

RGICS TALK SERIES on BUDGET 2019-20: EXPERT INSIGHTS

MOVING TOWARDS 5 TRILLION DOLLARS IN THE NEXT FEW YEARS: PROSPECTS AND CHALLENGES A TALK BY DR SUBHASHIS GANGOPADHYAY

- The first budget of the new government was expected to maintain continuity of action undertaken in the earlier government (as the ruling coalition has remained unaltered) and lay down a plan to consolidate gains made in the previous five years and offer a road map for a bigger push to the economy over the next five years.
- Therefore, it was expected that we will finally see some long term planning in India.
- Indian policy makers are obsessed with GDP growth rate & fiscal deficit, while making policy decisions.
- Major reason behind the decline in investment is not lack of funds but something more fundamental to the economy which cannot be addressed by relaxing restrictions in financial market, as overseas investments by Indians have been rising.
- The biggest challenge faced by the Indian economy requires skilling of the youth, as median age of population is 26 years. To make the situation worse, the ones who are well trained are going abroad.
- In India, we get education loans for education abroad but not in India.

- Studies across the world have shown that peer effects bear both positive & negative effects on human capital accumulation.
- Rapid technological change, coupled with globalization and demographic developments, require India to prioritize human capital as a key strategy. This transformation will have to be driven by human capital, innovation and investment, in that order.
- Much of this will have to be undertaken by private citizens and businesses. For this to happen, state and central governments have to create an enabling environment.
- One way to facilitate things on the ground is, of course, to improve connectivity, both physically and virtually. The central government's focus on investments in physical and digital infrastructure is, therefore, a good one.
- Phenomenon of Hiring & Firing is misunderstood by Indian policy makers. In US, above phenomenon exists because there is no dearth of highly skilled labour.
- The most important thing in this, however, is the growth of human capital. Societies are not transformed by creative laws and budgetary expenditures, unless they galvanize the young to acquire knowledge, innovate and apply their knowledge and skills to local problems.
- Agriculture in India cannot grow linearly. Any intervention that increases productivity will cause prices to fall.
- Studies have shown that food grains in India have inelastic demand. Therefore, if you produce more, prices will fall by so much that revenue will fall.
- Over the years, studies have shown that proportion of small farmers have been increasing who earn less from cultivation but more from livestock & other

- activities. On the other hand, proportion of large farmers is falling, who earn more from agriculture. Hence, the only way to improve the standing of agriculture in India is to reduce the people engaged in agriculture to half.
- Autonomous institutions such as IITs & IIMs with less than 3% of total students grab more than 50 per cent of the central government's funds for higher education, while the remaining 97% of students attend 865 higher educational institutes in the country and get less than half the government funds.
- In India, the period from mid 1990s to 2004 marked the inception of PPPs, with infrastructure being the focus sectors. The country however, experienced limited success due to absence of a mature PPP framework. Subsequently during 2004-12, with the government laying foundation for a mature PPP framework, by formulating guidelines and standardization of documents for PPP projects, the country experienced a spurt in award of PPP projects.
- But, in all developed countries, 80% of infrastructure is built by government & public sector.
- In Indian PDS (Public Distribution system) aimed at achieving food security not for providing subsidy to poor people. States such as Tamil Nadu, Kerala & Himachal Pradesh with most effective PDS are universal in their ambit.