

Real Engines of Indian Economic Growth

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1

Contribution to National Income

2008-2009 [est.]

- Agriculture 20%
- Government 20%
- Private Corporate 15%
- Partnership/Proprietorship 45%

The idea of

Organized /Unorganized—Terminological Terrorism

Residual

In USA Corporate plus Government is 85%

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2

Service Sector--Fastest Growing Activities

Service Sector share is 64%

It is not just IT

- Construction
- Trade—Whole Sale/ Retail
- Transport [other than Railways]
- Hotels / Restaurants
- Real Estate /Ownership of Dwellings and business services
- Other services [professional etc]

Many are Growing at 8 to 11 % Real Growth rates

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3

Who is Saving and Financing This Growth

- Gross Domestic savings 38%
- [Household sector Share in savings –75%]
- They save 75 % in Banks/PF/Insurance etc
- Around 8-10 % in Stock Market

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- Domestic Investment 40%--41%
 - Foreign Flow Contribution 2 to 3%
 - It is Domestic Consumption /Domestic Savings Driven

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4

India Uninc –Unsung heroes

Issues

- Bribe Tax [Every Truck operator pays at least Rs 1 L per year as bribe]
- Credit [Trade Financing about 70% from Non-Bank Sources at twice or more-- the bank rate]
- A money lender can lend but not borrow!!
- Old age Social Security
- MNC entry—Unequal field

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5

Looking Ahead

- Society is Functional Government is Dis-functional
- Government reacts to two stimuli
Bribes/Terror
- Family / Community driven growth
- No point in imitating Failed Models
- Beyond Marx and Market

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6

Share of Different sectors in National Income

Category	1980-81	1990-91	1995-96	2003-04	2007-08
Organised					
Govt.	17.50	23.90	23.00	22.4	19.4
Private	12.50	12.30	16.60	18.2	23.5
Unorganised					
Agriculture	38.08	31.46	28.90	21.4	17.5
Other activities	31.92	32.34	31.50	38.0	39.6
Total	100.00	100.00	100.00	100.00	100.00

Note: (1) Agriculture does not include Government and corporate Agriculture. They are included under respective shares as part of organized. These are based on NDP at factor cost and current prices. (2) Nearly 2% of the Private organized [in Manufacturing] is due to Non-Corporate sector. Hence the share of Non-corporate in the Economy is nearly 40% and Corporate is around 16%.

Source: National Accounts Statistics [NAS], 1997, 2002,2004,2005,2006, Central Statistical Organization [CSO] –New Delhi. For 2007-08, for Govt data – Statement 24 – net product of public sector; for private sector data – 17(b) – Share of factor incomes by org and unorg sectors; for Agriculture data - 76.3 – Ag, For, Fishing data * 17(c) distribution of FI by broad industry groups in org and unorg sectors, NAS 2009

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7

US Economy [Bn. USD]

Category	2003	2004	2005	2006	2007	2008
Corporate Business	6479 [59]	6914 [59]	7357 [59]	7861 [60]	8195 [59]	8182 [57]
Total GDP	10971 [100]	11734 [100]	12486 [100]	13195 [100]	13808 [100]	14265 [100]

Note: Figures in brackets are percentages to total.

Source: For 2007 & 2008 Table 1.3.5 pp D 7 and Table 1.14 pp D 17, Survey of Current Business, April 2009; for the year 2003 and 2004, of Table 1.3.5 pp D 7 and Table 1.14 pp D 17 Survey of Current Business, Vol. 85 Bureau of Economic Analysis –US Department of Commerce

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8

Share of National Income [Percentage Share]

Category	1993-94	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and forestry, fishing	32.9	22.2	20.3	20.2	19.2	19.2
Mining, Manufacturing Electricity	18.3	16.8	17.6	17.4	17.7	17.3
Services	48.8	61.0	62.1	62.7	63.1	63.5
Total	100	100	100	100	100	100

Note: We have included construction as part of services; at current prices.

Source: National Accounts Statistics [NAS]—2006, Central Statistical Organization [CSO], for 2007-08 data, Stt 13.1 pp 22, NAS 2009

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9

Share of Non-Corporate Sector in Service Activities [%]

Category	1993-94	2007-08
Construction	51.1	57.0
Trade, Hotels and Restaurant	88.8	76.7
Non-Railway Transport	68.9	81.4
Real estate, Business Services	94.2	61.1
Other Services	34.3	48.2

Source: Stt 76.3, pp 184, National Accounts Statistics [NAS]—2009, Central Statistical Organization [CSO], GOI, New Delhi (at current prices)

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10

NDP and Growth Rate in different Activities 1999-2000 to 2007-08[Rs.Crore and %]

Category	1999-00	2007-08	Growth Rate
Agriculture and Allied activities	424952	522535	2.62
Manufacturing	207186	355367	6.98
Of which			
Organized	129469	229754	7.43
Unorganized [Non-Corporate]	77717	125613	6.18
Construction	102364	218897	9.97
Trade Hotels and Restaurant	248337	486075	8.76
Of which			
Trade	227746	440531	8.60
Hotels and Restaurant	20591	45545	10.43
Non-Railway Transport	68120	129434	8.35
Real Estate, Ownership of dwellings and Business Services	110803	194718	7.30
Other Services	139652	238111	6.90
Total NDP [including other Activities]	1605103	2779648	7.10

Note: The NDP figures are at 1999-00 prices and the growth rate is the geometric average growth rate at constant 1999-2000 prices during the period. It is computed from the NAS 2009

Source: Stt 12, Pp 21, National Accounts Statistics [NAS] 2009, Central statistical Organization [CSO], GOI, New Delhi

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11

Savings Rate and Contributions by Different Sectors[%]

Items/Year	1970-71	1980-81	1990-91	2000-01	2004-05	2005-06	2007-08
GDS [as of % GDP]	14.6	18.9	23.1	23.7	31.8	34.2	37.7
Govt.	2.9	3.4	1.1	(2.0)	2.2	2.4	4.5
Pvt. Corporate	1.5	1.6	2.7	3.4	6.6	7.7	8.8
Household	10.1	13.8	19.3	22.1	23.0	24.1	24.3

Note: GDS: Gross Domestic Savings; GDP: Gross Domestic Product, GDP is at current Market prices.

Source: Table 10, pp xxxi of National Accounts Statistics, 2009; CSO.

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12

Savings and Household Sector

(Rs. Crore)

	1994-95	1998-99	2000-01	2004-05	2006-07	2007-08
Gross domestic savings	251463 (24.8)	374659 (21.5)	499033 (23.7)	997873 (31.7)	1475108 (35.7)	1779614 (37.7)
of Which						
Household sector	199358 (79%)	326802 (87%)	454853 (91%)	716874 (72%)	994898 (67.5%)	1150135 (65%)

Source: Table-10; page XXXiX; National Accounts Statistics 2009;CSO

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13

Savings and Foreign Flows

Rs Crore	94-95	98-99	00-01	05-06	06-07[p]	07-08[qe]	08-09
Gross domestic savings [GDS]	251463	374659	497218	1156809	1441423	1779614	
Household sector [% of GDS]	199358 (79%)	326802 (87%)	442136 (89%)	797117 (69%)	985822 [68.4%]	1150135 [64.6]	
Foreign Investment inflow [% of GDS]	16133 (6.4%)	10101 (2.7%)	31015 (6.3%)	94981 (8.2%)	120159 [8.3%]	248017 [13.9]	97863
Of which							
Direct Investment	4126	10358	18406	39674	103367	138276	161481
Portfolio Investment	12007	-257	12609	55307	31713	109741	[63618]

Source: Table-10; page xxxix; National Accounts Statistics 2008;CSO and Table 161/159 -- Hand Book of Statistics on Indian Economy 2009; RBI¹⁴
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14

Composition of House Hold Savings 1950 to 2008 [%]

Item	1950-51	1960-61	1970-71	1980-81	1990-91	2000-01	2005-06	2006-07	2007-08
Gross domestic Savings [GDS] to GDP	8.9	11.6	14.6	18.9	23.1	23.7	32.4	34.8	37.7
House hold Savings [HS] to GDS	69	63	70	73	84	89	69	68	65
Physical Savings [PS] to HS	90	64	70	57	55	51	48	52	52
Financial Savings to HS [FS] to HS	10	36	30	43	45	49	52	48	48
Currency to FS	131	32	25	19	13	7	12	14	15
Net Deposits to FS	-42	2	19	34	22	34	24	30	38
Shares and Bonds to FS	84	15	7	5	17	4	8	11	14
Net Claims on Govt. to FS	-136	12	-1	7	15	18	21	9	-5
Life Insurance to FS	32	11	14	10	11	15	20	22	24
PF and Pensions to FS	31	28	36	25	22	22	15	14	14
Total FS	100	100	100	100	100	100	100	100	100

Source: Economic Survey 2005-06, tab 1.4, pp. S-6 GoI New Delhi & for 2006-07 data - Stt 10 & 18, National Accounts Statistics 2009; CSO

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15

Gold: Consumer Demand 1995-2009

Countries	1995	2000	2005	2007	2008	2009 (till 3 rd Quarter)
India	477	855	722	769	713	234.3
Greater China	427	329	293	365	432	274.0
Japan	272	98	74	-26	-11	17.8
Indonesia	119	107	81	56	59	34.7
Vietnam	36	60	61	78	116	12.5
Middle East	365	498	388	346	346	186.2
Turkey	139	207	248	249	210	66.2
USA	315	396	377	275	267	94.2
Italy	110	78	71*	59*	50*	20.0
U.K	46	65	59*	50*	37*	14.8
Total—Including others	2864.5	3287.9	3091.9	2804.2	3048.4	1217
Gold price (\$/oz)	384.1	279.1	444.5	695.4	872	930.2

Note: 1 Tonne=32,151 troy oz of fine gold; * Jewellery only
Source: World Gold Council—Gold Demand Trends various issues

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16

Share in Trade Financing

National income[Factor cost –current prices]	
–Rs. 38.11 lakh crore [2007-08]	
Share of trade at 16.7%	Rs. 6.36 lakh crore
Share of non-corporate sector was 77.3% or	Rs. 4.92 lakh crore.
Credit Need [based on estimation] at 75%	Rs. 3.69 lakh crore
Financing of trade (non-food credit plus food credit) by banking sector is Rs.98984 crore [54585+44399] which is around 27% of the credit need of the sector[Tab 47 of pp 101 and Tab 48 of pp 102,RBI Handbook of Statistics Oct 2008].	
Around 73% of the financial requirement of non-corporate sector in trade is met by Non Banking sources	

Source: National Accounts Statistics 2009 a) National income & Share of Trade data – Table 12, pp 20; b) Share of non-corporate sector – 76.3; pp 184

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17

Share of different Category of work-force [Million]

Category	Number in Mn. [%]
Number of workers	401
Organised Sector [Govt + Private]	28 [7]
Casual /Contract workers/Self employed	373[93]

Note: Figures in brackets are percentages to Total
Source: Census of India, 2001, Economic survey 2008-2009

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18

**Share of different Category of work-force
[Million]
USA--2000**

Class of worker	Percent
Private Wage and Salary Workers	78.5
Government Workers	14.6
Self-employed: Own unincorporated business	6.6
Unpaid Family workers	0.3
Total	100

Source: US Bureau of Census

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19

Employment in Private Sectors [Lakhs]

Category	1991	1995	2000	2004	2005	2006
Construction	0.73	0.53	0.57	0.45	0.49	0.55
Wholesale and Retail Trade	3.00	3.08	3.30	3.51	3.75	3.87
Transport Storage and Communication	0.53	0.58	0.70	0.81	0.85	0.87
Finance, Insurance and Real estate	2.54	2.93	3.58	4.58	5.23	6.52
Community Social and personal services	14.85	16.03	17.23	17.92	18.2	18.78
Total –including all activities	76.77	80.59	86.46	82.46	84.52	87.71

Note: Coverage in construction on Private account is inadequate

Source: Ministry of Labour- quoted in the Economic survey 2008-09, Table 3.1-Employment in Organised sectors – public and private; pp- A52, GoI New Delhi

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20