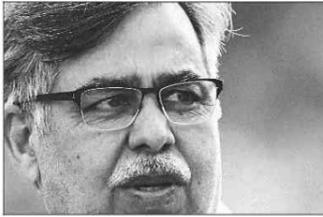


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Diversification in economy
will start a virtuous cycle

Recognising Next Set of Reforms Key to Double-Digit Growth



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Over the past few quarters, the Indian economy has seen a definitive improvement in growth enablers – both at the domestic and global levels.

The growth forecast of an improved GDP of 7.5 % for the financial year 2018-19, declining interest rates, a stable currency, the current global crude oil price trends, and an under-control fiscal deficit (3.2%) – are all good signs and indicators that India should be able to grow at a stable pace for the next few years.

While the Indian economy is expected to continue to grow at impressive numbers, it continues to languish on GDP per capita. Japan in the 1960s, Korea in the 1980s and China starting late 1990s grew at much higher rate of 10-12% per annum to attain the current high levels of GDP per capita.

Economic reforms like GST and the Insolvency Banking Code can have positive impact on FDIs and the ease of doing business index in next few quarters, ultimately boosting the Indian economy.

As on date, India's relatively higher growth rate, compared to the rest of the world, masks the continued low level of GDP per capita. With this context, we need to identify the next set of reforms that would push the growth rate into double digit. India needs to embrace structural reforms to leapfrog its growth.

Most of all, our economy needs diversification — from agriculture to innovation, services and manufacturing. This will allow the economy to churn and put in place a virtuous cycle, where higher productivity in manufacturing and service sectors will increase the disposable income of our people, which in turn would spur further investment and growth of these sectors. The biggest enabler for bringing about this economic uptrend is long-term skill building of the people.

Our Prime Minister Narendra Modi has already provided guidance in this direction with Make in India and Start-Up India initiatives and now the onus is on corporates to make efforts in this direction and take his vision forward.

I strongly feel the urgent need for a synergy between existing industrial set-

ups and new age technology startups to meaningfully drive economic growth.

Specifically for the auto industry, India will have to increasingly play a key role in developing and implementing the new age mobility solutions.

The automotive industry is a key indicator of any country's economic health and thus it is no wonder that it is also one of the most scrutinized and discussed industries. In India, this focus on the industry has resulted into implementation of stringent emission norms faster than any market across the globe.

However, despite technological advancements to improve emissions, the automotive industry still finds itself in the 'eye of the storm' over the issue of the deteriorating environment.

Hence, the industry has to be more self-regulatory, and look at developing new solutions that will reduce its dependence on fossil fuels. While this may be a long-term goal and radical alternative solution may take time to expand and reach a majority of users, it is imperative that the industry makes its current operations as clean and green as possible.

Our means of mobility will need to evolve, as digitalization continues to play a bigger role in our everyday lives. As the synergy between the digital and the automotive industries continues to develop further, the future mobility solutions will be upon us very soon.

But this will mean changing the course of the automotive industry, which has stayed in a well-recognized and acceptable realm for more than a century. The IC engine based vehicles will have to give way to newer technologies, which may rely on electric or hydrogen fuel cells for their power requirements. This will require a period of unlearning and learning for the operators as well as passengers of these new vehicles.

In the meanwhile though, there are several issues lurking on the horizons that can potentially throw the world economy in to turmoil - be it the deadlock over the Paris Climate treaty or the ongoing spat between the US and North Korea.

In such scenarios, the future may be very different from what is being foreseen now. With the world's growing interdependence, no country would be immune to a disruption anywhere on the planet.

Beyond the artificial, man-made stress points, the environment is an obvious area of concern. India needs to ensure that as it charts its growth path, the environmental considerations are addressed timely, or else they might put spanner in its wheels of growth.

(Views expressed are personal)