

## Indian Economy on the Eve of Union Budget 2020-21

For more than three-fourths of known economic history, India has been the dominant economic power globally. Such dominance has been 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.

The Economic Survey shows that contemporary evidence following the liberalization of the Indian economy support the economic model advocated in country's traditional thinking. The exponential rise in country's GDP and GDP per capita post liberalisation coincides with wealth generation in the stock market. Similarly, the evidence across various sectors of the economy illustrates the enormous benefits that accrue from enabling the invisible hand of the market. Indeed, the Survey shows clearly that sectors that were liberalized grew significantly faster than those that remain closed. The events in the financial sector during 2011-13 and the consequences that followed from the same illustrate the second pillar - the need for the hand of trust to support the invisible hand.

The Survey posits that India's aspiration to become a USD5 trillion economy depends critically on strengthening the invisible hand of markets together with the hand of trust that can support markets. The invisible hand needs to be strengthened by promoting pro-business policies to provide equal opportunities for new entrants, enable fair competition and ease doing business; eliminate policies that undermine markets through government intervention even where it is not

necessary; enable trade for job creation and; efficiently scale up the banking sector to be proportionate to the size of the Indian economy. Introducing the idea of “trust as a public good that gets enhanced with greater use”, the Survey suggests that policies must empower transparency and effective enforcement using data and technology to enhance this public good.

Economic Survey has provided a clear direction in the economic thought process of the government and its determination to achieve a USD 5 trillion economy. India's GDP growth moderated to 4.8% in H1 of 2019-20, amidst a weak environment for global manufacturing, trade and demand. According to CSO's first Advance Estimates, GDP growth for 2019-20 is estimated at 5%. The Economic Survey 2019-20 pegs India's growth at 6-6.5% in FY2021 with growth revival expected from second half of FY2021.

**Please find enclosed the detailed report on Indian Economy on the Eve of Union Budget 2020-21 for your kind reference.**

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