

INDIA - IN THE 21ST CENTURY

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OBJECTIVES

- To understand India better – Her Past, Foundations, Strengths, Triggers and Dynamics of growth



From horse's mouth

- In 1835, the British historian and politician, Lord Macaulay, admitted before the British Parliament: "I have traveled across the length and breadth of India and I have not seen one person who is a beggar, who is a thief. Such wealth I have seen in this country, such high moral values, people of such caliber... the very backbone of this nation, which is her spiritual and cultural heritage....." India Vision 2020 document released by Planning Commission

Rise and fall of Economies

Region	1820	1870	1913	1950	1973	1990	1998
Western Europe	23.6	33.6	33.5	26.3	25.7	22.3	20.6
US, Australia, N. Zealand, Canada	1.9	10.2	21.7	30.6	25.3	24.3	25.1
Japan	3.0	2.3	2.6	3.0	7.7	8.6	7.7
Asia (excluding Japan)	56.2	36.0	21.9	15.5	16.4	23.3	29.5
Latin America/Caribbean	2.0	2.5	4.5	7.9	8.7	8.3	8.7
E. Europe and former USSR	8.8	11.7	13.1	13.0	12.9	9.8	5.3
Africa	4.5	3.6	2.7	3.6	3.3	3.2	3.1
Total	100%	100%	100%	100%	100%	100%	100%

- Share of India at global level:
- In 1750 – 25% of World Production
- 24% of World Exports
- In 1830 – 19% of World Production
- In 1913 – 12% of World Production
- In 1947 – 2.5% of world Production
- In 1973 – 1.5% of world GDP and 1.2% of exports
- In 1990 – 1.0% of world GDP and 0.7% of Exports

Why?

- **In 1947 – Indian freedom called as Transfer of power,not Independence**
- **Rulers changed,not the rule**
- **In the place of British Indians took over**
- **The same laws that considered Indians as subjects of British continued**
- **Personal likes and prejudices of leaders became the policy for Indian economy**
- **Socialism, for its utopian and anti-god sentiments attracted Nehru.It became the policy for the economy,un-debated.**

Models of economic development

- Socialism – State driven - authoritarian
- Capitalism – Market driven -Commercial
- Indian model – Society driven – value based
- Commerce tempered by dharmic and societal values-The third way...the Indian way
- Until 1990,India followed socialism
- India considered private enterprise - a sin
- Bureaucracy considered every businessman a thief and treated him as such
- The Result – India had to pledge gold to borrow from IMF in 1991

India – a Late beginner

- India from 1991 started to globalise first and not liberalise the local business
- Putting cart before the horse
- India's growth is despite Govt. and because of the same
- Even now Businesses harassed by Bureaucracy
- Disconnect between various segments

The Real India

- Families and communities play a vital role in the economic development of India
- Family is the core of India's economy, society, culture, religion and spirituality
- 99.0% of the economy controlled and driven by families
- Out of 10,000 corporates listed in Stock exchanges, only handful run by professionals
- Non-corporate sector contributes 66% of GDP and 45% of Indian Exports

The performing India

- UNIDO study in 1997 identified 370 clusters in India
- 2600 rural and artisan clusters
- Contribute 70% of Industrial out-put and 66% of direct exports
- Panipat – 75% of blankets produced in the country
- Tirupur – 80% of cotton knitwear
- Agra – 75% of leather exports
- Ludhiana – 95% of woollen knitwear, 85% of sewing machines, 60% of Bi-cycles and spares
- Surat – 85% of diamond polishing and 60% of synthetic textiles
- High technology easily absorbed and improvised

Un-organised sector – the employment provider...

- 93% of employment opportunities developed by the un-organised sector
- Nearly 40 crore jobs generated – self-employment or jobs
- During the peak of globalisation 1993-2000 the jobs in organised sector shrunk
- Growth rate in employment of 1.87%, due to un-organised sector only
- 52% of Total employment in un-organised sector is self-employment; in rural areas, it is 57%
- 95% of the Industrial units are in SSI sector

Saver and Investor

- In 2004-05, India achieved highest savings rate in last 10 years – 28% of GDP
- Last year, corporate savings rate- 3.8%, Public sector –1.4%, unorganised or traditional sector – 21.22%
- In year 2003-04, FDI inflow accounted for only 2.5% of Investments in our country
- Total investments made in 10 years earlier to 2001-nearly Rs.25 lakh crores.95% of this came from traditional sector.
- But, Un-organised sector gets a share of only 21.2% of Gross Bank credit

Role of education in performing India-

Findings of the Task Force on Employment Generation headed by Dr.Ahluwalia

Unemployment rate:

0.2% among illiterates

1.2% among those studied upto
Primary school

3.3% upto Middle school

7.8% upto Higher secondary
school

8.8% among graduates

11.2% among post-graduates

Higher the education one has, more
he becomes unemployed and
unemployable

- **Higher literacy rate means higher unemployment for the state**
- In High-literacy states, the unemployment rate:
Kerala – 20.77%, TN - 12.05%, West Bengal – 14.95
- In low-literacy states, the unemployment rate: Rajasthan – 3.06%, Himachal 2.96%, UP- 4.27%
- **Macaulay mechanism really works, still**

Enterprising India

- Community functions as venture-capitalist and incubator for new entrepreneurs belonging to that community
- Apart from traditional business communities, neo-entrepreneurial communities have taken to economics as a movement – Co-opetition factor works
- India has the Highest rate of entrepreneurs 17.1% of population, next only to a small nation-Thailand (17.6%), according to Global Entrepreneurial Monitor Survey 2003
- Lack of private Entrepreneurs is the weakness of China and abundance of it is India's strength

Indians succeed, but... will India?

- Success stories galore
- In Automobile Sector: Mahindra, Tata, Punjab Tractors, Bharat Forge, Hero, TVS
- Designing and Prototyping, R & D hub of World-100 MNC
- In Other Manufacturing: Sterlite, Birlas, Asian Paints, Hindustan Inks, Essel, Diamond polishing, Mittals, etc.
- In Pharma: Ranbaxy, Reddy's, Cipla etc. Making India a force to reckon with. Among Top five bulk drug manufacturers in the world.
- In 1971 the share of MNCs in Indian market was 75 per cent. Now it's 35 per cent!
- Textiles in post-quota in favour of India – the share of India expected to double rapidly in 3 years
- Indian textiles preferred in Class markets for creativity and value addition

Knowledge-the strength of India

...as has been throughout her history

- 220 of Fortune 500 companies out-source their software from Indian companies
- Slowly emerging in Hardware,too
- Tanden Electronics,Moser baer etc.
- The 21st century will see globally the manufacturing becoming more and more IT enabled
- Then,tables will turn in her favour from China's
- BPO industry growing – Back office of World
- 75,000 IT graduates a year and 6 crore English-educated Indians- a weakness turns into strength

Brand India improving and Indian brands doing well

- Indian Passport commands respect at global level
- India recognised as powerful country-more discussed at WEF Meet at Davos
- Success of NRIs in 165 countries noticed
- In most countries, Average NRI earnings much higher than respective national per capita Income-in US 2.5 times, in UK 200%, in Canada and Australia, NZ – 150%
- International magazines like Forbes, Economist, Fortune, Harvard BR keep writing the success of India
- MNC consulting firms like Goldman Sachs, Mckinsey, KSA etc publish report after report on success of India-predict Super power status emerging

Indians win over MNCs in Home ground,too

- Gone are days of defeatist mentality in Indian Business
- Indian Brands are feared by MNCs,now
- Rise of regional brands is the strategy
- Local brands is key strategy to win in globalisation war
- Success stories: Nirma Vs Surf,Cavincare Vs HLL shampoos,Rasna Vs Sunfill,MTR Vs Walls,Amul Vs Dollops,Tirupur Sundaram Vs Tubetex,Victor bike,Indica cars,Scorpio etc.
- Avg. 7 or 8 of the fastest-growing brands above Rs.100 crore turnover are Indian and not MNC

India – a force to be reckoned

- Well on her way to become a super power of the World
- Eminent thinkers, Statesmen and Business leaders across the globe think that cycle is turning against the West and favours India
- Maharishi Aurobindo said long back: 'India shall arise on the ruins of the West'

India – the ultimate winner

- India – the future of World
- India, due to her –
- Cultural moorings,
- Religious and spiritual tempering,
- Knowledge and intellectual base,
- Hard-working character,
- Entrepreneurship – vibrant private sector,
- Low-consuming and high-saving habit,
- Favourable demography,
- Democracy and evolved society
- Indian diaspora across the World

Conclusion

- The critical will be the role of English-educated Indians in 21st century India
- Should represent India at global level and not the globe to Indians
- Re-orient our thoughts and actions to accept the world leadership
- Be proactive in the process and shed to be reactive
- A country needs to understand its past and present to plan about its future