

Link: <http://businessworld.in/article/India-To-Be-An-Economic-Superpower/28-12-2016-110393/>

Headline: India can become an economic superpower: Adi Godrej

Description: The passage of the GST Bill will have a significantly positive impact on our economic growth, says our Chairman

Date: December 28, 2016

Publication: Business World

Author: Adi Godrej

The Indian economy today has emerged as the fastest growing major economy in the world. And despite global economic volatility, India is expected to grow at more than 7 per cent in real terms. In this context, I believe, as we continue to reform and modernise our economy, India can really become an economic superpower.

Our consumer markets

India has been able to mitigate some of the negative consequences of global financial turmoil partly on the basis of the large domestic consumer market. Consumer Confidence Index as measured by Nielsen quarterly stands at 133 for Q3 2016 as it retains the top spot in the global index. While increasing urban consumption especially in the middle and high-income groups riding on enabling demographics of a young population is a much touted growth story, it is the increasing urbanisation, higher levels of awareness and improved communication infrastructure that are driving growth in our hinterlands.

Reforms underway

In the recent past, we have taken steps towards further structural changes in the economy. The recent demonetisation drive is in my opinion a very good move in the medium to long term. It will considerably reduce the amount of fraudulent and black money in circulation. However, we need to be mindful that in the short term, since new cash injection has not been sufficient, there will be an effect on consumer offtake.

Similarly, I believe the passage of the GST bill and subsequent implementation will have a significantly positive impact on the economy and economic growth. A single national value added tax will be one of the key reforms since the liberalisation in 1991 and should lead to further two percentage points growth in GDP. This in turn should lead to a fillip in the private industrial investment and capital cycle.

Enabling policy

Supportive policy changes such as relaxation of FDI limits in railways, defence, ports as well as improving ease of business through easier online applications, de-licensing and speedier approvals are much required reforms in the manufacturing sector as well. Steps have also been taken to further digitise and streamline the economy with initiatives such as Aadhar linked subsidy schemes, UPI, Start-up India that improve transparency and reduce red-tape. Hence, we are attracting both foreign interest and investment coupled with active global outreach and engagement led by the Prime Minister.

All these reforms should enable the Indian economy to reach double-digit growth figures. In my opinion, on a purchasing power parity (PPP) basis India should be able to be the largest economy globally by 2050. In the period of 2030-2040, the Indian economy should be able to overtake in size on a PPP basis the US economy and in the period of 2040-2050, it should be able to overtake the Chinese economy on a PPP basis.

However, to truly capitalise this opportunity, we need to continue to push for further reforms in areas such as labour law reforms, improving ease of business, implementation of GST and enactment of the land acquisition bill. We need to improve productivity in our country, which requires the political will to bring in difficult reforms in labour laws. Due to the old laws, we see such a high share of contract labour in our country, which is underpaid and has no social security.

Further, to truly reap the benefits of a demographic dividend, we need to make education and skilling and training a focus area. At present, 10+ million people enter the Indian workforce each year. A substantial share of them are low skilled workers, many having migrated from rural India to the urban centres. Till the young workforce is adequately trained to be absorbed into productive labour force, the benefits of our demographic profile would not materialise.

As a part of corporate India, I feel we must reassess the role that we will play in equipping our country to achieve its true potential of being an economic superpower. We should play our part at this turning point in India's growth story.