

ACCESS TO NUTRITION AND ELECTRICITY RESULT IN HIGHER GROWTH RATE IN GDP: ECONOMIC SURVEY 2019-20

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Ministry of Women and Child Development

Access to Nutrition and Electricity Result in Higher Growth Rate in GDP: Economic Survey 2019-20

Service Sector Overtakes Manufacturing, Infrastructure and Agriculture Survey Says the Level and Growth of GDP Informs Several Policy Initiatives

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The Economic Survey 2019-20 has stated that the access to Nutrition and Electricity resulted in higher growth rate in India's Gross Domestic Product (GDP) and new firm creation in Service Sector is far greater than that in Manufacturing, Infrastructure or Agriculture. The Survey was tabled by the Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman, in the Parliament, today.

Saying that the GDP growth is critical variable for decision-making by investors as well as policymakers, the Economic Survey highlighted the recent debate about whether India's GDP is correctly estimated following the revision in estimation methodology in 2011 is extremely significant. The Survey carefully examined the evidence, leveraging existing scholarly literature and econometric methods to study whether India's GDP growth is higher than it would have been and concluded that using careful statistical and econometric analysis, it finds no evidence of miss-estimation of India's GDP growth.

The Survey highlighted the need to invest in ramping up India's statistical infrastructure is undoubted. It also said that India has made impressive improvements in several social development indicators.

The Survey discusses about countries differ in several observed and unobserved ways, cross-country comparisons have to be undertaken with care to separate out the effect of other confounding factors and isolate the effect of the methodology revision alone on GDP growth estimates.

The Survey observed that India has taken several initiatives to foster investment like relaxing FDI norms, cutting corporate taxes, containing inflation, accelerating infrastructure creation, improving ease of doing business or reforming taxation etc. As India is one of the fastest growing economies in the world, investors see an unparalleled opportunity here, it said. The level and growth rate of a country's GDP informs several critical policy initiatives by serving as a

barometer of the country's size and health, it added.

The Survey critically discussed the micro-level evidence which examined new firm creation in the formal sector across 504 districts in India. The granular evidence shows that a 10 per cent increase in new firm creation increases district-level GDP growth by 108 per cent, it added.

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