Merchants' Chamber of Commerce & Industry

MCCI India Economic Forum 2017

Transforming India, Fostering Growth

15 September 2017 • Taj Bengal, Kolkata

A Report

Foreward

Leading economic analysts, in recent years, have emphasized that the shift of global economic power towards the emerging economies will largely be driven by China and India. China is already the largest economy in the world in PPP terms, having overtaken the US in 2014, and for the advanced economies, growth is projected to be much lower on average compared to the emerging economies between 2016 and 2050. A Harvard University research has in fact placed India above China and has said that India will be the base to the economic pole of global growth over the coming decade with a 7.7 per cent growth rate annually, remaining ahead of China. Researchers attribute India's rapid growth prospects to the fact that it is particularly well positioned to continue diversifying into new areas, given the capabilities accumulated to date. It is a fact that India has been able to make meaningful inroads in diversifying its export base to include more complex sectors, such as chemicals, vehicles, and certain electronics, while export basket of China seems to be shrinking. The Government has also taken many proactive steps in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others which have been able to showcase India as a significant investment destination to the rest of the world. According to the Department of Industrial Policy and Promotion (DIPP), the total FDI investments India received during April 2016-March 2017 rose 8 per cent year-on-year to US$ 60.08 billion, indicating that Government's effort to improve ease of doing business and relaxation in FDI norms is yielding results. It is worthwhile to mention here that according to United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2016, India acquired 10th slot in the top 10 countries attracting highest FDI inflows globally in 2015. The report also mentioned that among the investment promotion agencies, India has moved up by one rank to become the sixth most preferred investment destination.

Against this backdrop, the Merchants' Chamber organized the "MCCI India Economic Forum 2017" in Kolkata on the 15th of September, 2017. The Theme of this prestigious Forum was set as "Transforming India, Fostering Growth", and the various Sessions of the Conclave during the day, aimed at laying down the possible future roadmap for the country's economy in the coming decades. Not too many times so many eminent Policy Makers, Economists & Industry Captains come together to address a Conference, and truly, the Forum was one-of-a-kind which could position the Chamber as a prominent Think-Tank among all relevant stakeholders.

This Report covers the discussions & deliberations about the Indian economic trends & macro landscape, particularly after major policy reforms like demonetisation and the GST, which took place at the Forum, and I believe, will be regarded as a meaningful reference point for Industry Leaders, Policy Makers and Researchers, who engage themselves in understanding the Indian economy and it's various features.

I believe India is today standing at a juncture which offers tremendous future growth opportunities, and poses certain obstacles to progress as well. But going forward, we have reasons to be positive as India now has excellent liquidity and a lower cost of funds due to a number of policy measures. With a sustained expansionary monetary policy, we might just witness a stunning turnaround which will have a growth-inducing multiplier effect. Timely implementation of big-bang reforms aimed at bringing in structural transformation of the economy will be critical to ensure India leads the world in the coming decades. Time has really come when from being an "emerging" economy, India should slowly but steadily move towards becoming an "advanced" economy.

The "MCCI India Economic Forum" will be an annual affair from now on, and we believe, all of you will partner the Chamber in taking this initiative forward, in the years to come.

Thank You

Hemant Bangur
President, Merchants' Chamber of Commerce & Industry (MCCI)

Opening Session:"Transforming India & achieving a leadership position"

The Chamber organized MCCI India Economic Forum 2017 on 15th September, 2017 at Taj Bengal, Kolkata.

The objective of the Forum was to bring together eminent policy makers, economists & industry Captains to lay down the future roadmap for Indian economy in the coming decades.

Shri Hemant Bangur, President MCCI delivering Welcome Address at the Opening SEsion of MCCI India Economic Forum 2017. On the dais : (from right to left) Shri Indranil Pan, Chief Economist, IDFC Bank Ltd, Shri Sunil Kanoria, Vice Chairman, Srei Infrastructure & Finance Ltd., Shri Sanjeev Chopra, IAS, Additional Chief Secretary, Department of Agriculture, Govt. of West Bengal, Dr. Shankar Acharya, Hony. Professor, ICRIER & former Chief Economic Advisor, Ministry of Finance, Govt. of India, Shri Vishal Jhajharia, Vice President, MCCI, Shri Saugata Bhattacharya, Chief Economist & Senior Vice President, Axis Bank Ltd. and Shri Souvik Banerjee, DG, MCCI.

The Opening Session titled "Transforming India & achieving a leadership position" was addressed by :

- **Dr. Shankar Acharya,** Hony. Professor, ICRIER & former Chief Economic Advisor, Ministry of Finance, Govt. of India, as the Guest of Honour
- **Dr. Sanjeev Chopra,** IAS, Additional Chief Secretary, Department of Agriculture, Govt. of West Bengal
- **Shri Sunil Kanoria,** Vice Chairman, Srei Infrastructure & Finance Ltd
- **Shri Saugata Bhattacharya,** Chief Economist & Senior Vice President, Axis Bank Ltd.
- **Shri Indranil Pan,** Chief Economist, IDFC Bank Ltd.

Dr. Shankar Acharya

Addressing the Forum as the Guest of Honour, Dr. Shankar Acharya spoke about the balance between the long term structural changes and the short term policies to accomplish a complete transformation of Indian economy.

He referred to the economic slowdown over the last 15 months and said that in Q4 of 2015–16, the GVA growth rate was 8.7%, which fell to 5.6% in Q1 of 2017–18. Manufacturing growth rate was 1.2% in the current fiscal year, which was 9% in the previous year. Growth of total fixed investments in the economy also reduced. "The momentum of investment has clearly declined", he observed.

He felt that it was not growth data alone that was important. In fact, there were very few economies which had huge growth over a sustained period. Share of exports in GDP, share of investments and

other parameters would assume equal importance.

He spoke about the inadequate public policies over decades in the country in the fields of agriculture, industry, banking & finance and even in social sectors like health & education. He expressed concern over the failure to provide good quality primary & secondary education. While the focus was more on enrolment in schools and institutions of higher education, it was quality that suffered.

Referring to "demonetization as a scary experience", he said that removing at one stroke 85–86% of cash and bringing all the cash related activities to a grinding halt had a significantly strong impact on the economy, particularly the informal sector, which still accounted for 35–40 % of the economy, for at least 2–3 quarters. A lot of initial shocks of demonetization had gone by, still there were certain residual effects, he pointed out. Many of the smaller enterprises were driven out of business because of lack of cash. After a period of ten months, with the printing of notes, 80–85% of the money had come back by now. The direct negative impact of demonetization on the economy was over by now, he observed.

On recently introduced Goods & Services Tax (GST), he was of the opinion that this was a not one–quarter issue. The initial period would be critical regarding implementation, because it would bring in massive changes in the entire system, including technology, software, hardware and others. In this transitional phase, GST would be growth–negative. Positive implications of GST could be seen only in the medium term, he observed.

He expressed deep concern over the failure to create employment opportunities in the economy, especially in the unorganized sector. He felt that the impact could be more than expected, because of insufficient data. The last employment data was published in 2011 by National Sample Survey, no further data survey reported as of now, he retorted. Both demonetization and GST, at least in the short run, had put tremendous pressure resulting in the economic slowdown of the economy as also on employment. In a recent CIIE survey, it was found that the employment had declined by 1.5 billion, he said.

He referred to the initiatives of the current Government to deal with the problem of high NPAs of public sector banks and huge indebtedness of the corporate houses across many sectors. Insolvency & Bankruptcy Code could turn out to be an extremely piece of legislation, he mentioned. "This is a complex exercise with a lot of glitches", he pointed out

He felt that effective macroeconomic policies like fiscal policy, monetary policy would be important to contain the slowdown.

He was emphatic that there was not much of scope for fiscal policies to accomplish transformation as introduction of GST would not bring in immediate revenue gains, after setting off input tax credit. If central fiscal deficit and states' fiscal deficit were considered, the actual deficit would be around 7% of GDP, taking into account finances of states, which was very high by any standard. States were in a bad situation, because of loan waivers et al. A recent Report by CAG revealed that in the first 4 months, the

Dr. Shankar Acharya making a point. On his left is Shri Hemant Bangur, President, and his right Shri Vishal Jhajharia, Vice President of the Chamber.

fiscal deficit had been 80–90 % of the full year, which suggested that a lot of government expenditure had been front loaded, which was a good idea on the face of the slowdown.

Certainty about the revenue outcome of GST was another area of concern. Although the gross revenue had been the target, the net revenue coming from GST had been low because of input tax credit offsets. The actual revenue deficit might be higher than the projected deficit over the year. This had to be tackled either by cutting expenditure, which was anti-developmental or by borrowing more, he added.

On Monetary policies too, he was of the opinion that keeping in view the magnitude of the problem, changes in repo rate by half percentage points might

not be that effective. Given the decline in WPI or CPI, he felt that RBI should have acted sooner regarding the cuts in the short term policy rates. In the current situation of the economy, a further half percentage cut in repo rates would have been welcome.

He stressed on the important role played by exchange rate policies, not only of the bilateral rupee–dollar movements but of the entire basket of trading partners. Appreciation with the Chinese Wuan was a mistake and the Government & RBI should have acted preemptively to intervene in the foreign exchange market. He referred to the 'partial sterilization' initiatives by the RBI to control the exchange rate situation earlier.

He stressed on the importance of the real exchange rate depreciating a bit. He felt that mentioned that reversal of rupee appreciation over a period of 2–3 months. In addition to improvements in balance of payments, this would fetch returns by facilitating export growth, more domestic production of tradable goods which would have multiplier effects on industry, manufacturing and agriculture. This would be like putting in 5% customs tariff and 5% export subsidy.

He also spoke of raising the contribution of industry to GDP from the present level of 15% to the desired level of 25%.

Dr. Sanjeev Chopra

Dr. Sanjeev Chopra stressed on the need for a structural transformation in the agriculture sector, in order to accomplish food security as also a double digit growth in the sector.

He pointed out that both the percentage of agriculture to GDP and the percentage of people dependent on agriculture were falling.

Although productivity in agriculture had been quite high, particularly for cereals, pota toes & oilseeds, there was a lack of proper warehousing and cold storage facilities in the state.

He cited 4 important factors for bringing in structural change, viz., institutional support, technology, knowledge and access to finance.

Shri Sunil Kanoria

Addressing the House on Transformation, Shri Sunil Kanoria mentioned that India survived an 'economic tsunami'. The economy could manage well a challenge coming from outside, but managing an internal challenge was very difficult.

The collateral damage from Telecom scam, Coal scam and others was huge with the telecom scam itself costing 1 lakh jobs.

He expressed satisfaction over the recent radical reforms in the Indian economy, which included Ease of Doing Business, Insolvency & Bankruptcy Code and RERA. However, he felt that GST implementation and compliance needed to be more simple and user friendly. Demonetization had changed the mindset of people, he further noted. India should take advantage of emerging opportunities, he added.

While it was difficult for India to replicate China on manufacturing, India had virtually emerged as a powerhouse for services, he observed.

On the employment front, he was of the opinion that new skilled job opportunities might be created leveraging IT & ITES, in which skill development and vocational training could play pivotal roles. In fact, India could become a global supplier of skilled jobs, taking advantage of demographic dividends.

He further urged that infrastructure and agriculture would be important sectors for job creation, being two important employment intensive sectors.

He cited mechanization and modernization as the

two key factors in agriculture, which could reduce crop loss. Using modern technology, setting up modern cold storage, using improved farm to market logistic chains would be important. Unleashing agri–entrepreneurship could go a long way towards bringing the required change, he added.

Access to long term finance in good terms should be another important area facilitating Transformation. He felt that too much of reliance on banks for financing long term projects, including infrastructure created asset–liability mismatch as also banks' failure to correctly evaluate the projects. He spoke about emergence of strong autonomous lending institutions to curb dependence on banks.

Infrastructure in India should attract private investment through PPP model. Earlier, infrastructure was provided by the Government, the pattern had changed now. The private sector had become equal partners in providing infrastructure in countries like Japan and USA.

Shri Saugata Bhattacharya

Shri Saugata Bhattacharya pointed out that against the backdrop of a complete reversal of expectations from Europe, sharp depreciation of Euro against the Dollar and capacity closures in China, Indian Rupee had appreciated and strengthened, with special reference to inflow of 26 billion USD coming to India as debt & stocks.

Although lots of reforms had taken place in India, including introduction of GST, he felt that the economy had been marked with low consumption demand resulting in low capacity utilization and poor investment.

On transforming India, he felt that the shift from informal sector, including innumerous cash bound transactions to the formal sector, would be the key factor, with inclusive growth covering the bottom 15 cities.

Access to finance had become easier now with more fintech and crowd funding companies, he said. However, there should be larger flow of resources from private and government sector, he noted.

He further stated that on the employment front, job growth would be there, but not of high paying jobs.

Shri Indranil Pan

Shri Indranil Pan was of the opinion that Transforming India was a Marathon and not a Sprint, with the quantity of growth in the short term being foregone to ensure quality of growth for the longer term.

He mentioned that the economy was moving in the right direction with India being an attractive investment destination with rising FDI inflows, inflation under control, good monsoon and supply side management with low food prices. Certain big moves had been taken by the Central Government, including demonetisation, introduction of GST, efforts to improve bank sheets of banks and companies. A brilliant opportunity lay ahead for the Government to take forward the reforms process, he noted.

There was a need to energize the agro sector, which had been beset with problems like low productivity, fragmented land holdings, lack of proper storage facilities. Even the loan waiver schemes did not enhance productivity, he explained.

He expressed concern over the low Human Development Index of India, lagging behind the peer countries at 131, which should be improved.

A Leadership position should go much beyond a relatively high GDP with low inflation and enhancing per capital GDP would be the key, he stressed. There should be adequate investments for the future, investment in health care and education.

From right to left : Shri Indranil Pan, Chief Economist, IDFC Bank Ltd.; Shri Sunil Kanoria, Vice Chairman, Srei Infrastructure & Finance Ltd.; Shri Hemant Bangur, President, MCCI; Dr. Shankar Acharya, Hony. Professor, ICRIER & former Chief Economic Advisor, Ministry of Finance, Govt. of India; Shri Vishal Jhajharia, Vice President, MCCI; Shri Saugata Bhattacharya, Chief Economist & Senior Vice President, Axis Bank Ltd. and Shri Souvik Banerjee, DG, MCCI.

Earlier in his Welcome Address, Shri Hemant Bangur, President of the Chamber, spoke about the shift of global economic power towards the emerging economies, to largely be driven by China and India. He mentioned that according to the Department of Industrial Policy and Promotion (DIPP), the total FDI investments India received during April 2016-March 2017 rose 8 per cent year-on-year to US$ 60.08 billion, indicating that Government's effort to improve ease of doing business and relaxation in FDI norms is yielding results. Referring to the problem of jobless growth, he enquired about how to usher in a steady phase of employment-led economic growth in the country.

The Session ended with a hearty Vote of Thanks by Shri Vishal Jhajharia, Vice President of the Chamber.

Panel Discussion on "Raising Agricultural Productivity, Fuelling Growth"

From left to right : Dr. A.K. Singh, Deputy Director General (Agricultural Extension), Division of Agricultural Extension, Indian Council of Agricultural Research (ICAR), Dr. Pratap Bhanu Singh Bhadoria, Professor, Agricultural & Food Engineering Dept., IIT Kharagpur, Shri Manoj Rawat, Head–Agri Business & Rural Banking, RBL Bank Ltd., Prof. Mahadev Pramanick, Professor, Department of Agronomy, Bidhan Chandra Krishi Viswavidyalaya (BCKV) and Shri A K Ray Barman, Chief General Manager, NABARD, Kolkata.

The Panel Discussion was moderated by **Shri Manoj Rawat,** Head – Agri Business & Rural Banking, RBL Bank Ltd. The Panelists were :

- **Dr. Pratap Bhanu Singh Bhadoria,** Professor, Agricultural & Food Engineering Dept., IIT Kharagpur;
- **Prof. Mahadev Pramanick,** Professor, Department of Agronomy, Bidhan Chandra Krishi Viswavidyalaya (BCKV);
- **Dr. A K Singh,** Deputy Director General (Agricultural Extension), Division of Agricultural Extension, Indian Council of Agricultural Research (ICAR);
- **Shri A K Ray Barman,** Chief General Manager, NABARD, Kolkata

The Key Focus Areas were –

- How to ensure food and nutrition security for 1.25 billion citizens?
- How to raise Agricultural Productivity for accelerating growth ?
- Govt. focus on higher agricultural productivity through the use of latest technology and high-yielding crop varieties to help double farmers' income by 2022 – prospects & concerns
- Soil health and water conservation -- critical to improved agricultural production and productivity
- Diversification of agriculture –Role of Technology

Shri Manoj Rawat

Addressing the Forum, Shri Manoj Rawat stated that the three areas of concern were food security of the Nation, income security of farmers and financial inclusion of rural India. He felt that Agriculture needs to be freed from traditional policy framework for it to grow and prosper.

Shri Rawat was of the opinion that major trends in agriculture would include a shift in consumption from cereals to fruits and vegetables. Demand for food would rise dramatically due to India's growing population, however there could be a stress on supply due to constraints of water and land resources. He felt that there exists immense scope to improve productivity and yield as well as to reduce the huge losses in the supply chain.

In order to double income of farmers, productivity, yield and efficiency in agriculture should be improved dramatically. The area under irrigation would need to rise to 60 p.c., thereby doubling the micro irrigation programme. The flow of 'investment credit' to the agriculture sector also needed to be doubled as well

as the agro processing and value addition services sector. A framework of market driven, fair and remunerative farm gate was necessary. In addition, investments in live stock, poultry, bee-keeping and fisheries need to be doubled.

In order to achieve food security, he spoke about the key areas, which included improving crop productivity, managing water resources, removing market inefficiencies to fetch better realization for farmers, more agricultural research, bridge digital divide and promote integrated farming.

To improve agricultural productivity, the following should be done:

- contract farming and aggregation & consolidation of holdings
- promote farmer producers organization
- effective management of natural resources
- appropriate and effective use of fertilizers
- high yield and quality seed kits
- promote farm mechanization,
- availability of information and credit facility, and preserve soil quality

Shri Rawat pointed out that India had 17 p.c. of the world's population but only 4 p.c. of global fresh water resources. India being a water stressed country and only 30 p.c. of the fields are canal irrigated, stress should be on efficient water management. He stressed on technology enablers, which would include use of drip irrigation, promotion of climate resilient agriculture, green and responsible lending, digital agri marketing system and crop monitoring through satellite imagery.

With regard to West Bengal, Shri Rawat mentioned that 96 p.c. of farmers might be classified as small and marginal farmers with small average holdings. Some areas of intervention include need to arrest deteriorating soil health, focus on quality seeds, need to increase farm mechanization, create adequate marketing infrastructure including cold chain for perishables, village level grading and sorting centres, focus on value addition units and public, private and farmer's partnerships.

Dr. Pratap Bhanu Singh Bhadoria

Dr. Pratap Bhanu Singh Bhadoria referred to a project titled 'Doubling Farmer's Income through Technological Interventions', undertaken by IIT, Kharagpur in Kenthia village in West Midnapore District with low fertility land in semi arid conditions without any cropping. This was a pilot project to create a green revolution at the village by converting barren land into lush fields and labs.

Dr. Bhadoria described how bunds were first broken by tractor to create larger fields and small plots were converted into larger plots. Soil testing was done to determine its physical and chemical properties. A deep tube well was dug to a depth of 300 feet and the ground water was monitored. A nursery was created and organic fertilizers were applied in the fields. Farmers were taught direct sowing using drum seeder for the first time. The project included transplanting of seedlings. Mechanised weeding was carried out in transplanted rice field. Nutrient management in the transplanted rice fields was carried out through organic sources.

When the matured crop was ready for harvesting, harvesters were used to avoid labour related issues. The other crops grown in this project include sesame seeds, sweet corn, peanut, mustard, wheat and soybean. Power tillers were used and rice transplanter was introduced to the farmers. Different varieties of crops were planted using different sowing methods and fertilizer inputs. Sustained efforts produced a good paddy crop. A fish culture pond was successful.

Prof. Mahadev Pramanick

Prof. Mahadev Pramanick spoke about the problems of agriculture and how these could be ameliorated through use of crop diversification, conservation of surface water for irrigation, bullock power and livestock as an integral part of agriculture. Food security of farm households increases when they grow pulses.

Prof. Pramanick added that soil health and water conservation are critical to improve agricultural productivity.

Farmers must adopt integrated farming systems, where livestock is an integrated part of farming. Diversification of activities for the farmers like, agriculture along with animal husbandry fetched higher returns for them. Thus, as farmers shifted from cropping alone to crop plus fish plus poultry and then to crop plus fish plus goat, income levels increased.

Prof. Pramanick ended by emphasising the importance of horticulture, usage of better seeds, crop insurance, effective marketing and last but not the least, improved soil health.

Dr. A. K. Singh

Dr. A. K. Singh stated that when we make comparisons with agriculture in other countries, we should keep in mind their situation and our situation. India, a food surplus nation, just experienced a record crop production. A part of the agricultural success of Haryana and Punjab could be attributed to good transport and effective procurement by the concerned State Governments, he felt. Dr. Singh believed that Eastern India has the potential to feed the whole nation.

He said that when comparing productivity, it should be kept in mind whether the crop was one crop grown per year or four.

Size of the farms often made it difficult to operate them as viable economic entities, as farm holdings are very small with 80 p.c. of them below 2 hectares in size. Dr. Singh said that even 1 hectare farms are fragmented. Still, farmers have done a good job and improved production per hectare. Quality of seeds and proper use of fertilizer should be kept in mind.

Government of India had introduced excellent schemes for farmers, such as Pradhan Mantri Fasal Bima Yojana. Some varieties of seeds introduced by ICAR have been very successful.

Farmers have selflessly produced crops. The

production of pulses had increased from 16 million MT to 22 million MT in one year. However, farmers need to be empowered and traders must share their benefit with farmers, so that everyone gains.

He enquired about the strategy being undertaken by State Governments to support water intensive crops, as rice and sugarcane required a lot of water.

Dr. Singh was of the opinion that Indian agriculture needed more facilitation at ground level as well as research. 'We need policies and support as well as infrastructure', he said. Farmers should be empowered to produce optimal crops.

Shri A. K. Raybarman

Addressing the Seminar, Shri A. K. Raybarman said that we need to come out of a paddy mind set at a time when income of farmers should be doubled. Mostly, farmers in the state grow paddy and potato with a bit of vegetables, floriculture and less milk.

According to him, an important impediment has been the fragmentation of land holdings. There are 70 lac small farmers in West Bengal and 55 lac holdings.

Most of the funds allocated to the farm sector are used for crop production and there is hardly any capital formation in this sector in India.

NABARD tries to address composite issues, including soil and water. He spoke about use of cowdung and biomass. Due to rampant overuse of fertilizer, soil balance had been lost and productivity has been hit. Also, cost of production has increased. Besides land, water was most important and should be judiciously used through techniques such as drip irrigation. Arsenic contamination of ground water is a problem and affected farmers' health. Shri Raybarman added that the water table had dropped.

Farmers in West Bengal suffer from poor marketability of their produce. So, NABARD tried to bring them together under one umbrella and taught them how to market their products. A group of farmers can then sell in bulk.

On rain water harvesting, Shri Raybarman felt that if in the dry hinterland of Purulia and Bankura, water could be stored in ponds for usage and conservation, farmers could make a

living.

Availability of credit and capital are the most important factors. If we adopt a focused direction and adequate resource mobilisation, then farmers would be better off.

For a holistic view, all agricultural activities need to be addressed. We need a focused attention on utilization of resources, credit and enhancing the knowledge of farmers.

Key Takeaways were :

- A holistic approach to agriculture should be accorded priority.
- In addition to high crop productivity and food security, income security of the farmers should also receive equal importance.
- Not only crop loan, capital formation should be encouraged. Farm level aggregation should be there.
- Doubling the credit and doubling the income of the farmers should run parallel.
- Right market infrastructure should be there to fetch the market price to the farmers.
- All broken linkages should be addressed and value chain approach to be adopted. Farmers should be considered as the first mile linkage, not the last mile.

Panel Discussion on "Manufacturing as an Engine of job-led Growth"

From left to right : Dr. Parthapratim Pal, Professor, Economics, IIM-Calcutta; Shri Nitin Kalothia, Director, Manufacturing & Process Consulting, Frost & Sullivan; Shri Indranil Pan, Chief Economist, IDFC Bank Ltd. & Shri Saugata Bhattacharya, Chief Economist & Senior Vice President, Axis Bank Ltd.

The Panel Discussion was moderated by **Shri Nitin Kalothia,** Director, Manufacturing & Process Consulting, Frost & Sullivan. The Panelists were :

- **Shri Saugata Bhattacharya,** Chief Economist & Senior Vice President, Axis Bank Ltd.
- **Dr. Parthapratim Pal,** Professor, Economics, IIM Calcutta
- **Shri Indranil Pan,** Chief Economist, IDFC Bank Ltd.

Key Focus Areas were –

- How could India emerge as a globally competitive, innovation-driven Manufacturing Hub?

- Opportunities in 21st–century manufacturing and supply chain operations

- 'Skill India', 'Start-Up India', 'Make in India' – possible role in boosting Manufacturing & Employment

- The main enablers for manufacturing SMEs and start-up producers?

- How could the public and private sectors collaborate for sustainable job creation in India

Shri Nitin Kalothia

Addressing the Forum, Shri Nitin Kalothia referred to the vision of India becoming the 5th largest manufacturing hub by 2025, with the current position being 10th. He also referred to a raising the value added of manufacturing to USD 1,149 billion and share of manufacturing to GDP to 25% by 2022. "India has high aspirations and seeks to add millions of manufacturing jobs by 2025", he noted.

He pointed out that Services had driven the Indian economy and Agriculture has been continuously an area of concern with productivity issues and crop loss. In case of Manufacturing, while the absolute value had increased over time, but in percentage terms, its

contribution to GDP had remained stagnant around 14–15% over the last 3–4 few decades.

India's share in global manufacturing now stood at 1.18%, as against China's figure of 13.7%, which rose from 2.9% in 1991-92, he noted.

China had been a leader with a staggering 34% of GDP coming from Manufacturing with Thailand at 27% and Germany at 20%. Manufacturing stood at over 20% of GDP in many major economies.

Recently over the last 2–3 years, India had emerged as the 2nd most preferred investment destination, next only to China with huge FDI inflows, reforms in the economy and currency being strengthened, he felt.

"The sentiment over India is positive", he said. The recent policies by the Government and thought processes were geared in the right direction for the last 3–4 years, which should yield desired results. Interest had been increasing to look at India as a major manufacturing hub after China. He was of the opinion that the initiatives taken by the Government were taking shape with more FDI flowing into Indian manufacturing.

The GoI had been trying to highlight 25 key industries with maximum growth potential. The Government had also been seeking at attract FDI into these sectors. These industries being capital intensive in nature, would also drive skill development.

Manufacturing had been given a lot of importance through Make in India and other policies, he added. Shri Kalothia mentioned that GoI had undertaken measures to increase transparency and improve ease of doing business. Initiatives had been undertaken to move up from the current ranking of 130 to 50 in Ease of Doing Business in the next few years.

He also referred to initiatives to bring in transparency & online applications, amendments in Labour Laws with flexibility in working hours, identification of 24 manufacturing cities, Capital Subsidy schemes, and setting up of Infrastructure with special reference to the 5 major industrial corridors, which should give a huge impetus to growth of the sector. Five major industrial corridors had been identified. The Delhi–Mumbai corridor, to be completed by 2019, would require $ 80 billion of investment. It will.

The Government had been focusing on Intellectual Property Rights (IPR) and IPR may now be treated as more like a financial asset.

He spoke about adequate capital infusion in the 25 identified industries bring the driving force, which would also ensure regular inflow of FDI. Data from RBI showed that FDI inflow in manufacturing had increased by 46% from 20 months before Make in India and 20 months after it.

On the negative indicators, he pointed out that about 11 to 12 p.c. of our workforce was in manufacturing which had not grown. On the challenge to balance between automation and job creation, he pointed out that while use of technology would require massive automation, it would be difficult to create 100 million jobs.

Growth in manufacturing would require a huge amount of investments, which might be difficult to raise. India's contribution to R&D had been very low and Illicit trade had hurt Indian manufacturing.

He discussed that development would need trained personnel and adequate skill development amongst the workforce, which would not happen overnight. He enquired whether the skill development activities of the Government of India were adequate to huge skilled manpower. Besides, sticky labour laws would be another constraint.

Shri Saugata Bhattacharya

Shri Saugata Bhattacharya said that a huge growth of consumer goods industries coupled with the service sector would bring about a spurt in job creation.

He was of the opinion that growth in sectors like automobiles, automotives, power sector, solar energy in particular, would also help in the transformation.

He felt that the SMEs would be a key factor for growth in the manufacturing sector. He said that in Europe, countries like in Germany, Italy & France, the SME component contributed a lot to the development process.

He further stated that access to credit would be another important factor affecting growth of manufacturing, particularly the contribution of the small industries would be the deciding factor. He further observed that it had been critical to create manufacturing jobs. He cited the example of a few new auto factories in Pune employing few people

Farm incomes were expected to double. Eastern India enjoyed a huge surplus of electricity. These two factors would create a large number of jobs.

Dr. Parthapratim Pal

Dwelling on India's growth trajectory and transformation in terms of sectoral contribution towards GDP, Dr. Parthapratim Pal said that the move from traditional to modern sector in the conventional way had not happened in case of India, as it had happened for other countries, with Agriculture in India still employing 50% of the workforce. India had moved from agriculture to services jumping the manufacturing sector.

He felt that Make in India might not bring in the desired results. China had a head-start in manufacturing, and had the economies of scale, being the early mover, he noted. Also, globally, there were recessionary and protectionist tendencies, which might affect adversely the fall out of Make in India.

Instead of Make in India, importance should be given to "Make for India", which would reduce dependence on global market and more reliance on the domestic market of India.

On the challenge of automation vis–a–vis job creation, he pointed out that the impact of automation on job creation would depend upon the pace of adoption of technology. If automation had been as disruptive a phenomenon as foreseen, then extrapolating trends to predict the future might not be valid. "We are facing a disruptive phase and it will be a challenge for manufacturing to absorb workers", he added.

While 68.9% jobs would be impacted in case of fast technology adoption, in case of slower pace, 40% of jobs would be impacted. The corresponding figures for China were 77% and 55.2% for fast and slow technology adoption respectively. Automation would bring in restructuring in employer–employee relationship, he added. Automation would impact the middle level jobs most, it would not impact the top most and the bottom most levels to that extent, he added.

He further discussed that the pattern of job creation might also change. "In the future, we may trade in tasks rather than trade in goods", he said.

The number of full–time jobs might contract, to be replaced with contractual, part time and consultancy jobs, people would be given assignments instead of jobs There might be a need for bigger social security to cover uncertainties in the job market. There could be a disruptive phase, wherein the manufacturing sector might not be able to absorb enough jobs, he noted.

Referring to MSMEs as an engine of job creation, their challenge was not regarding quotas but of standards and quality, including environment & other standards. He iterated that standard setting bodies would be needed as MSMEs had been facing threats from standards.

Shri Indranil Pan

Shri Indranil Pan said that supply side problems were there regarding infrastructure, power, water and other linkages, but the larger issue had been that of demand. From 2003–2008, 8–10 % GDP growth seemed feasible with exports growing at a pact of 32–33 %. However, since the global financial crisis in 2008 affecting overall structure of demand in a significant way, getting manufacturing back on the track was quite difficult. The policies should provide as much support to the manufacturing sector, as possible.

He enquired as to what was holding the manufacturing sector back as there had been no dearth of funds for credit through banks, bond market, other domestic channels or international finance for bigger companies.

On the issue of employment, he pointed out that the

issue of employability was more important than mere educational degrees. He said that the focus should be on quality of education and developing soft skills amongst the new entrants to the working populace. He felt that the focus should be on grooming of a child right from the school days.

He further said that emergence of automation had been a problem, however, if soft skills and educational skills were well grained in the educational system, it might tend to reduce the threat of automation. A moderate amount of currency depreciation in line with our inflation expectations would give a boost to exports and manufacturing.

Key Take Aways :

- Vision to have contribution of manufacturing to rise to 25% of GDP. Transformation through disruption, automation to go side by side job creation.

- Make in India or Make for India or for global markets : a big question.

- To enhance quality of education and vocational training so that dependence on automation could decrease.

- MSME sector as an engine of job creation : how to improve their productivity, efficiency and output.

- Setting up of adequate Infrastructure and access to Finance had been the key issues.

Panel Discussion on "Leveraging Technology and Innovation for Inclusive Growth"

Panelists from left to right : Shri Vivek Belgavi, Partner, Financial Services – TC FS & Fintech Leader, Pricewaterhouse Coopers Pvt. Ltd.; Shri Sudipto Chowdhury, Chief Operating Officer, Sahaj e-Village Ltd.; Dr. Subhrangshu Sanyal, CEO - IIM Calcutta Innovation Park; Shri R. Ramanan, Mission Director, ATAL Innovation Mission (AIM), NITI Ayog; Shri K. Sanath Kumar, Chairman & MD, National Insurance Co. Ltd. and Shri Somak Sarkar, Senior Manager, Business Development, National Payments Corporation of India (NPCI).

The Panel Discussion was moderated by **Dr. Subhrangshu Sanyal,** CEO - IIM Calcutta Innovation Park. The Panelists were :

- **Shri K. Sanath Kumar,** Chairman & MD, National Insurance Co. Ltd.
- **Shri R. Ramanan,** Mission Director,

ATAL Innovation Mission (AIM), NITI Ayog

- **Shri Sudipto Chowdhury,** Chief Operating Officer, Sahaj e-Village Ltd.
- **Shri Vivek Belgavi,** Partner, Financial Services – TC FS & Fintech Leader, Pricewaterhouse Coopers Pvt. Ltd.
- **Shri Somak Sarkar,** Senior Manager, Business Development, National Payments Corporation of India (NPCI)

Key Focus Areas were –

- Technology & Innovation : Current Status & Future Roadmap

- What can make India a truly digital economy with high efficiency ?

- Ways & means to develop a superior tech-enabled Banking & Financial Services infrastructure

- Through Digital India and platforms like Aadhaar, the unique identification system that now covers more than 900m Indians, the government hopes that public-sector innovation can improve the lives of the disadvantaged - Will Digital India be a truly inclusive India ?

- Start-Ups and the current Innovation Ecosystem

- Beyond corporate social responsibility (CSR), is there a business case for the private sector to champion innovative social causes?

Dr. Subhrangshu Sanyal

Dr. Subhrangshu Sanyal pointed out that a paradigm shift in Technology would be required to facilitate inclusive growth.

He referred to Education Index, Income Index and Human Development Index playing the crucial role in transformation and broad based inclusive growth, touching as many lives as possible. He pointed out that India being the 2nd largest emerging country doing so well would have a Human Development Index at 130 out 133 countries, was itself a huge challenge for inclusive growth.

He felt that no incremental approach would work and we needed rapid and sustained development, which would increase the Human Development Index from 130 to somewhat around 50.

He mentioned about IIM Calcutta Innovation Park helping the entrepreneurial ecosystem having incubators and supporting startups in West Bengal and North East.

Shri R Ramanan

Shri R Ramanan was of the opinion that the strategy to ensure inclusive growth should be disruptive strategy, no more incremental. India with a 130 billion population and 130 million new entrants to the job market would not be able to reap the benefits of demographic dividends, if there was any dearth of job creators.

Thus, innovation and use of technology were two important levers in enabling inclusive growth and the seed of innovation should be planted from the grass root level.

Shri Ramanan discussed that laying down digital infrastructure would be extremely important to being benefits to the last mile. He referred to Digital India and JAM trinity Jan Dhan – Aadhar – Mobile as the 2 important technology enablers. He informed that around 300 million people within 3 years were added to Jan Dhan, but 50% of the accounts were not active earlier, which came down to 20% recently.

The access to technology through Digital India & JAM would enable rural populace, including women and marginalized people to have online information. Farmers could even sell products online through mobile. This would benefit all, who were not equipped nor empowered to go to banks, situated far away from their villages, he observed.

The basic objective of Atal Innovation Mission had been to create entrepreneurs. There were 3 important initiatives. Firstly, around 2000 Atal Tinkering Laboratories on 3D printing, robotics etc. for children of middle to high schools, to equip them with the latest emerging technology, over which the jobs of the future would depend. Labs to

be set up in schools, the objective of which would be to foster curiosity, creativity and imagination in young minds and inculcate skills such as design, computational thinking, adaptive learning, rapid calculations and others, so these children grew up to become innovative problem solving job creators. Secondly, world class incubators, around 5–10 in each state, around engineering colleges, to be set up to leverage technology. Thirdly, adherence to UN Sustainable Development Goals, the objectives of which were to end poverty, protect the planet, and ensure prosperity for all, he noted.

He further pointed out that technology had become an enabler in other Niti Ayog activities also including affordable housing, health & sanitation, drinking water, cleanliness and others.

Shri K Sanath Kumar

Addressing the Forum, Shri K Sanath Kumar, said that the low Human Development Index had been because of the presence of huge economically challenged masses forming a significant part of the population. The masses did never have any sustainable livelihood nor did they have any asset formation towards it. Any kind of emergency including medical emergency involving huge medical expenses, death of the bread winner, cyclone/ flood hitting areas would have a disastrous effect on the family slipping them back to the debt trap and below poverty level (BPL).

The Chairman & MD of NIC referred to the importance of digital delivery of mass health insurance with lowest possible premium, leveraging of technology towards financial inclusion. He explained how a mass insurance scheme had been delivered to the marginalized class with the use of smartcards without paying a single premium by leveraging technology. He said that the entire data of BPL people with the ration cards uploaded onto a server, which was used to enroll people village by village for providing smart cards for a health insurance of Rs.30,000/-.

He mentioned about the Pradhan Mantri Fasal Bima Yojana providing support to the huge number of farmers to withstand the vagaries of nature. The

farmers being key people forming the base of the economy and the digital delivery of the loan and its amounts would get automatically uploaded and updated using technology. Similarly the claim had also been made digital, which had provided tremendous help to the farmer class.

He discussed about the use of drones and satellite imagery to predict cyclones and other storms. This was helpful for settling claims fast as the imagery was used to identify villages having surplus/ deficient monsoon.

He pointed out that technology was also used to mention and predict probable & predominant illnesses arising out of floods/ natural calamities, for disbursal of medical insurance towards requirement of drugs and hospitalization in the concerned villages. This would help the government authorities to focus on buying and storing of appropriate drugs.

Shri Sudipto Chowdhury

Shri Sudipto Chowdhury spoke about solving the last mile, use of technology to diffuse the boundaries of man, machine, information and environment. He spoke about the importance of real time accessibility by the intended beneficiaries and its operational speed, and information abundance would open up new horizons.

He also referred to redistribution of resources to encourage entrepreneurship amongst the marginalized class and faster and more effective service delivery, including insurance and other services.

Driving digital inclusion through Aadhaar, he mentioned about a Sahaj e-village scheme of providing of support to 400 million rural population.

Shri Vivek Belgavi

Shri Vivek Belgavi explained how technology could not exist without commerce, as without affordability there would be no technology, because technology could not be provided free of charge.

He referred to the importance of a rural aggregator as the aggregate value of rural transactions was huge although transactions at the household did not have much value.

On disruptive technology, he was of the opinion that 1st disruption had never been profitable but profitability would generally be acquired through acceptance and adoptability. He also discussed about fintech, different models and its Impact on government projects. Cash being always a challenge, the impact of payments bank would be huge, he added.

For inclusive growth to be effective, coverage of Tier I to Tier V cities would be crucial, he noted.

Shri Somak Sarkar

Shri Somak Sarkar focused on enabling infrastructure to focus on digital transactions in a village lacking convenience of a nearby banks or ATMs.

He mentioned about various challenges like numerical literacy but alphabetical illiteracy, use and technology of appropriate language and others towards inclusive growth.

Key Take Aways

- Technology would be a big enabler to facilitate inclusive growth and a paradigm shift in Technology would be required. The strategy to ensure inclusive growth should be disruptive strategy, no more incremental, making Innovation and technology 2 important levers.
- Although virtuality would be the new reality, however, human factors were also extremely important for inclusive growth.
- Technology should not exist without commerce and technology should be affordable.
- Technology could be used to identify, measure and respond. Data should be integrated with the mass population for financial support.
- Access to credit only with a credit history creating a problem amongst the masses.

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