

Inaugural Address by Dr Manmohan Singh, Hon'ble Prime Minister of India

I am delighted to be with you in this 85th annual general meeting of FICCI. It is almost five years since I was last here in this building for a similar annual event. These have been five challenging years for us in India and if I am a say so for the world economy as a whole. In 2008, the Indian economy had experienced five years of unprecedented growth, registering an annual growth rate of close to 9.0 per cent per annum. There was therefore an air of reassuring optimism all around, and many were celebrating the India's rise.

But some months later most countries were affected by the global economic downturn. We weathered the impact of the trans-Atlantic financial crisis reasonably well. India was held up as an example of responsible and responsive economic management. But, with time the global slowdown took its toll and we too have been impacted.

Today, we meet after a year or two of excessive pessimism at home, which in turn has hurt the growth process. But, I stand before you to re-assure you that our Government is committed to doing everything that is possible to alter the policy environment, to accelerate economic growth and to make the growth process socially and regionally more inclusive.

The global economy is still passing through turbulent times. The economic situation in Europe has been a source of concern for quite some time. The US economy is not completely out of the woods. China too is witnessing a slowdown. There is considerable uncertainty about when the global economic situation will improve. However, as you have seen in these past few weeks, our Government has acted to reverse the cycle of negative expectations, and stimulate investment.

I wish to utilize this occasion to outline three broad themes – first, to underline the importance of accelerating economic growth and making the growth process socially and regionally more inclusive; Second, to draw your attention to the measures that we have already taken towards this end; and finally, outline steps we still need to and we intend to take.

We have been able to accelerate the pace of economic growth over the last decade, with an average growth rate of over 8%. Even now, we are the second fastest growing large economy in the world.

Our per capita levels have reached a point where India may soon be required to graduate out of IDA, the low cost lending facility of the World Bank. When I came into government forty years ago, IDA was an important source of funding for us. Today we are able to extend such low cost funding to other countries, particularly countries in the neighborhood and countries of Africa.

While this is certainly a cause for satisfaction, I am pained when I see the level of social and regional inequalities that continue to exist in our country. Disparities in income and wealth cannot be eliminated overnight or in the short run. But, disparities of the kind we have in India, even in terms of access to basic facilities such as health, education, safe drinking water, electricity, rural infrastructure and even banking, is something that the nation can ill afford. The inflation rates in the last two years have also

increased to unacceptably high levels and need to be brought down to no more than 5 to 6 percent per annum.

The years of high growth enabled us to generate resources that have been deployed to improve the well-being of our people. But we need to do more to eradicate poverty, ignorance and disease from this blessed land of ours. We need to have a growth process which is socially and regionally far more inclusive than what we have today. That is also essential for the long term stability of our polity and our society.

Broadening the social base of development not only improves well-being but also widens the home market for business. Thus, equitable growth can by itself generate more growth. A more educated and healthier workforce is more productive. Better rural infrastructure integrates rural economy far more effectively into the larger national economy. A healthy agricultural economy facilitates faster growth of industry. A more prosperous and better connected populace is a source of larger demand and markets for goods and services.

This is why our government has committed large resources to social and human capital development – in education, in health care, in rural development, in housing and in rural infrastructure. It is our endeavor to ensure that all marginalized groups and regions join the dynamic growth processes in the mainstream economy.

Despite the challenges we continue to face, we must recognize that poverty has declined at a pace never seen in the past two hundred years. More effective social safety nets are falling in place. People look forward to a brighter future for themselves and their children.

It is in this context that we should see the major drive we have launched recently towards Direct Cash Transfers. The drive is to transfer government benefits directly to the bank accounts of individual beneficiaries. The Unique Identification program of having Aadhaar numbers for all residents is going to be the basis of this huge transformation. The government is rolling out Aadhaar based services rapidly so that benefits like scholarships for students, pensions for the aged, health benefits, MNREGA wages and many other benefits are transferred directly into bank accounts using Aadhaar as a bridge. This will reduce leakages, cut down corruption, eliminate middlemen, target beneficiaries better and speed up transfer of benefits to eligible individuals. It will, at one go, bring in crores of people into our banking system and mainstream them into our economy.

Even as we make our growth process more inclusive, we cannot lower our guard in pursuing policies that restore growth momentum to the economy. This task has become more onerous because the global environment for growth has become less supportive. Between 2003 and 2008, the years of 9.0 per cent growth, the Indian economy benefitted from a more benign global environment. Since 2009 this environment has become more challenging. As a result and also because of some domestic constraints, economic growth rates have come down to a range of 5.5 to 6.0%. Our export growth has declined and the fiscal and current account deficits have gone up.

This has had a ripple effect, dampening economic growth as well as investor sentiment. We are today seized of the need to step up investment and savings rates commensurate with the requirements of 8-9 percent GDP growth in the 12th Five Year Plan. It is with this objective in mind that our government has taken a series of measures aimed at reviving investor sentiment, controlling the fiscal and current account deficits and improving infrastructure.

Some of the decisions we have taken were politically difficult and the naysayers and the cynics have tried to halt us in our tracks. But we had the courage of our conviction and the interests of our people at heart.

Well targeted subsidies have an important role to play in softening the harsh edges of extreme poverty. But, it is necessary that we all understand that the subsidy bill, as it has grown in recent years, is constraining the government in its efforts for the economic well-being and empowerment of our people. Under pricing of energy, particularly electricity and petroleum products, has greatly affected the resources available for investments in infrastructure as well as and social development. The subsidies on oil alone are more than what the government spends on health and education put together. We need to address these issues even as we ensure that the poor and the vulnerable are effectively protected.

Last year the central government's fiscal deficit touched a high of 5.9% of our GDP. This was clearly unsustainable. The Finance Minister has come out with a roadmap to reduce it to 5.3% this year and to 3.0% by 2016-17. Our government is serious about moving in this direction. Our action in correcting distortions in energy pricing, reducing diesel and LPG subsidies, was aimed to achieve this objective.

As challenging as the fiscal deficit has been the rising current account deficit in the balance of payments. Given the global environment, investors have become risk averse and global trade has slowed down. To address this challenge we have liberalized our policy on foreign direct investment. Our decision on Foreign Direct Investment in Multi-brand retail, civil aviation, power-trading exchanges and broadcasting must also be viewed in this larger context. Bills on liberalising FDI limits in banking and insurance are currently before parliament. Each of these decisions is based on sound economic logic. But they were also based on larger concerns about national security and the need to insulate India from the persistent global economic slowdown. I am afraid that those who oppose these moves are either ignorant of global realities or are constrained by out-dated ideologies. For example, when I hear the debate on Foreign Direct Investment in Retail, what I hear are arguments against large scale organized retail, and not against Foreign Direct Investment in retail.

The steps we have taken recently are only the beginning of a process to revive our economy and take it back to its trend growth rate of 8.0 to 9.0%. We need to complete the exercise that was begun on GAAR and taxation of the IT sector. The day before yesterday, the Cabinet has approved the constitution of a Cabinet Committee on Investment. This would help in the issue of clearances for major projects in a time bound manner. We will speed up the disinvestment process which will also revive our equity markets.

We are bringing greater clarity the FDI policy in the pharma sector. The Railways are working on a Rail Tariff Authority which will make fare setting a more rational exercise. We have already put in place a package for reviving Discoms contingent on better performance. The Direct Tax Code and the Goods and Services Tax Bills are high on our priority. The Land Acquisition Bill recently approved by our Cabinet with all the misgivings that Mr. Kanodia has expressed, will soon user in a more fair and transparent regime for land acquisition.

I have listened with great interest and respect what your President Shri Kanodia had to say. The time is ripe once again to establishing a new social compact between business, government and society. And our government welcomes the constant dialogue with our captains of industry. Five years ago, while addressing a similar conference of Indian business I had spelt out a Ten Point Social Charter for business and government. I do not to wish to repeat those points today but would only say that the corporate sector must own up its responsibility in supporting affirmative action designed to provide employment opportunities for the under-privileged sections, persons with disabilities and our women. The private sector should also play a more active role in the areas of Research and Development, education and skill development, health and rural development.

I have often praised the spirit of enterprise of Indian business. For centuries our sub-continent has been home to teachers and traders, to artisans and peasants, to creators of wealth and knowledge. Indian enterprise has every reason to stand tall and take pride in its achievements. Our government will work together with captains of industry to realize the latent growth potential of our economy.

Your association, FICCI, should feel proud that you have a talented and a patriotic leader in Shri Raju Kanoria. I would like to compliment Shri Kanoria, for having provided excellent leadership to FICCI over the last one year. He has done a tremendous job, and has given valuable advice and support to our government from time to time. I have been heartened by his unwavering support to our policy efforts.

I would also like to note that FICCI is going to have its first ever Lady President when Smt Naina Lal Kidwai takes over after this AGM. She has been an icon to many young ladies in our country and has been a role model for women to aspire to reach the top. I am sure she will steer the ship of FICCI well in the coming year.

For my part, I assure you that our government will do its best to promote Indian enterprise and the well-being of all our people, working classes and other segments of our society. We are committed to a new social compact with industry as well as with labour. This is what our country expects and this is what to which I commit our government to do.

Let me therefore end by wishing you all a very prosperous and purposeful New Year.