

Modi Govt's Three Years Have Put India on the Path to Glory

Expert Take



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I have never been as bullish on India for the next 10 years, as I am today. My optimism is based not only on a stable government moving firmly in the right direction but also on India's unique position in the global economy at this point in time.

Today, India is the fastest-growing nation in the world. Nobody doubts that it will remain so among the large economies for the next 10 years. Still the current growth rate is far below its potential and also lower than the growth averaged during 2003 and 2011. India's growth engine is yet to fire on all cylinders. On one hand, the central government is getting its acts together, accelerating the pace of reforms, on the other hand even state governments are taking cues and understanding political benefits of focusing on economic development. We already have a few states witnessing double-digit growth in real terms. Yet, there are more reasons than government policies, to be optimistic about India's growth.

One, India's favourable demographics with young population and majority of them having a long working life ahead. This is in contrast to most other nations, grappling with economic cost of its ageing population.

Two, low growth in most large economies will keep inflation and crude oil and other commodity prices depressed, a boon for India being a large net importer of commodities. As India is now significantly integrated with the world, low global inflation will exert downward pressure on domestic inflation and therefore interest

rate over the medium to long term. This will help new domestic capital investment. The trend of domestic savings moving towards financial assets will only accelerate.

Three, India will continue to attract foreign investment in large quantum, supported by conducive policy framework, democracy with unbiased judiciary and potential for high returns. India is the only large economy that can absorb huge capital in its infrastructure, housing and other sectors and generate good returns, creating new jobs as well. This is a win-win for foreign investors and the Indian economy. More and more investors are getting confident about the India story. Investor confidence is buoyed by the government's commitment to fiscal prudence, keeping fiscal as well as current account deficit under check despite pulls and pressures. Also, government has won global acclaim for its ability to implement reforms, as significant as GST and as bold as demonetisation. Besides several other laws earlier hanging fire for a long time, such as bankruptcy laws, are seeing light of the day.

Four, rapid and revolutionary progress in digital and mobile technology will be another shot in the arm for growth. Our government is showing enormous dynamism and speed in adoption of technology with initia-

tives such as e-governance, financial inclusion through JAM (Jan Dhan, Aadhar and Mobile trinity), DBT (Direct Benefit Transfer), digital payments and missions like Digital India.

In the last three years, while the government has done major structural changes such as dismantling of the planning commission, doing away with railway budget but quite pragmatically retained some positive initiatives of the previous UPA government. The most significant one is Aadhaar, which the government has not only continued but also widened and deepened. We are already seeing large benefits and reduced leakages through direct benefit transfer. The government's JAM initiative is revolutionary and driving in financial inclusion at the bottom of the pyramid and helping micro entrepreneurs with income generating activities.

While the private sector is still coming to terms with excess capacity, public sector investment has taken off well. We have seen significant revival in construction of highways and roads. Railways and defence sectors have come out of the policy log-jam trap. Private sector investment cycle too is showing signs of revival.

Mr Modi has emerged as perhaps the most successful leader in the world. At the beginning of his term, he asked for 10 years of social stability to revolutionise India. His three years track record indicates he deserves at least seven more. While infrastructure and housing for all by 2022 have taken off but have a long way to go, very little has been done in agriculture, education and health care sectors. In agriculture and water, successful strategies of Gujarat and Madhya Pradesh are yet to be emulated by even other BJP-run states. A number of positive initiatives have a long way to go such as Swachh Bharat, Skill India, Digital India and Make-In India. The government is on right track. India is on its way to regain its ancient glory and occupy its position as a global leader.

(Author is Chairman, IIFL Group)

