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Role of Private Sector in India's Prosperity



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Turn Around India

Mr. R. P. Gupta is the author of a thought provoking book 'Turn Around India' written with an aim of creating economic awareness among masses and to provide practical & viable options for revival of the Indian economy in public interest.

For the first time, the election was fought for development agenda; therefore we must not lose focus from development. About 80% investment in productive assets is from private sector that is giving a push to the GDP growth. About 50% of infrastructure investment is envisaged from private sector for development of the nation. And Indian entrepreneurs are playing a key role in managing these investments. We must give due importance to their role in nation building and bringing overall prosperity.

India has a hidden potential of becoming a prosperity leader and overtake peers in the world, largely by focusing on growth centric policies. Indian entrepreneurs have demonstrated their capability by exceeding 9% growth despite of poor infrastructures & resource constraints. Unfortunately, such growth couldn't be prolonged. The mindset is still in favor of the socialistic economy pattern that has failed in most countries including India. We allow private capital inflows only under compulsion or crisis. Once the crisis is over, we roll back to

previous mindset. We have accepted the open economy under compulsion and not by conviction. We hesitate to become pro-business in general. Thanks to the Finance Minister that he dared to state in Parliament that we must be pro-business so that we can become pro-poor. India needs such political courage among all leaders for implementing developmental agenda.



Tough laws & regulatory activism have jeopardized operations of ongoing economic activities. Rather, this has shattered confidence of new investors be it domestic or foreigner. We should ease out economic activities and try to improve 'Ease of doing Business' index which currently at rock bottom. We must come out of socialistic syndrome that we have adopted after independence. This model is not in the favor of private investments and we have suffered

till 1980s with Hindu growth rate. We partially opened our economy for private investments in 1991 by removing industrial license raj. As a result, we could achieve 8-9% growth for the first time during 2002-10 and benefits were shared by all. New job opportunities were created and per capita income enlarged. Government revenue increased manifold and several states became

revenue surplus. Why don't we learn from our past experience? Why are we turning the wheel back to pre-1991 era? Why don't we improve business environment? Why laws are not business friendly? Can we achieve development targets with old mindset and legacy? How long India will remain as poor nation?

Most important is the protection of Entrepreneurship; otherwise private enterprises, in particular SMEs would vanish. In today's regulatory environment, several entrepreneurs are exiting manufacturing business for saving their self-esteem. Everybody can't flatter a government official, offer bribe, oblige local leaders or accept diktats of trade union for survival. Unfortunately, recognition of fairness & honesty is vanishing every day. The latest trend of criminal prosecution against entrepreneurs is indeed a big dampener. In the process, self-respect is lost. As a result, young entrepreneurs are frustrated and keeping away from self-employment. Can we really afford? This need an introspection.

Several first generation entrepreneurs ventured into business after 1991 (post liberalization of economy). They mobilized seed capital from parent & relatives. Most of them borrowed from banks mortgaging their parental property. Post 2010, some were trapped in the recession and few others fell victim to regulatory activism. Due to ongoing business losses, their bank accounts turned into NPA. Most of these enterprises can be revived if they get liquidity support from banks. But the prevailing NPA norms and credit policies don't permit the same. As a result, entrepreneurship is being killed, which is a big loss to the nation. Can we afford losing team of job providers? Why can't we make NPA norms compatible with Indian conditions? We have adopted these norms from developed countries those ensure business friendly laws and ease of doing business. Is the business environment in India comparable to developed countries? If not, then we must review bank NPA norms and save the productive capital assets.

By now, everybody has realized that high

economic growth is essential for the nation to remove poverty and raise public income. Truth remains, growth can be achieved through active participation of entrepreneurs in productive activities like agriculture, industry or services. About 80% investment to these productive activities comes from private sector only. It accomplishes that we need entrepreneurs & private capital for achieving growth of economy. It also confirms that private investment is for the larger public interest. It is not limited to the interest of private investors alone as often perceived. Then, why don't we treat all productive assets as national asset irrespective of management control?

Generally, the responsibility of infrastructure & human development remains with the government. But private sector is also contributing to a large extent. Twelfth plan is envisaging that about 50% investment in such development plan will be from private sector. We all advocate for foreign investment in infrastructure development but we don't give due importance to a domestic investor probably due to political reasons. The truth remains that major portion of such foreign investment is channelized through domestic investors only, may be in the form of equity or debt. Hence, importance of private sector remains paramount for the nation's development. Why do we underplay its importance?

We must agree that entrepreneur has an important role to play in growth & development i.e. prosperity of the country. He is the driver of growth engine. If this is true, then why don't we give them due recognition? Why do we glorify activists and blame entrepreneur? Why do we craft regulatory hurdles and close down productive activities in private sector on flimsy ground and impractical laws? Government must act as enabler through right policies & good governance. Impediments on the way of economic activities must be removed. We give awards to achievers in other fields then why not to entrepreneurs? We must change our mindset towards entrepreneurs. It is very important to

encourage them for their pro-active role in the nation building.

Today, the nation is passing through a tough economic crisis with stagflation i.e. low growth & high inflation. High fiscal deficit is inviting risk of descending sovereign rating. High trade deficit is causing Rupee depreciation. Border tension and internal security are the added problems. When such crisis is encountered in a family then all family members keep aside internal conflicts and work in unity. Why can't we all unite while our nation is in an economic crisis? We must build a team spirit among all stake holders and come out of the economic mess by all means. Then only, we can become economic power and regain respect among world fraternity.

Entrepreneurs must also join the mission and government must be an enabler. Profit earning is an essential need in any business enterprise but it must not be the only motto. Media should restraint highlighting internal conflicts that may weaken our unity and paint a distorted picture of our nation. Our top leadership is with massive public mandate and with proven track record. This mandate is towards development agenda for the first time, and we should remember that. It is the responsibility of new Government to revitalize entrepreneurial spirit. Let us not miss this opportunity that rarely comes to a nation.

We have a long journey to reach at level comparable to China and other developed countries in terms of per capita income & infrastructure. We should engage in constructive discussions and create awareness about economic needs of the country, then spread positive message among masses. Importance of Entrepreneurs for Indian prosperity must be highlighted. Let us keep conflicts aside and avoid criticism for some time. It shall certainly help our country to become a prosperity leader. We can't afford carrying a tag of a poor nation anymore. We must emerge as a strong & developed nation. Let us take a vow for the same. ■