



Ministry of Finance

# Economic Survey advocates reforms to unleash economic dynamism and social justice

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India needs an evolution in the underlying economic vision across the political spectrum and further reforms are not just a matter of overcoming vested interests that obstruct them. This was stated in the Economic Survey 2016-17 presented in the Parliament today by the Union Finance Minister Shri Arun Jaitley.

The Survey lists the some of the challenges that might impede India's progress. These challenges are classified by the Survey as follows: ambivalence about property rights and the private sector, deficiencies in State capacity, especially in delivering essential services and inefficient redistribution.

The Survey highlights difficulties in privatizing public enterprises, even for firms where economists have made strong arguments that they belong in the private sector. In this context, the Survey points towards the need to further privatize the Civil Aviation, Banking and Fertilizer sectors.

The Survey points out that the capacity of the State in delivering essential services such as health and education is weak due to low capacity, with high levels of corruption, clientelism, rules and red tape. At the level of the states, competitive populism is more in evidence than competitive service delivery, the Survey adds. Constraints to policy making due to strict adherence to rules and abundant caution in bureaucratic decision-making favours status quo, the Survey cautions.

According to the Survey, redistribution by the government is far from efficient in targeting the poor. This is intrinsic to current programs because spending is likely to be greatest in states with better institutions and which will therefore have fewer poor.

The Survey notes that over the past two years, the government has made considerable progress toward reducing subsidies, especially related to petroleum products. Technology has been the main instrument for addressing the leakage problem and the pilots for direct benefit transfer in fertilizer represent a very important new direction in this regard, the Survey adds.

Noting that India has come a long way in terms of economic performance and reforms, Economic Survey 2016-17 says that there is still a journey ahead to achieve dynamism and social justice. Completing this journey will require broader societal shifts in the underlying vision, the Survey adds.

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