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FIRST, LET THERE BE INVESTMENT

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Bijapurkar is the author of We Are Like That Only and A Never-before World: Tracking the evolution of Consumer India.

The 2019 Economic Survey's focus on investment as a key driver of economic growth is very welcome. It changes the alarming paradigm that business and media have been working with — since investment is not happening, in order to bolster slowing economic growth the focus of policymaking should shift to boosting consumption, with cash transfers, reduced excise duties, decreased interest rates on retail loans and so on. Why investment has slowed down and how to revive it has not received even a fraction of the public attention that consumption has.

There are few takers for the notion, despite data, that for most of consumer India, unless incomes grow there is no way consumption can or should grow. Only the richest 20 per cent of Indian households (R20), which incidentally is the so-called middle class (based on most people's mental models of the middle class) have surplus money (income minus expenditure) to grow their expenditure faster than their incomes. The rest have virtually no surplus even in good times.

Consumption growth when economic activity is slow can only come from more consumption by R20, of the things that they consume, much of which is discretionary. Consumption growth from the rest can't happen unless their incomes grow. This can't happen if investment is slow resulting in slow economic activity, and hence lower earning opportunities. This problem is even more pronounced given that the majority of Indians, including R20, are self-employed and don't get a regular income. It is not prudent to say "let them eat cake" by lowering interest rates and encouraging more people to borrow to consume. Most will be hard pressed to pay their EMIs, even at lower interest rates. Economist friends patiently explain why getting a GDP growth number on the back of an unreal, propped up consumption is a good thing to do. "Think of it like a glucose booster shot for the economy," they say. But are booster shots the best way to deal with a body weakened by ailments?

From this perspective, it is very reassuring that the Economic Survey and Union Budget have stayed away from administering such booster shots as the mainstay of the economic revival strategy, and have focused instead on addressing the fundamental problem of increasing economic activity. Through the mantra of "investment-led growth", the Economic Survey puts the highest priority on strengthening the supply side to rev up economic activity. Through the planned massive infrastructure push in the Budget and the focus on what the Economic Survey calls behavioural nudges, the life-foundation of consumer India, the goose that lays the golden egg of consumption is sought to be strengthened.

It is well known that every unit of improvement in living infrastructure and human capital creates a disproportionate and sustainable jump in consumption over time. The Economic Survey does mention stimulating consumer demand but more in the context of better administration of the minimum wage system. It mentions, in passing, the link between the minimum wage for the poorest sections of citizens and strengthening the middle class, but that is a leap as wide as the chasm that exists in income and social distance between them. It, however, stopped well short

of suggesting additional money for the purpose of directly stimulating consumption.

It is also time for the media and India Inc. to buy in and shift the narrative around corporate financial performance from what the government should do to make the macro environment less hostile and more supportive, to what individual companies can do by way of strategy, ability and efforts to improve their performance when consumer incomes are growing slowly. The government of India is not India Inc's marketing director in charge of making top lines grow.

Growing revenue and profits in times of slow consumer income growth can come from competing across categories for a larger share of the enormous household consumption expenditure that already exists, even after removing around half of it for essentials. In tough times, summer holiday travel and new two-wheelers compete, as do premium toiletries and new clothes. Market share growth is another obvious route available. The last quarter of 2018-19 underscored these two points. Even as the media yelled "doomsday, consumption slows down", there was a wide variation in levels of performance across different product categories and companies.

Slowdowns in consumption are perceived when expectations based on past growth rates are not met. Fundamental changes are afoot in consumer India, which may require an adjustment of expectations.

Consider televisions. Recently, a stock market analyst said that the macroeconomic scenario is really worse than what we thought because of poor television set sales, despite the World Cup. From the consumer point of view, the answer is clear. The 30 per cent of Indians who are yet to own a TV are seriously low income and will buy one as soon as they have a steady income. The replacement and upgrade demand that had fuelled the category in the past is now more discretionary than ever because the quality and features and service levels of existing TVs are pretty good. Many people are choosing to upgrade their mobile phones instead. Home theatres, once a favourite upgrade category for the rich, are not so hot any more because going to England to watch the match (as you can see from the crowd shown on TV) is the new cool thing.

Let's take the case of cars: Creating a more favourable macro environment for car companies to do well isn't necessary. Car sales are restricted to R20 households (a chunk of whom are in rural areas) and ownership in R20 is still so low that there is plenty of room for growth. There's plenty of surplus money with these people to buy a car and banks love to lend to them. However, if they are choosing not to buy then stimulating consumption by the government is just tapping into their greed and giving money to the poor will not help. It has to be the car companies who tempt them to buy, making long term-short term trade-offs.

The two-wheeler story is different. Two-wheeler buyers come from all income groups across the board, in both rural and urban India, and in the absence of a humming investment-led economy offering plenty of work, and with rising fuel prices, significant buy, replace or upgrade sales aren't going to happen even with stimuli. Two-wheeler buyers are the heart of the Indian consumer and revving up the economy will make them immediately upgrade their foremost productivity tool.

Indian consumers are dying to consume more. Consumption growth will follow income growth, which will follow more available work. That's why the push for investment and public goods in this budget, rather than a push for propping up consumption, is so important.

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