] https://www.cenfa.org/statements/our-money-our-right-appeal-to-political-parties/

leaving the poor and the vulnerable to the whims and fancies of the market, without any safety net.

One of the key arguments why the government should withdraw from domestic grain market, thought Food Corporation of India, is because it "disincetivizes the private sector to undertake long-term investments in procurement, storage and processing of these commodities."

The Survey says "The Food Corporation of India (FCI) was set up in 1965 under the Food Corporations Act, 1964 with the primary duty to purchase, store, move/transport, distribute and sell foodgrains and other foodstuffs. The main objectives of FCI are (a) procurement of foodgrains from farmers at Minimum Support Prices (MSP) announced by the Government; (b) distribution of foodgrains to consumers through PDS, particularly the vulnerable sections of society at affordable prices; and (c) maintenance of buffer stock of foodgrains for food security and price stability. Thus, it is mandated to serve the

"Subsequent to this mandate, the Government has emerged as the single largest procurer and hoarder of foodgrains. Government procures around 40-50 per cent of the total markets surplus of rice and wheat emerging as the dominant buyer of these grains (Figure 16). In some States like Punjab and Haryana, this share of purchase by Government reaches as high as 80-90 per cent (Figure 12). A record procurement of 44.4 million tonnes of rice and 34 million tonnes of wheat was done in 2018-19. Thus the government, as the single largest buyer of rice and wheat, is virtually a monopsonist in the domestic grain market and is a dominant player crowding out private trade. This disincetivizes the private sector to undertake long-term investments in procurement, storage and processing of these commodities."

When the government and the economy is honed only to serve the private sector and corporations, minimum support price for farmers (one of the key demands of farmers across the country for the past many years) and subsidized food for the poor seem to be "needless interventions of the government".

The insensitivity is stark when it calls the government the "single largest hoarder of rice and wheat" because "given the obligations under the Targeted Public Distribution System (TPDS) earlier and now under the National Food Security Act (NFSA), 2013 that covers upto 75 per cent of

the rural population and 50 per cent of the urban population to receive subsidized foodgrains"

That, FCI of was not efficiently run is a fact. In 2016 it was reported that "The Food Corporation of India (FCI) has allowed 46,658 tonnes of foodgrains to rot in its 1,889 warehouses across the country in three years, while another 143.74 tonnes were reported stolen. Together, this could have fed nearly 8 lakh people from priority families under the National Food Security Act for an entire year."44 Instead of rectifying it, and making the erring officials accountable, what is suggested is to remove the safety net for the poor altogether – both for the producers and consumers. Thanks to the apathy of the government, with not allocating enough funds for food subsidy, in 5 years of Modi rule, Food Corporation of India's debt tripled to Rs 2.65 lakh crore.[45]

Further, the survey was smart enough to coin a new term "Thalinomics" to explain and measure the ease of expenditure incurred by the commoners on a plate of thali. While the affordability of a hypothetical veg thali of Subramaniam improved by 29% and that of the non veg thali by 18%, it not just failed to watch closely the actual food consumed by a common man in the country but also equally sidestepped the need to provide any concrete roadmap for the benefit and sustenance of those who are to fill the thalis- the farmers. The Economic Survey completely overlooks the need to augment the incomes of the primary food providers by 2022, which ironically was one of their major electoral promises in 2019.

### Debt Waiver

The Survey takes the pain to argue how bad the farmers debt waver schemes are. They are negatively impacting the credit markets, increases the amount of non-performing assets in the banks, regions heading for elections witness a deteriorated loan performance in anticipation of waiver and so on.

Without going into the circumstances under which the farmers went under debt, and the consequences of reeling under long term debt these farmers faced, including suicides of thousands of people in the

[44] https://timesofindia.indiatimes.com/india/Grains-rotting-with-FCI-could-have-fed-8L-for-a-year/articleshow/52068428.cms
[45] https://theprint.in/economy/in-5-years-of-modi-rule-food-corporation-of-indias-debt-tripled-to-rs-2-65-lakh-crore/301887/

past decade, one is surprised why the Survey is not concerned about the debt wavers to the corporations – the rich and the private sector?

While the government minces no words in attributing lack of growth in the agricultural sector due to subsidies, the survey itself acknowledges the destruction of wealth to the tune of Rs.1,36,000 crore by willful defaulters which is figuratively partially less than the combined total budget allocation for education, health and social protection sectors of Rs.1,38,000 crores.[46] While loan waivers can only be a stop-gap arrangement and that there is a larger need to adapt the prevailing policies in the interests of the farmers so that they become better equipped to address the eventualities like weather fluctuations, price rise, credit and market fluctuations etc, it also is an inescapable reality that the current market models doubly punishes the farmers, both in terms of input and output. Further, even when the apparent favour of waiver minimizes the household debts of most of the marginal and small farmers, RBI's study titled 'State Finances: A Study of Budget' released in 2018 clearly states that the loan-waiver schemes do not assist the farmers in "increase in investment and productivity of beneficiary households." This also directs us to the reality that even the agricultural loans that the farmers manage after significant periods of struggle are most often majorly spent in their consumption needs leaving them with little or no money to invest in agricultural needs. This then has to be contrasted with the obscene amounts of money owed by the big corporate that gets written off as stressed assets by the state.

In February 2019, India Spend released data showing that top 12 corporate NPAs cost exchequer twice as much as farm loan waivers.[47] It said, "In the financial year 2017-2018 and to date, 10 state governments have announced farm loan waivers totalling Rs 1,84,800 crore. In contrast, the total debt of India's top 10 corporate borrowers alone was nearly four times that amount, at Rs 7,31,000 crore as of March 2015, and of the top 12 NPAs nearly twice, at Rs 3,45,000 crore."

In November 2019, in a reply to question of Member of Parliament N.K.Premachandran, Minister Of State for Finance Anurag Singh Thakur gave the following data revenue foregone due to deduction/exemptions

[46] https://timesofindia.indiatimes.com/business/india-business/economic-survey-pitches-reforms-says-free-market-part-of-india ethos/articleshow/73818894.cms
[47] https://www.indiaspend.com/top-12-corporate-npas-cost-exchequer-twice-as-much-as-farm-loan-waivers/

under the Income-tax Act availed by Corporates

| Financial Year | Revenue Forgone (in Rs. crores) |
|---|---|
| 2014-15 | 65,067.21 |
| 2015-16 | 76,857.70 |
| 2016-17 | 86,144.82 |
| 2017-18 | 93,642.50 |
| 2018-19* | 108,785.41 |

**Total Revenue Foregone for FY 2018-19 is projected revenue foregone as provided in the receipt budget for FY 2019-20.*

Giving details about the benefits/exemptions given by the Government to each corporate in doing business in India, the listed the following:

| | FY 2018-19 (Projected) (₹ in crore) |
|---|---|
| Accelerated Depreciation | 67,758.18 |
| Deduction for units located in SEZs | 24,300.22 |
| Deduction for undertakings in the power sector | 15,478.23 |
| Deduction/weighted deduction for scientific research | 7,936.82 |
| Deduction for development of infrastructure facilities | 7,948.38 |
| Deduction for undertakings set-up in Sikkim | 2,696.26 |
| Deduction for undertakings set-up in Uttarakhand | 2,089.14 |
| Deduction for undertakings set-up in North Eastern States | 1,384.28 |
| Deduction for production of mineral oil and natural gas | 1,275.60 |
| Investment-linked deduction for specified business | 2,068.66 |
| Deduction for developers of SEZs | 1,815.44 |
| Deduction for donations to charitable entities | 2,160.90 |
| Other Deductions | 2,574.01 |
| Total | 1,39,486.12 |
| Less: Collection through MAT | 30,700.70 |
| **Total Revenue Foregone** | **1,08,785.41** |

While the Survey is very worried about the farm loan waivers, it is silent on these waivers to corporations, which is affecting the economy in a much larger scale.

# EASE OF DOING BUSINESS: ONE SIZE FIT ALL SOLUTION

Tani Alex

According to the Economic Survey of India, India has come much higher in ease of doing business rankings globally, within the last few years (Volume 1, Chapter 6). Yet, starting a business, registering property, paying taxes and enforcing contracts need to be improved. India has been compared with China, Brazil and Indonesia as its peers and New Zealand (who currently ranks one in EoDB[48]) as its competitor based on the lagging parameters. It takes half a day with a single form in New Zealand to start a business with a single window agency, while presently it requires 18 days in India to do the same (compared to 30 days in 2009). In Hong Kong, [another topper in EoDB rankings] it takes two months to obtain construction permit as compared to India where it takes four months (improved over the last 5 years). Meanwhile China fares better than India in all the parameters. Extensive comparisons among these countries have been shown in this chapter on procedures, number of days, number of payments, the number of taxes among EoDB parameters among many others.

Density of laws, rules and statutory requirements for compliance for manufacturing and service sectors have been highlighted to bring changes to the parameters in ease of doing business, in order for India to come in the top 50 of the World Bank anchored EoDB list. Government Control vs Private Partnership is also highlighted wherein India's clearance agencies are government owned while New Zealand's is private third party.

The 'complex' architecture of Indian Governance Framework is a hurdle for entrepreneurs in India, the Survey says. For example, the Manufacturing Sector company alone will need to comply to 51 different Acts with 6796 compliance items. The Service sector hurdles have been enumerated employing the example of opening a restaurant in India. - The number of approvals required for the license vary in different cities and in number of days, etc. The example used here is horrendous - the number of documents needed to be submitted to Delhi Police for

[48] https://www.doingbusiness.org/en/rankings

opening a restaurant is 45, while for acquiring arms it is 19 and for fireworks it is 12!

In logistics and supply chain, India lags far behind - inefficient logistics pathways, long duration to reach the port, India' s 80% market export value comes from small enterprises and the turn-around time. Suggestions for reducing procedural and documentation requirements, digitalization, single window clearance for export/import via Indian ports have been given in the Survey, since most of the delays in trade happen due to complex, multiple agency approval based border or port handling processes along with poor infrastructure. Towards this idea, ESI has given case studies in India's timeline logistics for exporting as well as importing apparel, carpets and electronics. The studies also found that airport processes in India are vastly superior to its ports, for both imports and exports. (One wonders here about the recently announced Union Budget promise by the Finance Minister for 100 more airports within the next few years).

It is mentioned in the Survey that GST and IBC propelled India's initial rankings to go high. What pushed India towards an economic catastrophe is ironically applauded! In the guise of all the suggestions and reforms given under 'swift' development, 'seamless' integration of businesses, logistics and trade, and 'cleaning up and rationalising' one segment at a time - what the Survey fails to address is the unbearable consequences these reforms will bring about in Indian communities and its natural resources in the name of policy changes. Be it in forests, inland, mainland, seas, rural or urban areas, slums, streets, irretrievably affecting the livelihood, safety, dignity and rights of the people.

Anchored by the World Bank to help developing economies with private investments and global financial flows, the EoDB report and rankings is influenced by the agenda of the World Bank and other International Financial Institutions, which have a huge bearing on the ground. These changes come through policy changes- be it in the Forest Rights Act, which the forest-dwelling communities are fighting, the FDI in retail which the hawkers are resisting or the changes brought in urban construction norms, which the urban groups are challenging. Same is the case with banking sector reforms and insolvency processes and also the changes in labour regulation which are directly affecting the safety and rights of the people working in the factories. Two years ago, the Prime

Minister said at WEF that 1200 laws have been repealed, and that the Government is set to reform, perform and transform. With 7000 cumulative reforms already done for states to better perform in rankings, it was a mandate of the new ruling Government to bring India to the top 50 in the index. These reforms were not just limited to single window clearances, reducing time for obtaining approvals or for better integrating digital technology - rather it also meant 'reforms in reducing regulatory oversight by allowing third-party inspections or self - certifications, auto-approvals, and relaxing environmental compliances, labour laws and timelines for Debt Recovery Tribunals.'[49]

The Gujarat Land Acquisition Bill of 2016 that dilutes the stringent provisions of Right to Fair Compensation and Transparency in LARR Act 2013 also did away with the Social Impact Assessment and consent for acquiring land parcels for public projects. This is a best example cited by critics. The Bill empowers the government or its entity to acquire land up to 1 km on both sides of the designated railway tracks or roads to set up industrial corridors. This leads to forceful acquiring of land and transfer to corporates. This is the best cited EoDB model as well by the Department for Promotion of Industry and Internal Trade, which helps different states in India to better perform in inter-state rankings.

The Ministry of Environment, Forest and Climate Change had issued many amendments over the past few years, including 60 amendments in green clearances[50] in the name of doing business. This included doing away with clearances for industries inside SEZs, Ports and National Investment and Manufacturing Zones. The Forest Advisory Committee (FAC) was asked by the PMO not to impress any conditions on the State Governments and restrict the clearances to only those whom the project agency can deliver. On forest clearance, the PMO ordered 18 changes. One of these said in case forestland has already been diverted for projects, if any additional facilities come up, developers should not be asked to secure fresh forest clearances under the Forest Conservation Act, 1980. In fact, the PMO has undertaken fast-tracking of approval and resolving issues for large public, private and PPP model projects.

[49] https://www.cenfa.org/wp-content/uploads/2018/06/Trap-of-Doing-Business-Rankings.pdf

[50] https://www.business-standard.com/article/economy-policy/pmo-ordered-60-changes-to-green-clearances-environment-ministry-delivered-on-most-115012001495_1.html

The first tenure of the Modi government saw a slew of measures introduced to simplify the process by which environmental clearances are granted under the Environment Protection Act (1986). At a larger level, it tried to provide a time-bound delivery of such clearances to applicants through standardised processes. At a more micro-level, it responded to requirements of specific industrial sectors to tweak particular provisions and standards. Last year, the Modi government had proposed a more substantial rewriting of the key enabling notification called the Environment Impact Assessment of 2006. The proposal faced much criticism from environmentalists for significantly diluting the spirit of the Environment Protection Act (EPA)[51].

What has been changing in the Labour sector meanwhile, is the doing away with the safety, dignity, and rights of the employees in the name of ease of doing business. India had been long criticised by corporates, the IMF and the World Bank as well for its strict labour laws and the regulatory business environment. Various factors like hiring and firing workers, removing legal protection of labourers, employment conditions, easy contracts, fixed minimum wage, premiums for overtime work, severance pay, affect the index in labour. The Government decided to consolidate the existing 44 labour laws into 4 Labour Codes - which was hurriedly introduced in the last day of monsoon session of Parliament in 2017. The International Confederation of Trade Unions has raised protests that these parameters were being used to drive "one-sided and harmful approach to labour market reforms in developing and transition economies while ignoring its costs".[52] More analysis on the "trap of these rat races", in doing business has been extensively done in 'Trap of Doing Business Rankings' by Maju Varghese in 2018.

Though an Independent Review Panel in 2012 recommended reforms to the Doing Business Rankings and mentioned that one-size fits all logic cannot be used in development, this Survey continues to influence policies and decisions made by the governments, without democratic engagement, participation and oversight.

[51] https://www.rediff.com/business/report/reimagining-environmental-governance-wont-be-easy/20190530.htm
[52] https://www.cenfa.org/wp-content/uploads/2018/06/Trap-of-Doing-Business-Rankings.pdf

This analysis of the Economic Survey of India 2019-2020 is an attempt to help common people and activists understand the document, as well as the budget 2020 better, in the light of what is said in the Survey.

Privatisation, PPP model, bank mergers / privatisation of banks, dismantling of PSUs etc and all that which is reflected in the Budget 2020 have found ample arguments in favour in the Survey, backed up by data.

The Survey is rarely looked into in detail, for it is presented only a day before the budget. However, to understand the government outlook on economy, it is imperative to understand what is there.

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