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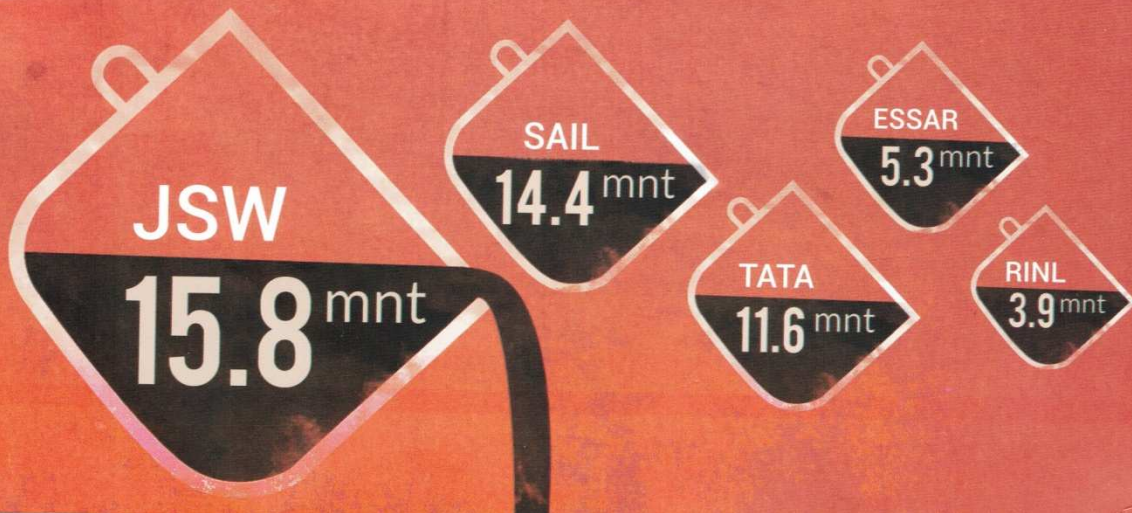
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Trust Deficit is impeding India's Investment & "Rozgar"

Investment rate in India has tumbled from 38.1% of GDP in FY-2008 to 29.3% in FY-2016. With this, how can India maintain growth rate to be 7-8%? In absence of investment led growth, how India will generate "Rozgar" (Income earning opportunity) for its young and aspirant population? Various Rozgar schemes as announced by central and state Governments might deliver mini results but can't generate millions of jobs every year. Investment is the "Mul-Mantra" for GDP growth of any country. For which, mutual trust is prerequisite. "Trust deficit" is the most deterrent factor for investment; that must be encountered. Ease of operating existing business must fascinate entrepreneurs for new investments. Those are the drivers of economy and their frustration must be prevented.

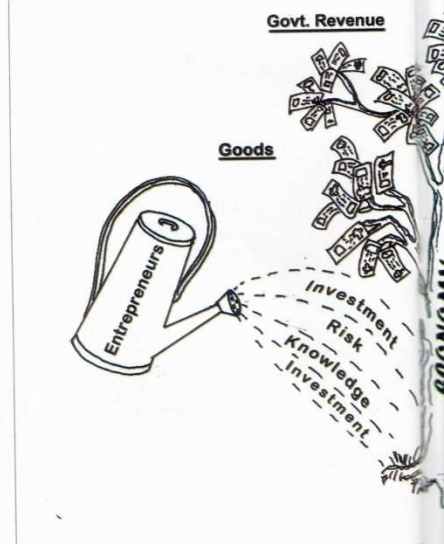
India must build large productive capacities for boosting exports of goods & services and reduce dependency on imports. So as to become globally competitive, India must spend ruthlessly on physical infrastructure; particularly in logistics and energy. All these investment needs can't be met by Government alone; that is proven in India and other countries also. For inviting private investment, trust deficit must end. Abrupt changes in policy or regulation posing threat to business viability must be averted. Rather Government must support

during down cycle; that will motivate entrepreneurs for taking business risks. Those are the job creators.

We must admit that, any productive asset is a national asset irrespective of the management control. All productive assets generate public income (GDP). If so, why do we discriminate between private and public sector? We must resign from the legacy of pre-1991 era. Trust deficit will deter team spirit and impede India's development journey.

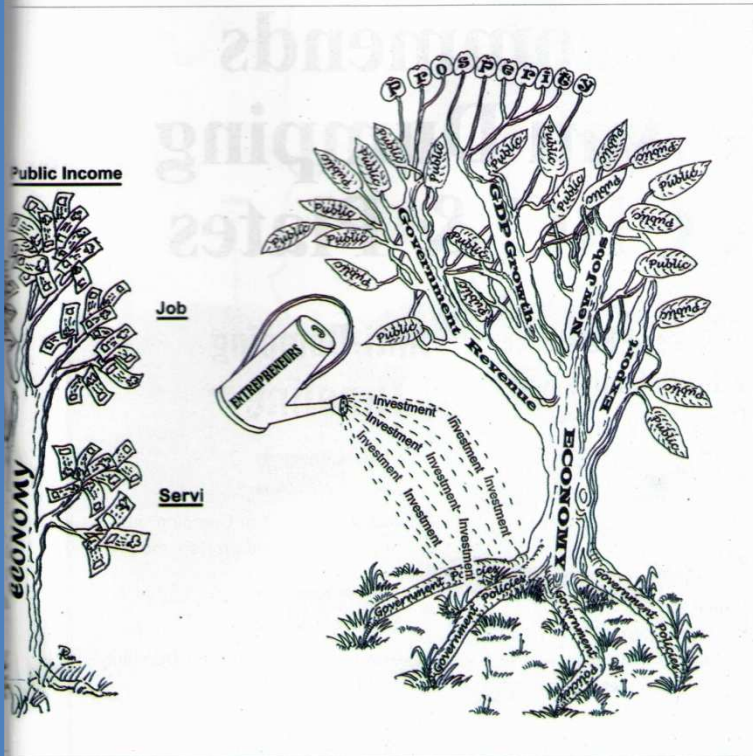
2002-2011 was indeed a golden era in the modern history of Indian economy. Investment rate was climbing and driving growth. Government revenue was swelling at a faster rate than GDP growth. Exports were growing and Indian Rupee was swelling. For the first time, private investment was thriving in building large productive capacities and physical infrastructures. Huge "Rozgar" opportunities were created and poverty ratio was declined. Somehow, pro-growth and pro-investment decisions of Government were looked with suspicion. Trust deficit was intensified by "Lokpal" agitation. By then, Government didn't have political courage. So as to encounter, they initiated criminal proceedings against entrepreneurs; that fractured mutual faith and stalled economy in to a "pause mode".

In such adverse situation, Industrial and infrastructure projects faced brunt of falling demand and started incurring loss. Many projects were stalled midway and many running



projects were closed. Instead of extending support, regulatory noose was further tightened. Gross NPA of banks were mounted. Banks were compelled curbing credits to productive sector. Precious financial resources were deployed for funding consumption. Instead of appreciating genuine problems of banks and industrial borrowers, an environment of Trust deficit prevailed and penal and criminal proceedings were intensified. That killed the animal spirit of private investment, SME sector in particular. The result-Economy entered in to "rewind mode".

After May 2014, new Government pushed Land Reform Bill to stimulate investment. But they could not



succeed in absence of team spirit among treasury and opposition benches. Government was labelled as 'pro-business' & 'pro-rich'. Finance Minister tried to convince Parliament that, for becoming pro-poor; economic policies must be pro-business and pro-growth. That will generate "Rozgar" and augment resources for development. Somehow, attempts were failed. Thereafter, major reforms and easement of business laws were shelved and baby steps with populist tilt were pursued.

In such difficult situation, Government boosted investment through budgetary resources and public enterprises. A competition was crafted among State governments for public and private investment; that

needs applaud. In absence of major reforms, private investment is almost muted. Bank credits to productive sector are historically low. Soft prices of petroleum and rationalization of subsidy helped government keeping fiscal deficit under check. That has developed some confidence among global investors; but mostly in debt and equity and truly, not in FDI. By this, "rewind process" was stopped.

Despite bumpy track, Government could succeed in crossing mark of 7% growth with micro management of finance and fast tracking of pending infrastructure projects. But India is far behind the target of one trillion dollar infra spending during 12th Five year plan (2012-17). It

means India must spend at least 10% of GDP in coming years to overcome Infrastructure deficit, for which, revitalizing private investment with pro-business environment is a must. Failing which, growth will neither be competitive nor be sustainable. Let us admit that, "fast forward" process of economy is not yet resumed; that we witnessed in 2002-11.

Current growth model is consumption led; that too thriving on government spending and consumption of high end goods and it is not generating new 'Rozgars' to the desired extent. For developing country like India, investment led growth is the appropriate model. With prolong adversities since 2012, entrepreneurial spirit is retreating. Withdrawal of bank's support and activism of tax men have further crafted trust deficit on the Institution. This is causing exodus of entrepreneurs; that must be arrested. Conducive investment climate may be restored betting on the mutual trust.

Generating "Rozgar", must be the top agenda of Government. India must generate every year new jobs for 20/25 million youths, about 1.5-2% of population. For this, we must craft team spirit among Government, Entrepreneurs, Opposition benches and Media. Let us engage youth talent in productive activities and fulfil their aspirations in the true sense. Awareness about the economic needs of Nation must be spread. Mistrust must end and entrepreneurial spirit must be restored. Failing which, job generation will remain a great challenge. India is bestowed with dynamic leadership. Let us not miss the opportunity, which rarely comes. ☺