

The Growth story of India

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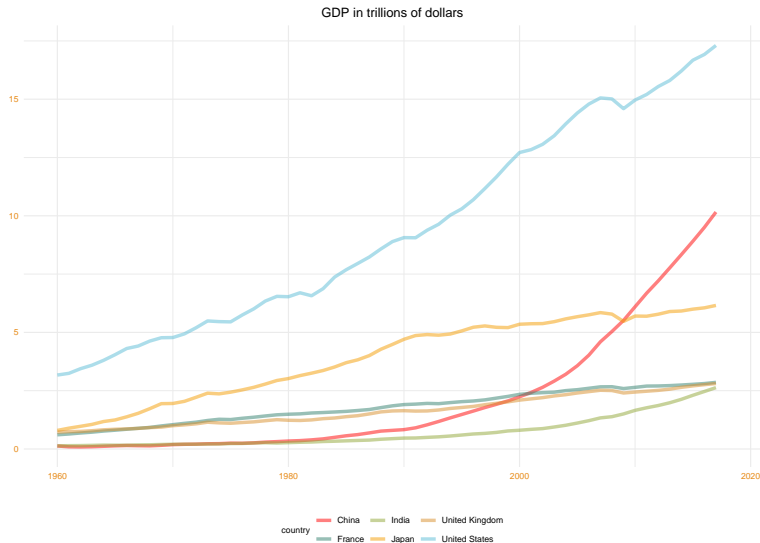
20 March 2019

The Bartlett School of Construction & Project Management

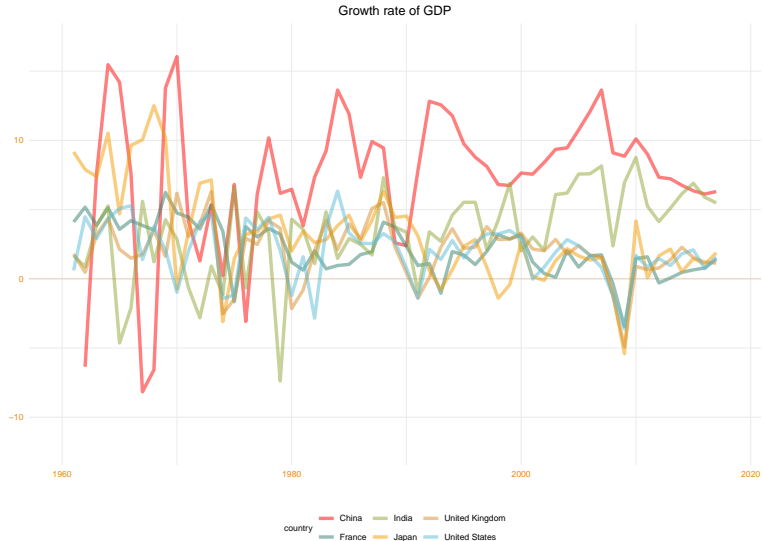


Faculty of the Built Environment
Bartlett School of Construction and Project Management
MSc Construction Economics and Management
MSc Project and Enterprise Management
Module BCPM0008 – Construction Industry Development
Year 2018-19
Event 5
India

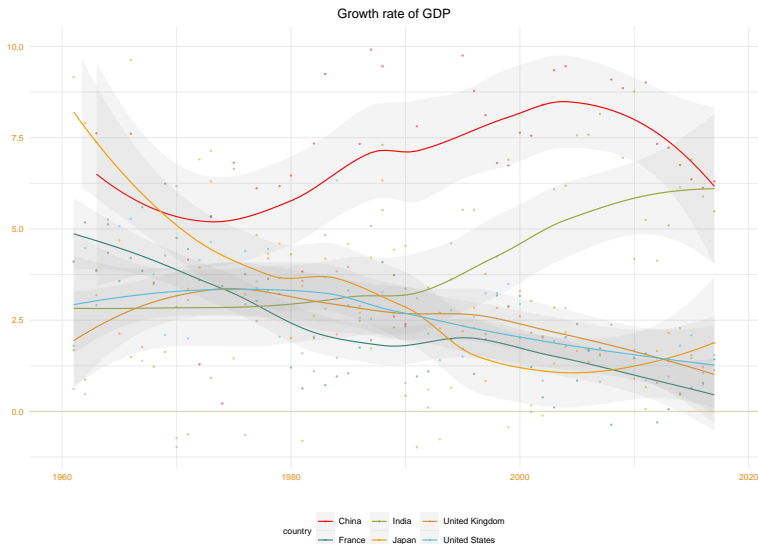
GDP ACROSS THE WORLD



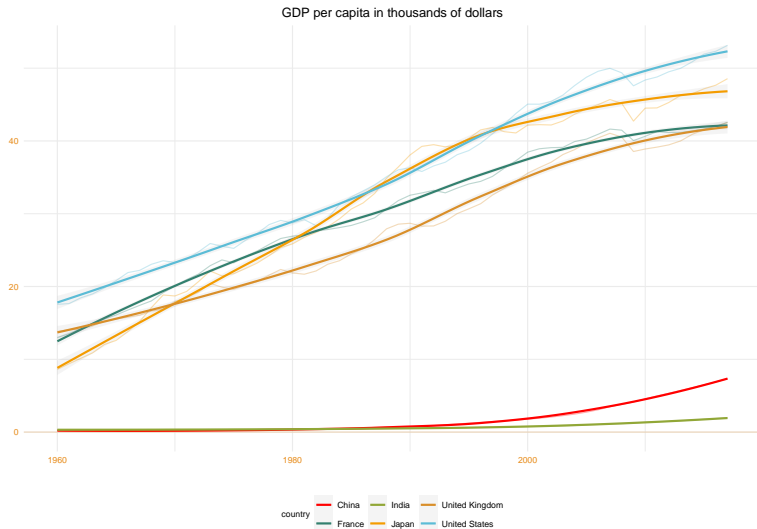
GDP GROWTH RATE ACROSS THE WORLD



GDP GROWTH RATE ACROSS THE WORLD



GDP PER CAPITA



UNDERSTANDING GROWTH

Output is produced using *factors of production*, i.e.,

- *Capital*
- *Labour* (human capital)
- *Technology* (ideas)
- *Public goods* (road, bridges, rule of law, ...)
- *Institutions*

CAUSES OF GROWTH

Proximate causes of growth

- accumulation of factors
i.e., accumulating capital for production

Fundamental causes of growth

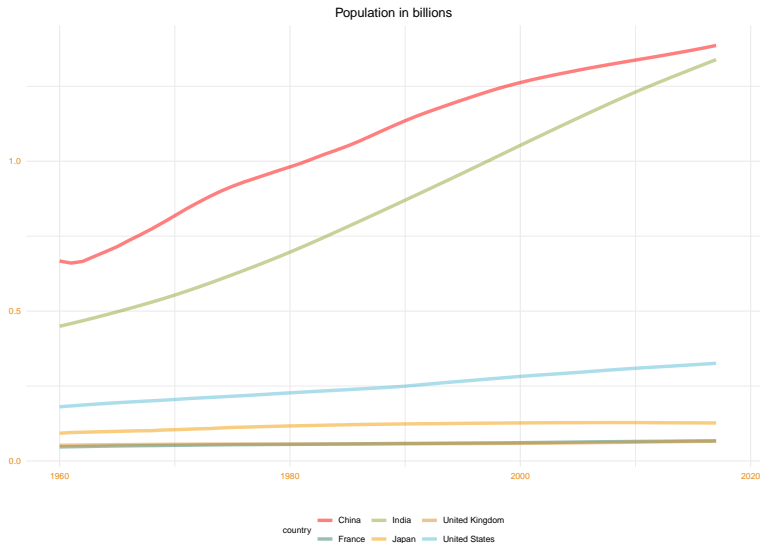
- enabling conditions that facilitate factor accumulation
i.e., factors that facilitate accumulation of capital

Endogeneity of institutions and its effect on growth

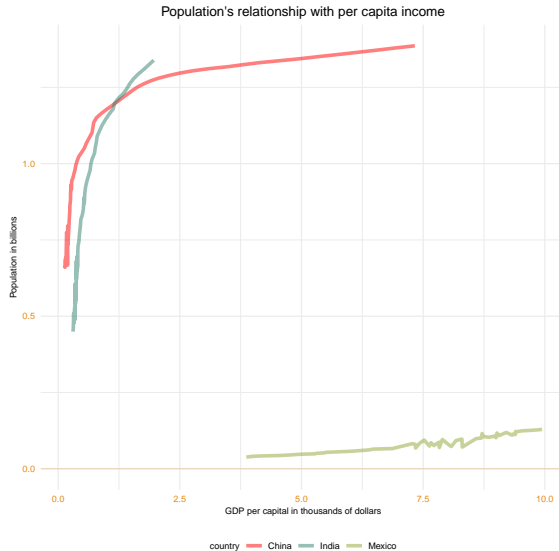
- As circumstances within the country changes, institutions evolves, which in turn changes the circumstances of the country
i.e., fertility rate

Critical to understand how to *start* this process and ensures that it *does not stop* once it is started

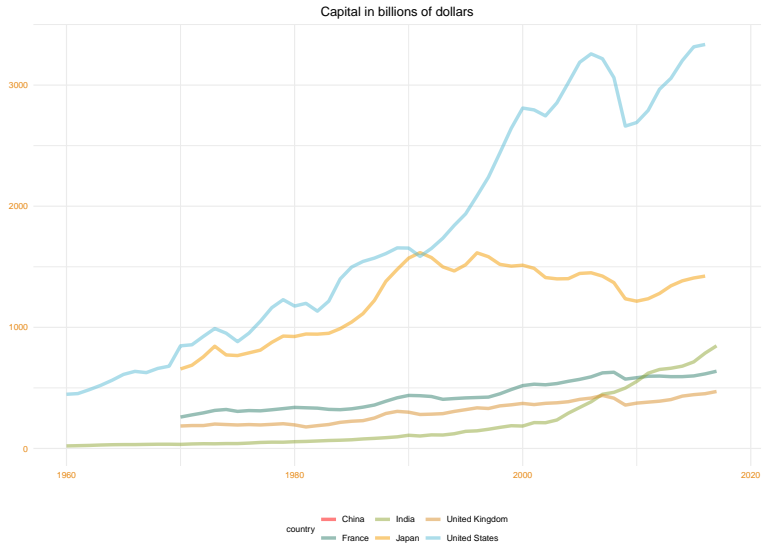
POPULATION



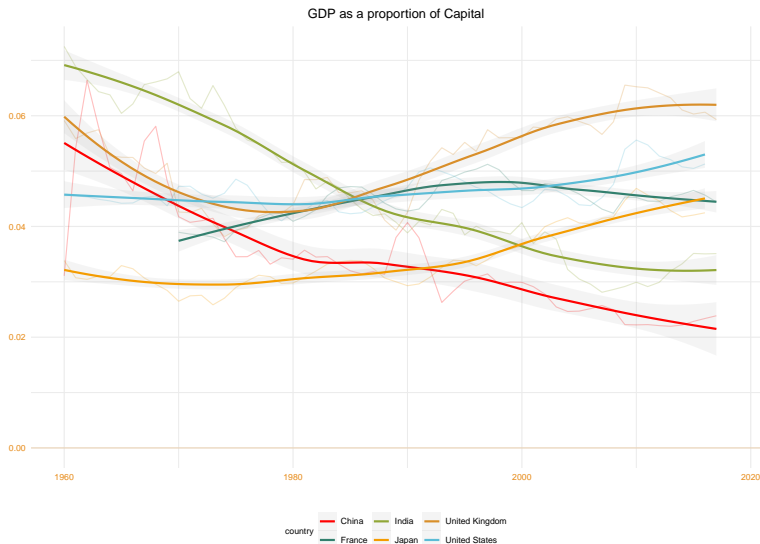
POPULATION AND GDP PER-CAPITA



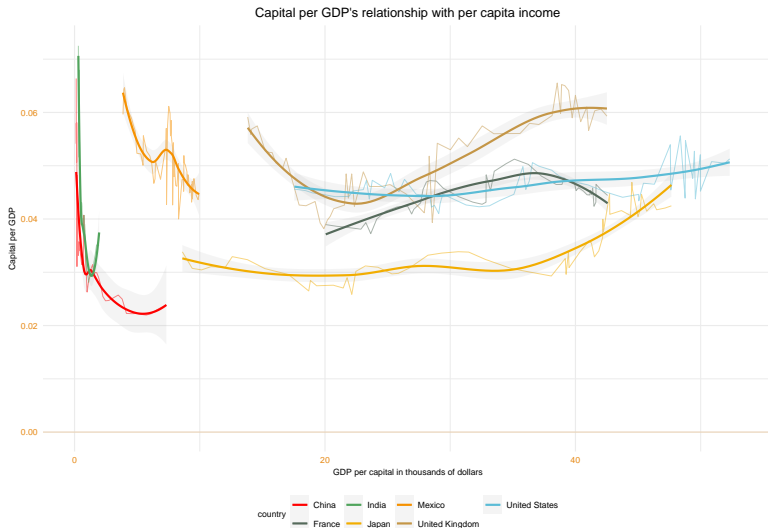
CAPITAL



GDP PER UNIT OF CAPITAL



GDP CAPITAL RATIO & GDP PER-CAPITA



GROWTH RATE & GDP PER-CAPITA

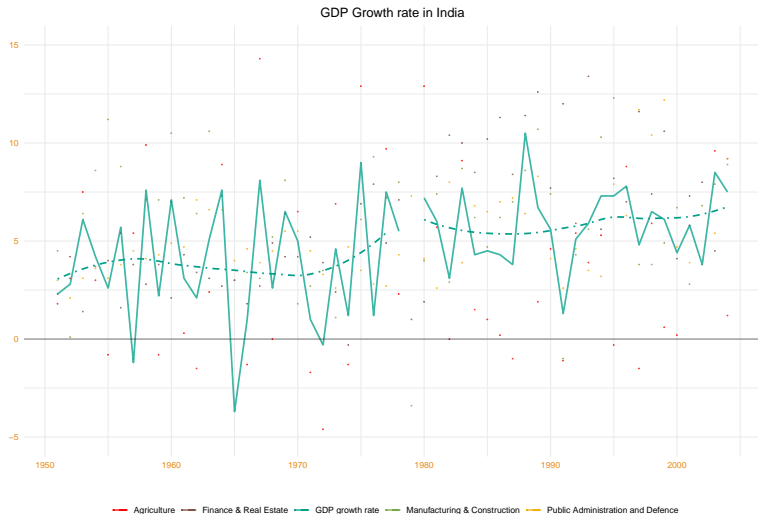


GROWTH FRAMEWORK

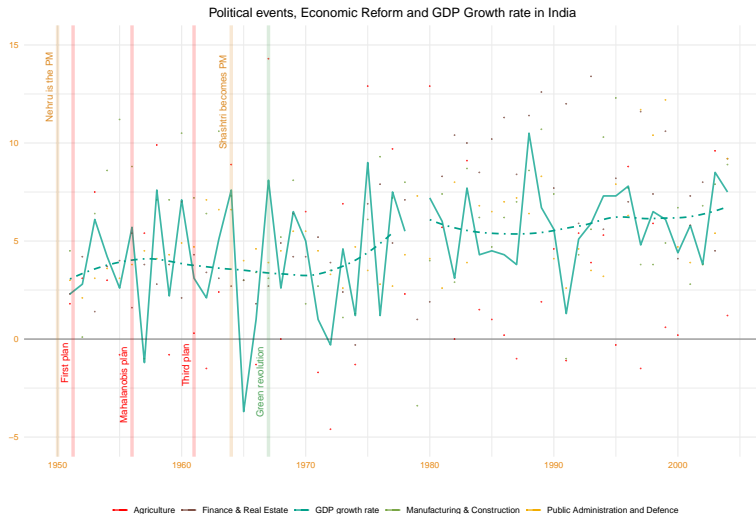
Growth as we understand it

- Countries accumulate factors and grow till their GPD per capita reaches a certain level (*convergence*)
- The exact level they converge to depends on their own institutions (*conditional convergence*)
- Once they have reached this level, they grow only if they can invent new ideas (*Endogenous growth*)
- Reason countries remain *poor* is because something is stopping their institutions from evolving (*fundamental factor*)

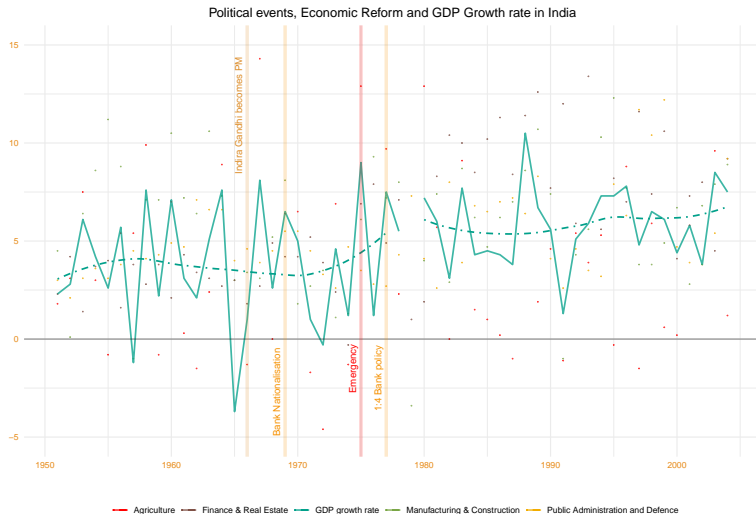
GROWTH RATE OF INDIAN GDP



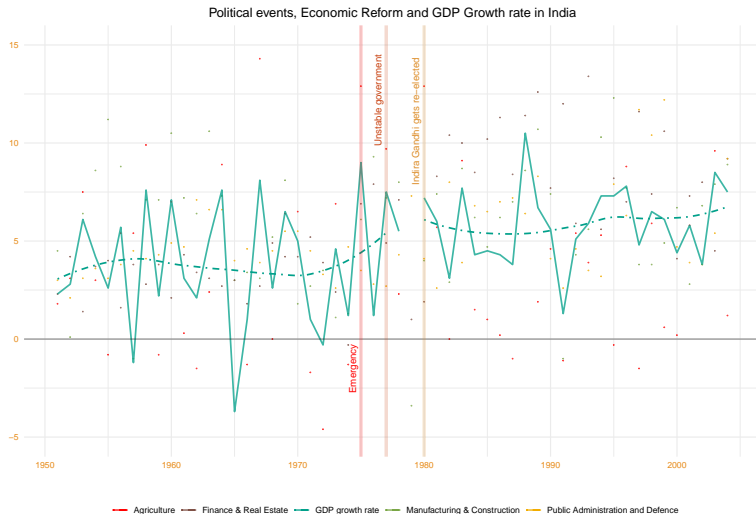
NEHRU AND MAHALANOBIS' INFLUENCE



INDIRA GANDHI'S INFLUENCE

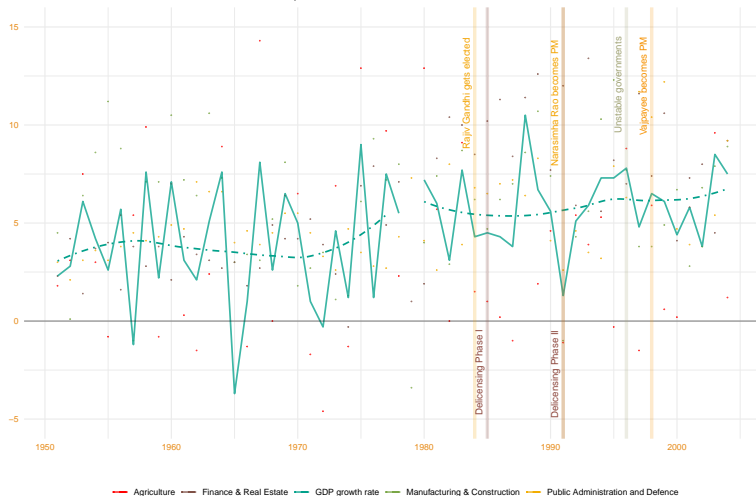


POLITICAL INSTABILITY



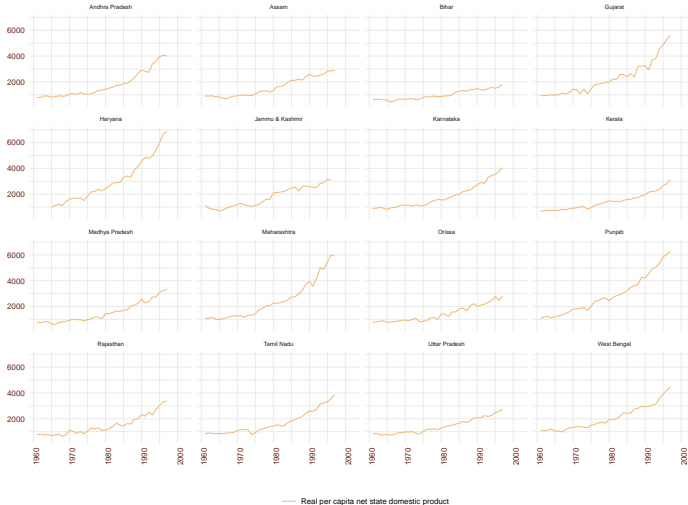
RESURGENT ECONOMY

Political events, Economic Reform and GDP Growth rate in India

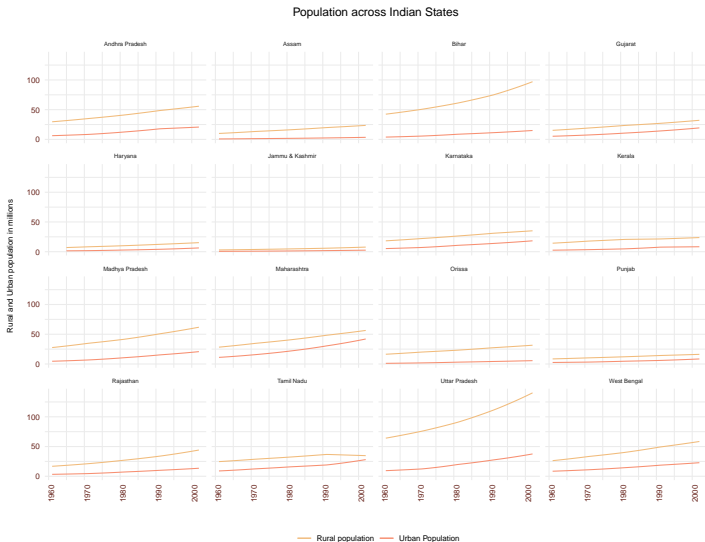


INCOME PER-CAPITA ACROSS DIFFERENT STATES

Income per capita across Indian States



POPULATION ACROSS DIFFERENT STATES



PER-CAPITA INCOME ACROSS DIFFERENT STATES

Growth rate of real per capita net state domestic product
before and after 1979

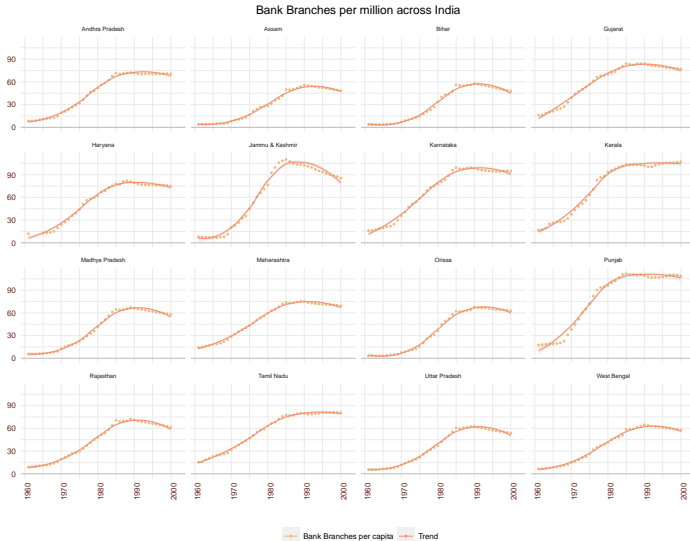


POVERTY

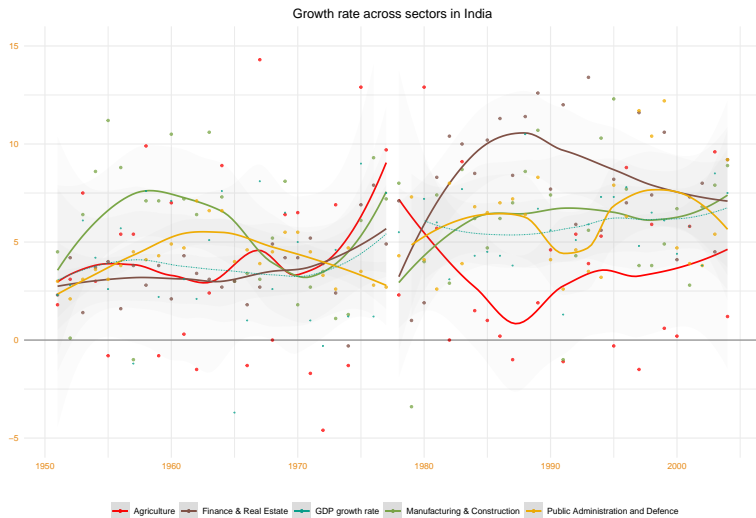
Poverty head count ratio across India
before and after 1979



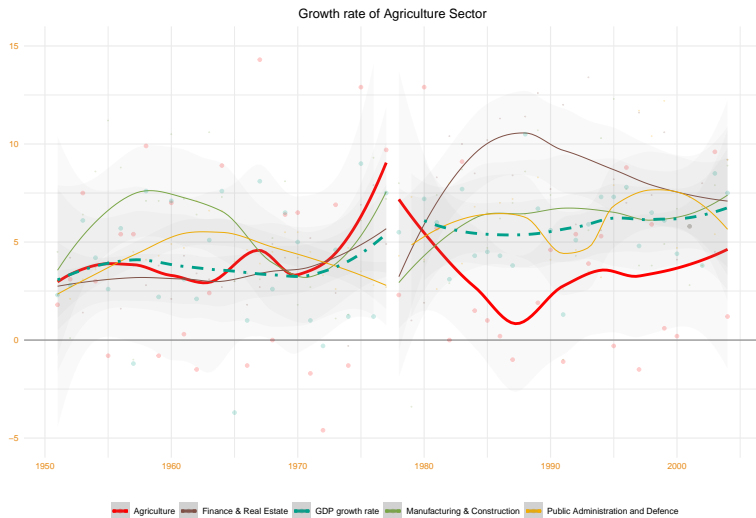
BANKS BRANCH PER-CAPITA



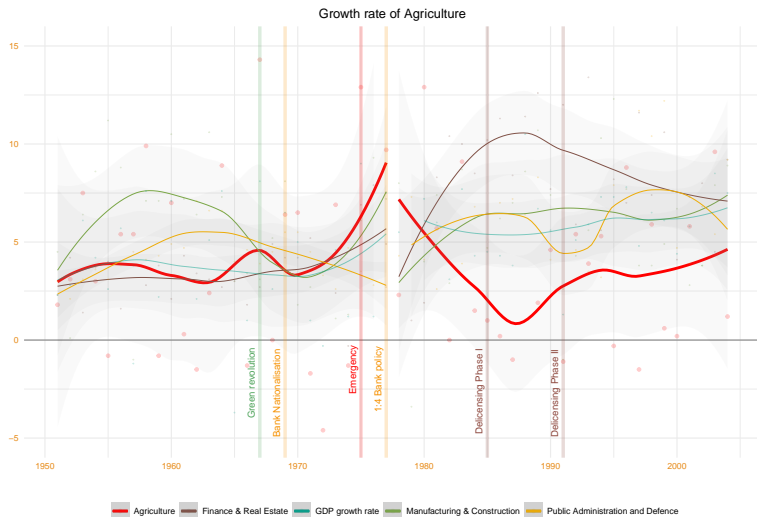
GROWTH RATE ACROSS THE 4 MAIN SECTORS



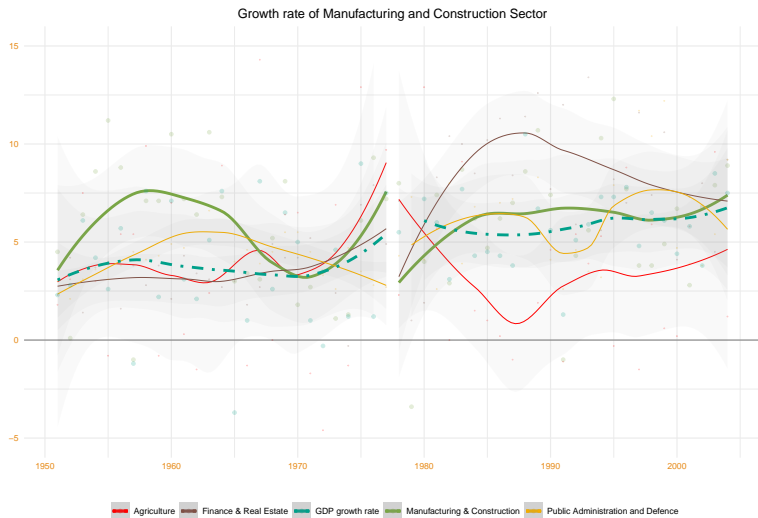
AGRICULTURE SECTOR



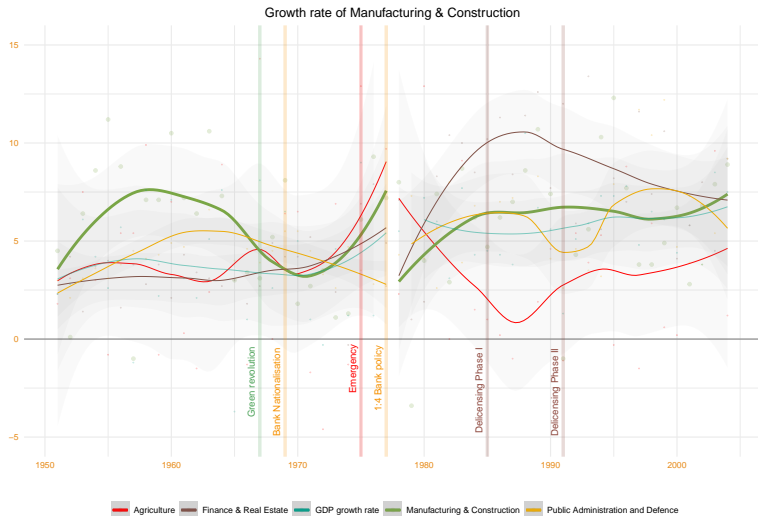
AGRICULTURE SECTOR



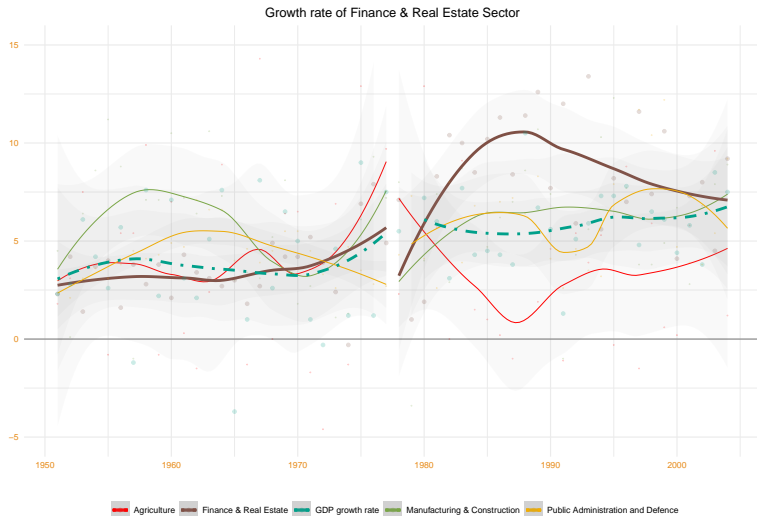
MANUFACTURING AND CONSTRUCTION SECTOR



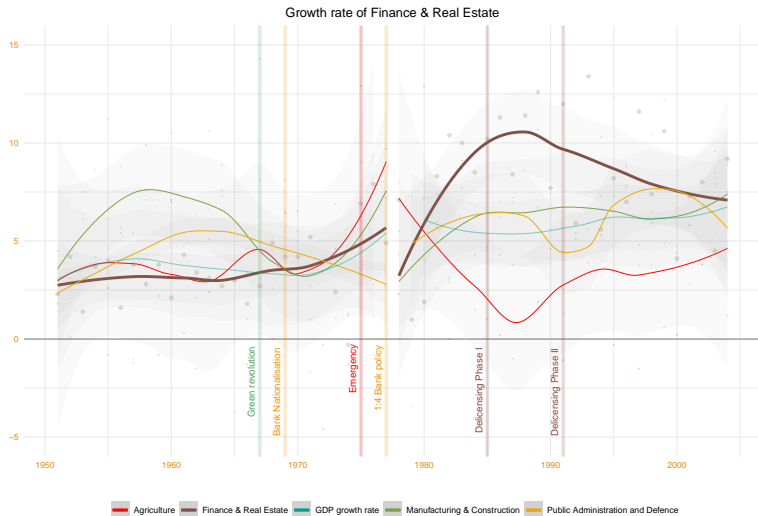
MANUFACTURING AND CONSTRUCTION SECTOR



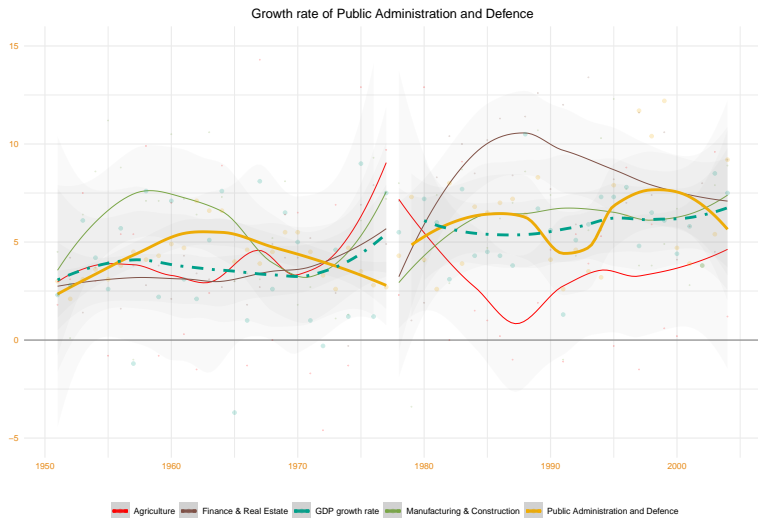
FINANCE AND REAL ESTATE SECTOR



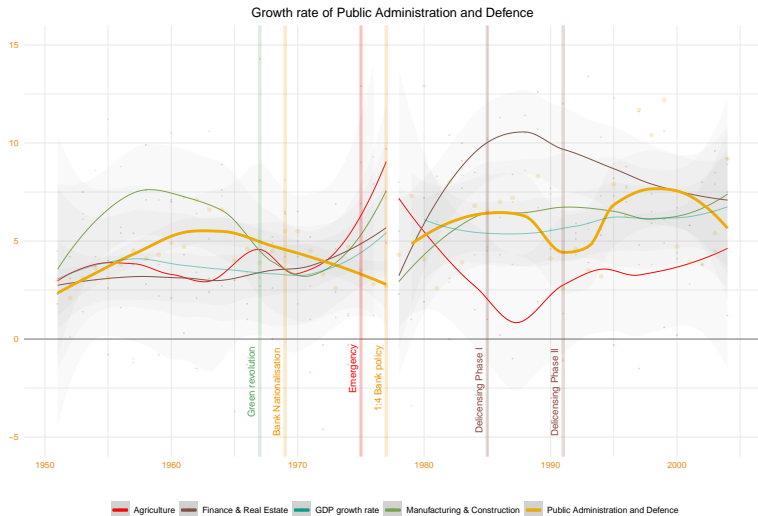
FINANCE AND REAL ESTATE SECTOR



PUBLIC FINANCE AND DEFENCE SECTOR

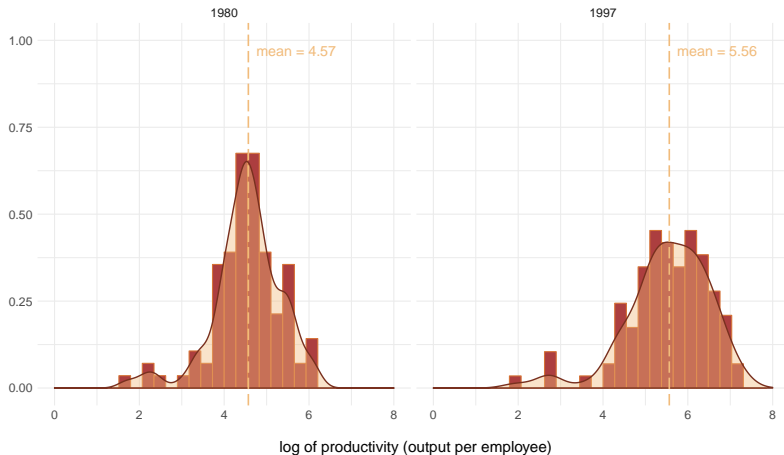


PUBLIC FINANCE AND DEFENCE SECTOR



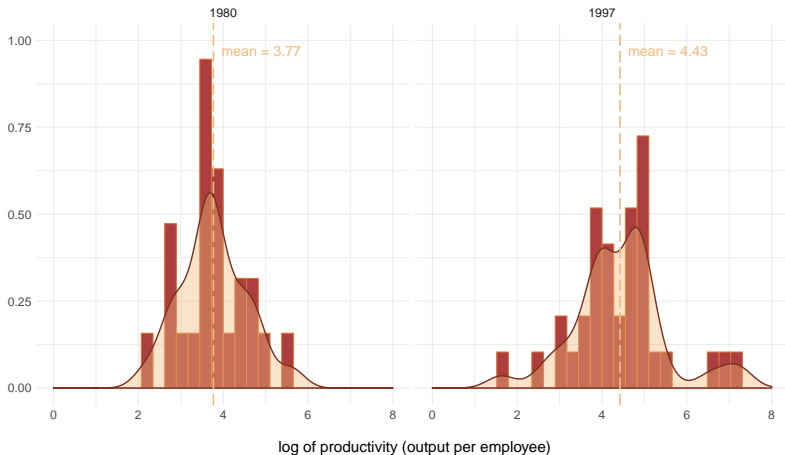
FIRM PRODUCTIVITY: MAHARASHTRA

Maharashtra

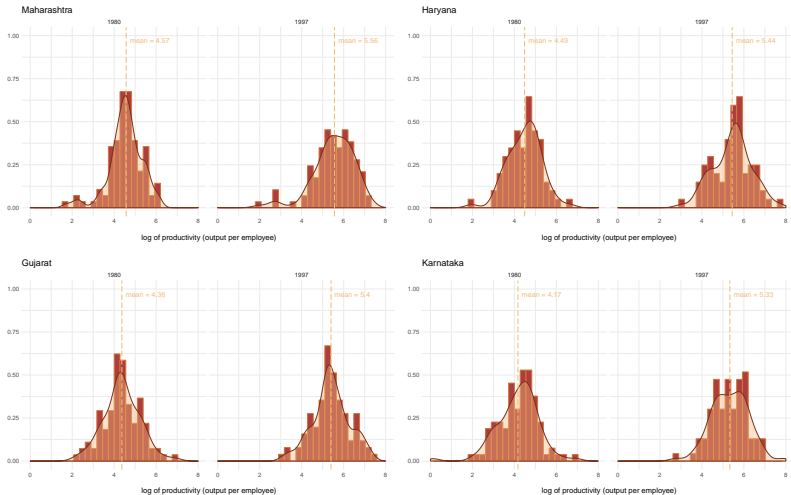


FIRM PRODUCTIVITY: ASSAM

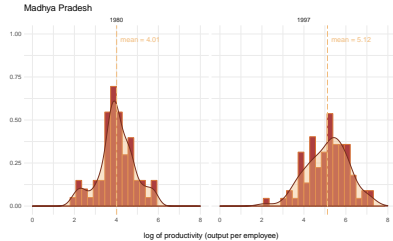
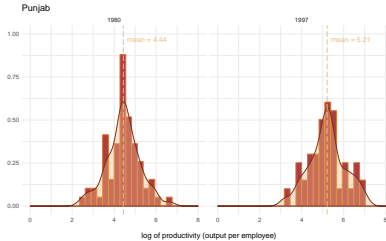
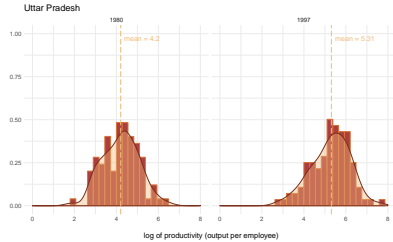
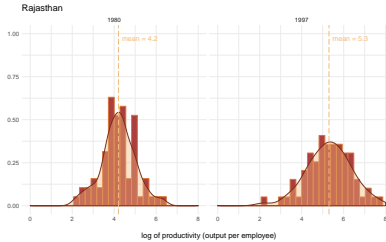
Assam



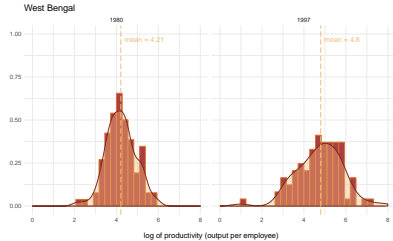
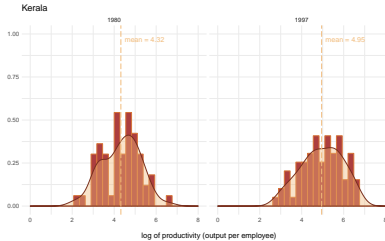
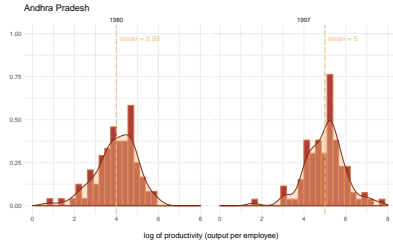
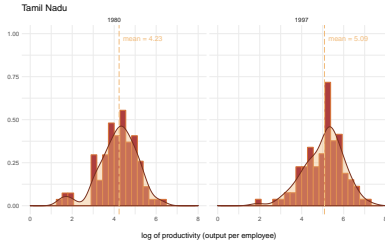
FIRM PRODUCTIVITY: PROGRESSIVE STATES



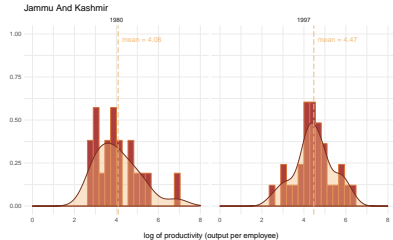
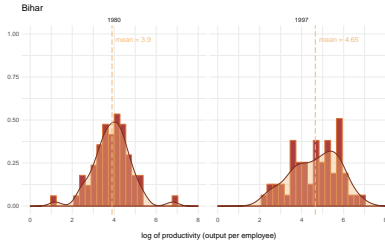
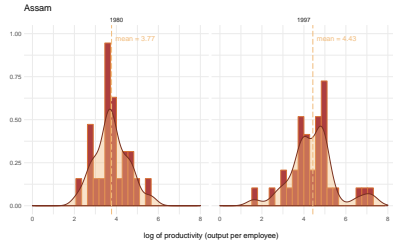
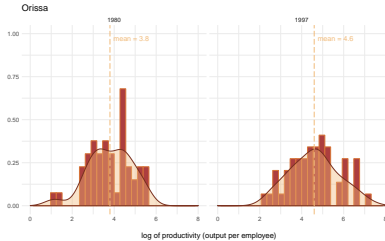
FIRM PRODUCTIVITY: MIDDLING STATES



FIRM PRODUCTIVITY: LESS PROGRESSIVE STATES



FIRM PRODUCTIVITY: WORST PERFORMING STATES



SUMMARY

- Growth is determined by the fundamental factors.
- The fundamental factors are itself sticky and endogenous
- Mystery surrounds the structural break in India's growth in 1979
- Difficult to pick whether certain reforms that caused the structural break or the structural break led to reforms
- Post-1979 growth has been led by manufacturing, construction, finance and real estate sectors
- There is convergence story in play across Indian states where some states are leading and others playing catch up