

'Inclusive economic growth needs push for capex, job creation'

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RUCHIKA CHITRAVANSHI

Macroeconomic stability, coupled with increased employment, entrepreneurship, and higher capital expenditure (capex), is crucial for achieving inclusive economic growth in India, according to a panel of economists at the *Business Standard* BFSI Insight Summit in Mumbai on Monday.

While discussing whether inclusive economic growth remains elusive, various economists also noted that concerns about inclusivity are global and that India has made significant structural transformations over the past four to five years to address this issue.

Highlighting the positive aspects, Soumya Kanti Ghosh, group chief economic advisor at State Bank of India, pointed out that per capita incomes in approximately 29 states over the past decade have shown a narrowing gap between the largest and smallest states. He also mentioned that 13.6 per cent of taxpayers' total income has moved from below the ₹5 lakh threshold to above it.

Ghosh observed, "Marginalised individuals are also becoming integrated into the credit system. The most encouraging development currently is that the formalisation of deposits is leading to a significant acceleration in the formalisation of credit."

Samiran Chakraborty, managing director (MD) and chief economist at Citi Research, emphasised that it is natural for income inequalities to worsen during periods of high gross domestic product growth in the country. Supply-side shocks such as Covid-19 exacerbate income inequality.

Chakraborty explained some of the reasons behind income inequalities, noting that employment in manufacturing had declined by 15 per cent compared to pre-pandemic levels, while it had increased in the construction sector, which generally offers lower wages. There has also been a greater increase in the number of self-employed individuals compared to salaried workers.

Chakraborty added, "Self-employed individuals typically earn less than salaried workers. Inequalities should not reach a level where they start having socio-political implications."

Sonal Varma, MD and chief econo-



(From left) Aditi Nayar, chief economist, ICRA; Abheek Barua, chief economist, HDFC Bank; Sonal Varma, MD and chief economist-India and Asia ex-Japan, Nomura; Soumya Kanti Ghosh, group chief economic advisor, State Bank of India; Samiran Chakraborty, MD and chief economist, Citi Research; and Sajjid Chinoy, MD and chief economist, JPMorgan

PHOTO: KAMLESH PEDNEKAR

mist for India and Asia ex-Japan at Nomura, highlighted that one way to achieve inclusive growth is by promoting entrepreneurship, which not only generates employment but also enables individuals to create more jobs and assets over time.

"I would advise the government not to be tempted by short-term fixes, such as using protectionism to boost domestic industry. We have a rather unsavoury history of that. It's essential to choose the right path," said Abheek

Barua, chief economist at HDFC Bank. Varma also emphasised that inclusive growth is a global challenge, extending beyond income.

"It's a multidimensional concept. We also need to consider access to health care, education, employment opportunities, entrepreneurial prospects, and financial inclusion," Varma added.

Discussing the rural-urban divide, Varma mentioned that rural terms of trade have shown a moderation in the past six to seven years. She stressed the importance of uplifting sectors that are not contributing to growth, which is currently largely driven by public capex.

"We need private capex to kick in for this growth to be more sustained over the medium term," Varma said.

Echoing a similar sentiment, Aditi Nayar, principal economist at ICRA, suggested that the government should adhere to the medium-term fiscal consolidation plan while also creating more room for capex to ensure that the momentum in infrastructure development continues as seen in the past couple of years.

Chakraborty added that including social housing within the public sector

capex would also help alleviate the inequality problem, as this sector exhibits the highest employment elasticity.

Addressing the challenge of technology, Sajjid Z Chinoy, MD and chief economist at JP Morgan, pointed out that with every industrial revolution, the share of capital increases while the share of labour decreases. He stated that China has focused on technology, vacating a significant amount of global space in labour-intensive, low-skilled manufacturing jobs, and India should seize this opportunity.

I DO BELIEVE FISCAL DEFICITS WILL BE MET. INFLATION WILL BE IN THE BAND, AND WE WILL BE BUILDING BUFFERS

SAJJID CHINOY
MD and chief economist, JP Morgan



INCLUDE SOCIAL HOUSING WITHIN THE PUBLIC-SECTOR CAPEX. THIS SECTOR HAS THE MAXIMUM EMPLOYMENT ELASTICITY THAT WILL SOLVE THE INEQUALITY PROBLEM

SAMIRAN CHAKRABORTY
MD and chief economist, Citi Research



INDIA'S DOMESTIC MACROS ARE WELL POSITIONED. THE ASPIRATIONAL YOUNG WILL KEEP DEMAND HIGH AS LONG AS THEY HAVE MEANINGFUL EMPLOYMENT

ADITI NAYAR
Chief economist, ICRA



WE NEED TO ACCEPT THAT THERE HAS BEEN A LOT OF STRUCTURAL TRANSFORMATION, AND THESE NUMBERS WILL SHOW UP ON GDP

SOUMYA KANTI GHOSH,
Group chief economic advisor, SBI



WE ARE IN A WORLD WHERE CRISIS IS THE NEW NORMAL... I DON'T KNOW IF WE ARE REALLY PREPARED FOR A WORLD THAT LURCHES FROM CRISIS TO CRISIS

ABHEEK BARUA
Chief economist, HDFC Bank



TECHNOLOGY, GLOBALISATION, AND FINANCIALISATION HAVE RAISED INCOME INEQUALITY

SONAL VARMA
MD and chief economist-India and Asia ex-Japan, Nomura



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