

Merchants' Chamber of Commerce & Industry

MCCI India Economic Forum 2018 *"Taking the Big Leap Forward"* on 15 September 2018 at Taj Bengal, Kolkata

Brief Proceedings

The Chamber organized the 2nd version of **MCCI India Economic Forum 2018** on 15th September 2018 at Taj Bengal, Kolkata. The Forum aimed at bringing together eminent Economists, Policy Makers & Industry Captains to lay down the future roadmap for Indian economy in the coming decades to take the big leap forward.

Inaugural Session : "Doing Business in India – Rope Walk or Cake Walk?"

Session Focus :

- India did astonishingly well in jumping 30 places last year on the World Bank's ease of doing business rankings to stand 100th out of 190 countries
- Has India's business climate really improved so much?
- Is India today a smooth place to park capital & do business, or it's still difficult to be in India?
- Which are the Indian States that are attractive investment destinations and why?
- What do global Business Leaders look for in a business destination, and does India have those features & qualities?
- How has been the policy and reform climate in recent years and what is the way ahead?

The Opening Session was addressed by :

- **Shri Sadhan Pande**, Hon'ble Minister for Consumer Affairs & Self Help Group & Self-Employment, Government of West Bengal as the Chief Guest;
- **Mr. Andreas W. Bauer**, Senior Resident Representative for India, International Monetary Fund (IMF);
- **Dr. Shubhada Rao**, Group President & Chief Economist, YES BANK;
- **Mr. Shihab Ansari Azhar**, Senior Private Sector Specialist - Macroeconomics, Trade & Investment, World Bank Group;
- **Mr. Ajeya Bandyopadhyay**, Partner – Infrastructure, Government and Healthcare, KPMG Advisory Services Pvt. Ltd.;

- Dwelling on the central Theme of "Doing Business in India – Rope Walk or Cake Walk ?" and addressing the Forum as the Chief Guest, **Shri Sadhan Pande**, Hon'ble Minister for

Consumer Affairs & Self Help Group & Self-Employment, Government of West Bengal said that India had come a long way after what it was just after Independence. In the 50s–60s, India had to align with the countries which provided technology. The economy was opened up in 1991, which was another important development. An analysis of “What India was” and “What India will be” assumes importance, he felt.

- He felt that a huge economy like India cannot run fast, it has to take small slow steps. Inclusive Growth is an important parameter, the backward states should grow along with the forward states.
 - He mentioned that the weakening of the Rupee against Dollar would make the exporters happy but the situation had worsened for the common man due to price rise.
 - He mentioned that in his Department of Self Help Group & Self Employment, 80 lakh women availed an interest of only 2%, while the market interest rate was 11% and subsidy element 9%. This facility was not available for all businesses, he added.
 - On the face of rising petrol prices, petrol is being mixed with 10% ethanol, keeping the consumers absolutely in the dark. He felt that this should stop, consumers should be made aware of mixing of ethanol with petrol and prices also should be adjusted accordingly.
-
- ✓ **Mr. Andreas W. Bauer** felt that “Doing business in India is neither a cakewalk, nor a ropewalk, this is indeed a Marathon”.
 - ✓ He said that a sound and stable economy would be required for a country to prosper and stressed on the consolidation of macroeconomic parameters. He spoke about the importance of 4 key issues viz : Price Stability, Fiscal Stability, External Stability and Financial Stability.
 - ✓ He was of the opinion that much progress had been made over Price Stability. Inflation had hovered around 10% for many years, now it has come down to the target range of 2–6% of RBI. A look at inflation in India vis-a-vis other G20 countries, would reveal that inflation was almost 6% higher in India than other G20 countries. In the last 3 years, there had a lot of adjustments and the gap has come down to around 1.5%. Household expectations, however, had always been higher than CPI, he added.
 - ✓ On Fiscal Stability, he said that fiscal deficit had been in the range of 7%. Rebuilding fiscal space would be a key challenge.
 - ✓ The current account deficit (CAD) in India, currently at \$15.8 billion, had been widening, but at a “moderate” level. The CAD had jumped to 2.4% of GDP in the 1st quarter of 2018–19 from 1.9% for the quarter ended on 31st march 2018. A sharp depreciation in the Rupee along with a hike in crude oil prices had widened the deficit.
 - ✓ If this growing CAD is watched in terms of magnitude, it is certainly better than what it is was a few years ago. The fundamentals of the economy had been strong and this level of CAD was expected for a country like India, he observed.

- ✓ He felt that exports needed to be stronger in the light of the widening trade deficit. One of the major challenges would be to facilitate export growth in a macro economic scenario where global growth is expected to remain subdued because of lower appetite for foreign goods in advanced economies.
 - ✓ He advocated about the changing role of the public sector, including RBI and other public commercial banks in the financial sector. He felt that RBI should be provided with full regulatory and supervisory powers. He suggested that instead of doing all sorts of lending, including corporate loans, credit cards & car loans, public banks should focus in a more productive way on certain sectors like MSMEs, and agriculture.
 - ✓ Governance in public enterprises should be more effective
-
- **Dr. Shubhada** Rao said that global market volatility had taken root, leaving many of the economies, including India, into cross roads. She felt that India's journey would definitely be a ropewalk, to navigate the respective economies through global macro economic uncertainty, particularly embedding of geopolitics into the macroeconomic framework.
 - She stressed on consolidation of macroeconomic parameters and right policy interventions for making India attractive for business on a long term basis.
 - She referred to 3 big reforms in the last 3 years, viz. migration to inflation targeting mechanism, implementation of Insolvency & Bankruptcy Code (IBC) and moving towards implementation of GST, which was being discussed since 1991. These 3 reforms seem to be paving way for more sustainable growth. She felt that implementation of 3 reforms are critical into formation of a sound business environment and enhancement of business confidence allowing the economy to grow to its true potential.
 - The real effective exchange rate is adjusted based on inflation differential. Inflation management is very important, as it erodes the competitiveness of our exports, making it extremely important for the authorities to keep inflation within a permissible range.
 - India had come a long way from 2013 having an inflation rate of 11%, these days, the inflation is being fretted around 5%, which is an important achievement by both RBI and Union Government in anchoring inflation expectations. Inflation expectation should be lowered further, she added. Management of food economy by the Government's had become better. Food inflation used to cross 20% earlier, due to drought or excessive rain. For the last 4–5 years, food inflation had not crossed 7–7.5%, despite climate and other constraints, she noted.
 - On exchange rate stability, she observed that earlier, Rupee had stabilized at 64–65 for a long period of time. Currently, the strong presence of a robust US economy, The policy interventions from US shrinkage of dollar liquidity, and a total of 4 rate hikes, 2 happened and 2 to happen, would raise interest rates in the US by 100 basis points, making US Dollar much stronger compared to other currencies. The Euro zone fell back on its monetary tightening. Currently, Rupee is tracking closer to its intrinsic value, which is around 72

against a US Dollar, taken on a base of 2011–12. She felt that the time is right for a policy intervention to check further depreciation of the Indian Rupee.

- Planned reduced supply of oil from OPEC due to geo politics from some of the OPEC economies like Venezuela & Libya and Iran sanctioned had all catapulted price of oil from 65 to 70 & then 70 to 80 dollars per barrel.
- Spiraling rise of oil prices brought Capital Account Deficit (CAD) of India under pressure. A CAD of 2.5% of GDP would have been acceptable as the dynamics of India's capital flow would allow the economy to bear that gap. However, in the context of oil price hike affecting the trade deficit and the monetary tightening by US, the amount of capital flows that was anticipated would not come into India in the form of foreign portfolio inflows.
- The time is right for creation of an export strategy, policy intervention to check further depreciation of the Indian Rupee as also migration to rule based system to become resilient to global shocks, she mentioned. Creation of a sound ecosystem would also be important to create good entrepreneurs, she added.

✚ **Mr. Shihab Ansari Azhar** echoed the comments of Mr. Andreas Bauer that India's journey in business reforms had been a marathon and not a sprint, but an early stage marathon. It takes persistence, which pays off in the long run.

✚ He referred to the Doing Business (DB) Report, 2018 by World Bank, which indicated that India ranked 100 jumping 30 places up from rank of 130, the previous year. He felt that in this Report, 190 countries had been measured on the same scale and same set of parameters, which is not comparable. A huge country like India can never be compared with small countries like Lesotho, he noted. In this study, a lot of important yardsticks like macroeconomic stability, availability of skilled labour, level of training, state of security, law & order are all being left out. Size of the market is also not considered, as in that case, India would have secured a position in top 3.

✚ He said that the objective of the Doing Business Report is to give the Governments of different countries a Roadmap and actionable Reforms, although that never means that all reforms are equally action worthy. For example public safety can never be compromised on the pretext of Ease of Doing Business.

✚ He observed that jumping 30 places up is not important by itself, India is the only country of its size and complexity that has been able to make such a major improvement. This improvement actually mindsets are changing, there are reformers, who are taking a strategic approach towards business reforms.

✚ He spoke about the need for taking ownership by the Governments, need for dialogue and effective communication and willingness of the government to listen to the needs and feedback from the private sector. He felt that there had been no recognition for the

reformers, who had taken initiative to change. MCCI can take an initiative to provide recognition to the reformers.

- ❖ **Shri Ajeya Bandyopadhyay** spoke about the uncertain future with weakening Rupee, rising petrol and diesel prices, increasing influence of geo-politics in the global parameters and growing protectionism. He felt that the Indian private sector should be cautious over increasing cost of debt, with the rising rate of interest.
- ❖ On the changes in the global macroeconomic parameters, he said that the changes in Turkey & Iran led to rise in the prices of petrol & diesel. Regarding the weakening of Rupee, he mentioned that Rupee fell by 12~14% against USD. However, this was better than many other currencies, Turkish Lira fell by 78% recently.
- ❖ He referred to the \$16 billion acquisition of Flipkart by the US retail giant Walmart, and felt that deal was the largest business deal so far in India. This has raised optimism in the economy, driven largely by consumption driven growth.
- ❖ He spoke about a KPMG survey covering 130 CEOs, in which 9 out every 10 were of the opinion that India would be a digital powerhouse. Technology would play an important role catering to the millennial customers with Innovation, Data Analytics & Internet of Things. Disruption had become a way of life. India would rather be a disruptor than be disrupted, he observed.
- ❖ He felt that importance should be given to creation of different kinds of jobs. Massive investment needed on education and skill development for the Indian job force.

- Earlier, in his Welcome Address, **Shri Ramesh Agarwal**, President of the Chamber said that India had now become the 6th largest economy in the world, surpassing France, according to World Bank Report, which stated that Indian GDP stood at USD 2.59 trillion. The IMF also expects economic growth to pick up to 7.3% for FY 2018–19.
- He expressed satisfaction that India had achieved 8.3% growth in GDP in the last quarter. Indian economy grew at 7–quarter high of 7.7% in the 3 months ending March, 2018.
- He also referred to the projection of the Union Commerce Ministry that India would become a 5 trillion dollar economy in 7 years, a 10 trillion dollar economy by 2035 and that India had been preparing a multi-sectoral strategy for the same.
- He spoke about strengthening of governance, reenergizing of reform efforts, more participation of female workforce, reduction of trade documentation requirements and seamless flow of global trade and investment into India, being the key issues.

The Inaugural Session ended with a Vote of thanks proposed by **Shri Vishal Jhajharia**, Senior Vice President of the Chamber.

Session II : Panel Discussion on "Start-ups and Entrepreneurship : India's Engine of Growth"

Session Focus :

- India needs 10 million jobs a year and global data shows that it is startups, not large enterprises that create net new jobs in any country. Startups are also the centers of innovation and are a great way to enhance employment creation
- India's Start-ups Ecosystem : Way Forward
- Innovation & Entrepreneurship: driving India's Growth
- The Finance Act, 2016 has made provision for Startups to get income tax exemption for 3 years in a block of 5 years, if they are incorporated between 1st April 2016 and 31st March 2019
- How to Bridge the Start-up/ Enterprise Divide
- How to Build a Localized Business That Will Grow Global

The Session was addressed by :

- **Mr. Subhrangshu Sanyal**, CEO, IIM Calcutta Innovation Park – Speaker & Moderator
 - **Mr. Anand Kumar Bajaj**, Founder & CEO, PayNearby
 - **Mr. Raghav Kanoria**, Founder-Neoleap Ventures & Co-Founder-Calcutta Angels
 - **Mr. Arijit Bhattacharyya**, Founder & CEO, Virtual Infocom
 - **Mr. Somnath Dasgupta**, Director, Snaayou Healthcare & IT Solutions Pvt Ltd.
 - **Mr. Ranit Kumar Ghosh**, Co-Founder, ZustGo
-
- **Subhrangshu Sanyal** said that India needs to create 12 million jobs per year, start up is the vehicle for that. DIPP statistics shows that in December 2017, 5,500 DIPP start ups created 40,000 jobs.
 - He also spoke about the importance of implementable business ideas, strong dependable team, funding & financing issues as also scalability issues of taking the unit to the next level. He said that the new edge startups are knowledge drivers, ROI is the most important parameter driving the business.
 - He mentioned that 35 starts ups had come of IIM Calcutta Innovation Park, out of which 60% had been from Bengal, generating 5,000 direct and 12,000 indirect employment opportunities.
-
- ✓ **Arijit Bhattacharyya** felt that the basic mantra is to have a simple idea, which can be marketed on a sustainable basis and can be scaled up in course of time. The need to find out the target market of a small idea is extremely important.

- ✓ He felt that there should be more regional language centric applications for reaching out to the masses.
- ✓ On bridging the gap, he felt that connecting those people who are in the districts are important to create a vibrant startup ecosystem. He felt that here are hidden talents in the districts doing great jobs, who need a platform to showcase their products/services. They need mentoring on marketing skills.
- ✓ He felt that the Universities should come up to bridge the academic need to bridge the gap. He also spoke of dearth of good qualified teachers and other infrastructural facilities at the Centres of Excellence.

- ❖ **Raghav Kanoria** referred to the lacuna in startup funding, particularly in the Eastern part. He said that Calcutta Angels had funded 25 startups in 5 years, out of which only 5 were from the East.
- ❖ He felt that the lack of proper personnel and corporate compliance were the main problems faced by the startups.
- ❖ He mentioned that Israel is the start up nation, with a lot of Government support, huge number of incubators & accelerators for mentorship & prototypes.

- **Anand Kumar Bajaj** observed that there is no winning idea, the key issue is to make an idea win. The right mindset with the risk taking capability is the key.
- It is important to innovate and bring the product into the market. Mythology can get good saleable ideas, he said.
- He felt that stability should be achieved before scaling up. Intelligence is common, implementation is the key to have a larger market share.
- He said that in his company, people are not taken from the job portals. Hiring of personnel has always been through referrals from colleagues, friends and family, so that the same wave length is shared.

- ✚ **Ranit Kumar Ghosh** felt that integrity towards in the key thing, for this, the big challenge is to right people for the right job.
- ✚ Access to potential customer and creation of demand is another major key issue, once demand is there, supply can be taken care of.
- ✚ Nobody in the world plans to fail, they only fail to plan properly.

- ◆ **Somnath Dasgupta**, spoke about team building to be the key, a team that will share the same wave length, and is adaptive, flexible enough to put the thought into reality. In the

initial years of bootstrapping, where there is a 'silent hemorrhage', the right team of the Founders is the key.

- ◆ He also mentioned about the huge bottleneck of developing a prototype by a startup at the shortest possible time. This needs a lot of technology and funds, he observed.
- ◆ He felt that bridging the academic world with the practical world is the need of the hour, a paradigm shift is needed in the ecosystem. The academic organizations have a huge role to play, MCCI may also come forward towards this.

Session III : Panel Discussion on "Building Blocks : India's Infrastructure Needs"

Session Focus :

- Many experts & Industry Leaders point to creaking infrastructure as the greatest challenge of doing business, and the biggest roadblock to India's long-term growth
- The strain on infrastructure will only worsen as the population grows and more people move to cities
- It is estimated that India needs over \$1.5 trillion of investment over the next 10 years to make up for present shortcomings
- Government-led initiatives to build better railways, roadways, construct air and sea ports are progressing, but constraints such as excessive red tape, corruption and a lack of transparency continue to hamper the sector
- How can India overcome its infrastructure hurdles to boost long-term growth?
- Revival of PPPs
- Coal evacuation infrastructure required to take the production to 1 billion tones.
- Alternative Sources of Financing
- Infrastructure for Digital India

The Session was addressed by :

- **Shri Biplab S Bose**, Whole Time Director, EMC Limited – Speaker & Moderator
 - **Shri Souren Mukhopadhyay**, Senior Vice President, SREI Infrastructure Finance Ltd.
 - **Shri M K Singh**, General Manager, Project Monitoring Division, Coal India Ltd. and
 - **Shri Ashish Jain**, DGM, India Infrastructure Finance Company Limited Ltd.
- **Shri Biplab S Bose mentioned that** Infrastructure including Power & Connectivity, Highways & Railways, Airports & ports form the basis of planning for India's development goals. However, constraints in this sector had been : delay in execution of projects, lack of trained personnel and others.

- Golden Quadrilateral had become an extremely asset for the country in terms of speed & movement of passengers & cargo. Construction of roadways had been speeded up, now it is 35 kms per day, which might reach 40 kms. per day in another 5–7 years.
- He also spoke about the role of roadways, airways and ports in building infrastructure for doing business.

- ❖ **Shri M K Singh** said that coal had changed its role, from Railways during British period to steel making and now to power generation, which is used for 76% of power generation in India, at present. Coal will retain its position till renewable takes a better pie.
- ❖ Coal had changed its role, from Railways during British period to steel making and now to power generation. In many countries, 100% power generation done by coal, as coal is easily available and affordable, as compared with other fuels.
- ❖ Coal itself does not create pollution as coal is from earth rock, use of coal by industries create pollution, more so by auxiliary industries.
- ❖ He said that production of coal might increase from 650 million tonnes per year, to 1 billion tonne by 2025.
- ❖ He felt that incremental growth in the economy would come from enhancement of infrastructure. Production of coal is one, however, a lot is needed on the evacuation part, to make partnership with Railways to develop railway lines in the coal fields, which would give incremental growth. Modernization of infrastructure like rapid loading systems is also important, he observed.

- ✓ **Shri Souren Mukhopadhyay** said that development of infrastructure in India is not a problem, the problem lies in maintenance. India is No 2 in the world in Roadways with 5.5 million kms in roads; in power, India is 4th in the world with a capacity of 335 GW; in Railways India is 5th with 57,000 kms of railway line.
- ✓ The problem is that keeping with the demand, there should continuous maintenance efforts by the Government. Creation of new infrastructure at the rural and semi urban areas is also important. Herein, lies the significance of infrastructure finance, he noted.
- ✓ He mentioned about various instruments for financing of infra projects are available like BOOT and PPP. Public Private Partnership (PPP) came into existence because of poor performance of the state owned infrastructure organizations, in terms of service to the masses and the access to finance for infra projects, he observed.
- ✓ Financing of infra projects can also be tailor made also according to the finance requirements, for the benefit of all the stakeholders, he mentioned.

- ✓ He also stressed upon the role of SREI in infra financing, having a strong presence in power, SEZ, water and others.

- ✚ **Shri Ashish Jain** observed that after the reverse merger of IDBI & ICICI, the public sector were doing the infra funding. The Deposit kept at the banks has a maturity period not more than 5 years, whereas the maturity period of infra projects are 20–25 years. Because of this mismatch in the maturity period, asset liability mismatch, and lack of due diligence, a lot of NPAs have been created in financing of infra projects. Most of the banks have gone into bad shape, they have moved away from the infra sector, they are concentrating on SME and other outlets.
- ✚ Banks have shorter maturity, whereas infra projects need longer maturity, which the Pension & Insurance funds have. But Pension & Insurance funds are not being allowed for investment in infra projects as these funds have a rating of AA and above, whereas the infra projects have a rating of BBB.
- ✚ Development of Corporate Bond market is being explored for the last 35 years, but that is not happening. A few other things have happened like INNOVATE, a mutual fund type of concept, in which the assets are housed in the fund, investors can buy those unist of the Mutual Fund
- ✚ Money is available, but the problem is how to channelize that onto infra projects. Some credit enhancement mechanism is a must for infra projects, which is being spearheaded by IIFCL, he said.

MCCI India Economic Forum 2018 was attended by members, select non–members and the media fraternity.

Munmun Banerjee
Assistant Director General