Executive Summary: Rakesh Mohan on India's Economic Outlook

Interview with DeKoder, discussing India's growth trajectory, employment, savings, manufacturing, and technology

On the growth trajectory

Mohan frames India's long-run growth rate at roughly 6–6.5%, sustained since the early 1990s, with a higher spell of near 8% between 2002 and 2010. He argues that surpassing this baseline demands deliberate policy effort rather than occurring automatically, and puts the realistic ceiling for the next decade or two at around 7% per capita income growth (translating to roughly 8% GDP growth). He anchors this in the "rule of doublings": income growing at 7% doubles in ten years, while 10% growth doubles it in seven. China sustained close to 10% for around three decades and achieved four doublings; Mohan considers that pace infeasible for India but regards three doublings over 30 years, at 7%, as an achievable and meaningful goal.

On employment as the central challenge

Mohan identifies job creation, particularly quality employment for those entering the workforce, as the country's foremost economic issue. He points to a mismatch between supply and demand:

- Expanded higher education access: gross enrolment has risen from roughly 8% to nearly 30% of the relevant age cohort
- Produces around 10 million graduates annually, building a larger pool of human capital
- Shifted gender balance, with women now outnumbering men among college graduates
- Failed to generate matching demand for jobs, leaving the education gains under-absorbed

On what growth should deliver for ordinary citizens

Rising GDP, in Mohan's account, should translate into broader access to infrastructure and services rather than only aggregate consumption gains. He argues that:

- Frequent, walkable bus access would improve daily life more than prestige transport projects such as metros and high-speed rail
- Health and education access remains the most persistent failure of India's growth model, with services more privatised than in Europe or even the United States, which provides free schooling through secondary level
- Better-off citizens, including himself, already enjoy strong healthcare access; the deficit lies in extending that access to the majority

On household savings and debt

Mohan links the recorded fall in net household financial savings, now near 5%, to weak private consumption, and resists framing this as caution: genuinely cautious households would save more, not less. He attributes the decline to:

- Rising longevity, which increases the savings required to fund old age
- The decline of joint-family structures, removing an informal safety net and raising the need for individual saving
- Wider access to credit, which has allowed households to sustain consumption by borrowing rather than saving, even as their underlying need to save has grown

He calls for greater public awareness and more accessible long-term savings instruments, such as pensions, provident funds, and life insurance, both to protect households and to channel capital into infrastructure financing.

On manufacturing and the China comparison

Mohan disputes the idea that India is structurally unsuited to labour-intensive manufacturing, or that China's trajectory is exceptional and non-replicable. He locates the real gap in structural transformation: China derives roughly 7% of GDP from agriculture and employs a far smaller share of its workforce there, while India still employs around 46% of its workforce in agriculture. He offers several explanations for underused manufacturing potential:

- Labour costs sit well below China's and Vietnam's, an advantage that has gone underused
- Labour-intensive manufacturing requires factories sited near towns and cities, which runs against high urban land costs
- Rigid labour markets discourage the flexible hiring that supports scale manufacturing
- Chinese provincial governments subsidised industrial land through profits from residential and commercial development, a mechanism India has not replicated
- Heavy reliance on contract labour weakens incentives to train workers and move up the value chain

On exports and the case for Asia

Mohan argues against export pessimism, contending that India underused a genuine strength in the 2000s, when its manufactured export growth rate exceeded China's. He argues that:

- The historical export route used by East and Southeast Asian economies, selling consumer and electronic goods into Europe and North America, is less available to India today
- A combined "eastern window" market across ASEAN, China, Japan, Korea, and South Asia, some four billion people with average per capita income recently crossing $5,000, remains under-tapped
- This market, growing even at a conservative 4% annually, likely accounts for most incremental Asian GDP and trade growth over the next 20 years

- Recent diplomatic outreach to Indonesia and Korea is welcome, and rejoining regional trade frameworks such as RCEP should accompany existing efforts with the EU, US, and UK

On artificial intelligence

Mohan situates the AI transition within a longer pattern of technological disruption, comparing it to the shift from agricultural to industrial employment over the past two centuries. He rejects the premise that AI removes India's manufacturing opportunity, arguing that automation changes the labour intensity of production without eliminating the need for people, and cites garment manufacturing in Bangladesh as an example of high-technology, high-employment coexistence. He draws a parallel with the disappearance of stenographers and secretarial roles in government offices, framing such shifts as manageable rather than existential.

On career advice for young Indians

Asked what guidance he would offer a young graduate over a 20-year horizon, Mohan resists prescriptive advice, arguing that any reasonably skilled, educated person can secure a living wage in India's current environment, even if not immediately in a preferred field. He points to skill development, not the specific first job, as the determining factor, using restaurant work as an example of a role that can build transferable management experience, and cites the sustained expansion of India's hospitality sector as evidence that modest entry points can lead somewhere.

Closing argument

Mohan's central thesis draws several threads together: growth beyond India's historical 6–6.5% baseline will not happen without higher investment and savings; the manufacturing and export opportunity remains real and under-exploited, particularly toward Asian markets rather than Western ones; and the returns to growth will only reach most citizens if health, education, and household savings capacity improve alongside it. He is explicit in rejecting export pessimism and China-exceptionalism alike, arguing that India's underperformance reflects addressable domestic constraints, land costs, labour market rigidity, and underused regional trade opportunities, rather than any structural disadvantage.