

Economic Survey

2018-19



Key highlights of Economic Survey 2018-19

Pathways for trickle-down have opened up in Indian economy in the last 5 years

India needs **8%** annual GDP growth till 2024-25 to become the 3rd largest economy

In 2019-20, the Indian economy is expected to record economic **growth of 7%**

Virtuous Cycle of savings, investment and exports required for sustainable growth

Indian Economy is estimated to have grown by **6.8%** during fiscal year 2018-19

In 2018-19, India reported **8%** year-on-year rise in exports to reach **US\$535.5* bn**

Private investment is a key driver for growth, demand, capacity, jobs, technology

GDP growth during the last five financial years topped **7.5%** defining a new normal

Economic Survey 2018-19 departs from traditional Anglo-Saxon thinking by viewing the economy as being either in a virtuous or a vicious cycle, and thus never in equilibrium.

Key components for a self-sustaining virtuous cycle:

- Presenting data as a public good
- Emphasizing legal reforms
- Ensuring policy consistency
- Encouraging behavior change using principles of behavioral economics
- Nourishing MSMEs to create more jobs and become more productive
- Reducing the cost of capital
- Rationalizing the risk-return trade-off for investments

Policy for Real People, Not Robots

Leveraging the Behavioral Economics of “Nudge”

- Decisions by real people deviate from impractical robots theorized in classical economics
- Behavioral economics provides insights to ‘nudge’ people towards desirable behavior
- Key principles of behavioral economics:
 - Emphasizing the beneficial social norm
 - Changing the default option
 - Repeated reinforcements

Using insights from behavioral economics to create an aspirational agenda for social change:

- From **‘Beti Bachao Beti Padhao’** to ‘BADLAV’ (Beti Aapki Dhan Laks hmi Aur Vijay Lakshmi)
- From **‘Swachh Bharat’** to ‘Sundar Bharat’
- From **‘Give it up’** for the LPG subsidy to ‘Think about the Subsidy’
- From **‘Tax evasion’** to ‘Tax compliance’

Reorienting policies for MSME Growth

- Enabling MSMEs can help achieve greater profits, job creation and enhanced productivity
- Dwarfs (firms with less than 100 workers) despite being more than 10 years old, account for more than **50%** of all organized firms in manufacturing by number
- Contribution of dwarfs to employment is only **14%** and productivity is a mere **8%**
- Large firms (more than 100 employees) account for **75%** employment and close to **90%** of productivity despite accounting for about **15%** by number

Plan to
strengthen
MSMEs by:

A sunset clause
of less than 10
years, with
necessary
grand-fathering,
for all size-based
incentives

Deregulating
labor law
restrictions to
create
significantly
more jobs, as
evident from
Rajasthan

Re-calibrating
Priority Sector
Lending (PSL)
guidelines for
direct credit flow
to young firms in
high employment
elastic sectors

Data “Of the People, By the People, For the People”

- Society’s optimal consumption of data is higher than ever given technological advances in gathering and storage of data
- As data of societal interest is generated by the people, data can be created as a public good within the legal framework of data privacy
- Government must intervene in creating data as a public good, especially of the poor and in social sectors.
- Merging the distinct datasets held by the Government already would generate multiple benefits



Inclusive Growth through Affordable, Reliable and Sustainable Energy

2.5X increase in per capita energy consumption needed for India to raise per capita GDP

4X increase in per capita energy consumption needed for India to achieve 0.8 HDI score

India now stands at **4th** in wind power, **5th** in solar power and **5th** in renewable capacity

+ US\$7.3* bn saved and 108.3 mn tonnes of CO2 emissions reduced by energy efficiency

Share of renewable in total power generation rose from 6% in 2014-15 to **10%** in 2018-19

Thermal power still plays a dominant role at **60%** share, likely to continue until 2030

Market share of electric cars only **0.06%** in India, while it is 2% in China and 39% in Norway

Access to fast battery charging needed to increase the market share of electric vehicles

Thank You



Ministry Of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
& STATES
DIVISION