

# 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 Lakshmi 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