



drishti

Economic Measures Suggested by McKinsey

 drishtias.com/printpdf/economic-measures-suggested-by-mckinsey

Why in News

Recently, the **McKinsey Global Institute (MGI)** has released a report titled '**India's turning point: An economic agenda to spur growth and jobs**'.

The report identifies a reform agenda that could be implemented in the next 12 to 18 months to increase productivity and create jobs.

Key Points

- **Data Analysis:**
 - **Increasing Workforce:** Given the increasing urbanisation and population trends, there will be **90 million additional workers** in search of **non-farm jobs by 2030**.
 - **Triple Job Creation:** To cater to that, **India will have to triple job creation to 12 million** gainful non-farm jobs per year from the 4 million achieved between 2013 to 2018.
 - **Required GDP Growth:** The **Gross Domestic Product (GDP)**, which is set to contract by over 5% in 2020-21, needs to go up to **8-8.5% per annum** for the next decade to create the opportunities in the **post Covid-19 era**.
 - **Promising Sectors:** **Manufacturing** and the **construction** sectors offer the most opportunities for economic growth and also for higher employment.
 - **Risk of Stagnation:** The country risks **a decade of stagnating incomes and quality of life** if urgent steps are not taken to spur growth.

- **Measures Suggested:**

- **Global Shift: Global trends** such as **digitization** and automation, shifting supply chains, urbanization, rising incomes and demographic shifts, and a greater focus on sustainability, health, and safety can become the **hallmarks of the post pandemic economy.**
- **Higher Productivity through Privatisation: Privatisation** of 30 or so of the largest state-owned enterprises to potentially double their productivity.
Government also had a focus on privatisation under the **Aatmanirbhar Bharat Package.**
- **Sector Specific Focus: Framing sector-specific pro-growth policies** to attract investment in manufacturing, real estate, agriculture, healthcare and retail.
- **Labour Reforms: Creation of flexible labour markets** for industry with better benefits and safety nets for workers.
- **Improvement in Infrastructure: India needs to unlock supply in land markets** to reduce land costs by 20-25%, enable **efficient power distribution** to reduce commercial and industrial tariffs by 20-25%; and improve the ease and **reduce the cost of doing business.**
- **Going Big: India needs to triple its number of large firms** having revenues of over USD 500 million.
- **Efficient Financing: Streamlining fiscal resources** can deliver USD 2.4 trillion in investment while boosting entrepreneurship by lowering the cost of capital for enterprises by about 3.5 percentage points.
Measures are required to channel more household savings to capital markets, to reduce the cost of credit intermediation, and to streamline government finance.
- **Bad Bank: Creation of a 'bad bank'** can take care of the inoperative assets.
- **Responsibility for Reforms: A bulk 60% of the reforms** will have to be undertaken by **states** and the remaining **40% by the Centre.**

Source: Mint