

Economic Conclave 2018 on Rural India: Road to US\$ 5 trillion Economy by 2025

Wednesday, 19th September, 2018 at 9:30 am at PHD House, New Delhi

The Economic Affairs Committee of PHD Chamber of Commerce & Industry organized an Economic Conclave 2018 on Rural India: Road to US\$ 5 trillion Economy by 2025 on Wednesday, 19th September, 2018 at PHD House, New Delhi. The Guest of Honour in the Conclave was **Mr. Subhash Chandra Garg**, Secretary, Economic Affairs, Ministry of Finance, Government of India. The eminent speakers at the Economic Conclave were **Dr. Pronab Sen**, Country Director, India Central Programme of International Growth Centre (IGC) and Former Chairman, National Statistical Commission, **Prof Jaimini Bhagwati**, RBI Chair Professor, ICRIER and **Prof N R Bhanumurthy**, Professor, National Institute of Public, Finance and Policy (NIPFP). Other panelists were **Mr. Anil Khaitan**, Then President (Now- Immediate Former President), PHD Chamber, **Mr. DK Aggarwal**, Then Vice President (Now- Senior Vice President), PHD Chamber, **Mr. Vijay Mehta**, Chairman, Economic Affairs Committee and **Dr. S P Sharma**, Chief Economist, PHD Chamber.

Glimpse of the Economic Conclave 2018 on Rural India : Road to US\$ 5 trillion Economy by 2025



From Left to Right: Prof N R Bhanumurthy, Professor, National Institute of Public, Finance and Policy (NIPFP), Dr. Pronab Sen, Country Director, India Central Programme of International Growth Centre (IGC), Mr. DK Aggarwal, Then Vice President, (Now- Senior Vice President), PHD Chamber, Mr. Subhash Chandra Garg, Secretary, Economic Affairs, Ministry of Finance, Mr. Vijay Mehta, Chairman, Economic Affairs Committee, Prof Jaimini Bhagwati, RBI Chair Professor, ICRIER, Dr. SP Sharma, Chief Economist

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Mr. Anil Khaitan, Then President (Now- Immediate Former President), PHD Chamber said that converting our present GDP of US\$ 2.5 trillion to Indian rupees by taking an average exchange rate of Rs 70/\$ shows that the size of the GDP is INR 160-165 lakh crore and the size of India's BSE market cap is almost INR 150 lakh crore. He also said that by 2025 India would be a US\$ 4 trillion economy which is INR 261 lakh crores. He highlighted that today India lives in rural areas. He highlighted that right from 1947, Mahatma Gandhi said to address rural sector, because that is where India lives and that is where the demand is. He verbalized that today the problem of basic issues like inadequate power supply, illiteracy, sanitation, lack of proper health care facilities still persists. He suggested that the moment investment in human capital is made in our villages India's GDP would grow as then the rural youth of the country would contribute in all the three sectors. He emphasized that it is essential that if any government in power wants India to grow then they have to look at the MSMEs sector. He further added that it is the duty of the nation to give the working population a facilitative environment and a facilitative infrastructure.

Mr. D K Aggarwal, Then Vice President (Now- Senior Vice President), PHD Chamber said that today India is a US\$2.8 trillion economy and if it grows at 7% we will become US\$5 trillion economy by 2027. He further added if India grows at 8% it will reach there by 2026 and if by 9% then we will reach there by 2025. He mentioned that India is the fastest growing economy expected to grow at a rate of 7.4% in 2018-19 and by 2025 India will become third largest consumer market of the world. He mentioned that it is the first time that the government is talking about the farmer's income. He suggested that there is a need to invest in rural India, on both physical and social infrastructure as there is a need for farmers in allied areas such as dairy, poultry farming, fisheries, honey rearing because there is underemployment in these areas. He further added that there is a need to skill the rural youth so that the demographic dividend does not turn into a disaster. The rural youth needs to be skilled, healthy and employed, so it is important to move services to rural India, which will help in boosting the income of the people.

Mr. Vijay Mehta, Chairman, Economic Affairs Committee, PHD Chamber in his theme presentation said that to reach at a US\$ 5 trillion economy we need to analyze the factors that will help us reach US\$ 2.5 trillion economy. A few examples of them were cited from Tokyo and London, which showed us how they are following their rules strictly. The first principle is a realistic planning. He said that we are calculating everything at per capita basis and then comparing it with United States. He said that on one side we talk about people below the poverty line and other side we have very rich people so there is a difference between the consumption patterns. Therefore, planning is required so that there is no wastage of resources. Further, he verbalised that to reach the same amount of production, we have to consume double the resources and time being an important factor we need to work twice or thrice in order to reach there. Thus he questioned whether we will achieve US\$ 5 trillion until fundamental factors are taken care of.

Shri. Subhash Chandra Garg, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India said that there has been a lot of discussions about US\$5 trillion economy by 2025. He highlighted how rural economy will contribute depends on their contribution in GDP, and

second, how we can deal with various distresses of the people living in the rural economy, their welfare and development and health. Third major point mentioned by him on which we should focus is the integration of rural areas with the national economy (roads, housing). He highlighted that agriculture today absorbs much more labour than what it can handle which explains the distress in the rural areas so the labour in the rural areas should move towards manufacturing, construction, to other services which is enabled by the government. He added that there should be Skill Development programmes, greater investments in construction and especially creating jobs through Make in India in manufacturing. He mentioned that there are schemes such as Ujjawla Yojana which has made a lot of transformation by providing gas to 5 crore families, Saubhagya programme which is to provide every household with electricity due to which 89% of the Indian households are connected by power. He emphasized that with all these investments and transformations taking place, the rural economy will see lot of transition and change from too much of the agriculture dependence to non-agriculture, manufacturing, services, and re-orientation will be the true accretion of the incomes of the rural. He said that rural economy is an extremely important segment and has to play its role in achieving US\$ 5 trillion economy and significant developments in the rural economy points to the fact that we are in the right direction.

Dr. Pronab Sen, Country Director, India Central Programme of International Growth Centre (IGC) said that we used to assume that about 5 million people were absorbed in agriculture sector till the late 90s. He said that things have changed from the early 2000s, as we are losing nearly 3 million people from agriculture yearly. He added that a particular kind of rural transformation is already underway and all of this is a recent origin. He said that in 2002 we were just coming of the effect of the Asian crisis, followed by the dot com bust followed by Y2K course. It was SME sector which was growing just as fast as the non-corporate India. He verbalised that the MSMEs growth was benefitted from the rural India and rapid income of the rural people. He mentioned that agriculture is growing at 2.8%- 3%, but what is important is not the production but the agricultural incomes and the difference between production and income which is the price. He further said that today the agricultural output is growing at 3% and incomes are growing at less than 5%. He stressed on the importance of pattern of expenditure arising out of agricultural incomes which gives rise to very strong impulses in the SMEs sector. He said that in the organized sector there is a constant lobbying for appropriate levels of liquidity for both transactions and investment. He said that the economy is hyper sensitive to what is happening to the repo rate, volume of government bonds. He questioned how the liquidity needs of rural India are met as rural India is mostly a cash economy which needs to be addressed in the coming times.

Prof Jaimini Bhagwati, RBI Chair Professor, ICRIER said that an efficient agricultural sector cannot be achieved if one does not have adequate assured irrigation. He said that there is a need to tackle the difficult issues of land reforms such that nobody is dispossessed of land. He added that the Industrial Disputes Act need to be addressed in order to move people from rural India or semi rural India to manufacturing. He said that there is a need to get the excess people out of the agriculture sector so that people have larger land holding, more efficient agriculture can happen and there is better assured irrigation and less dependence on monsoon. He said that BT Cotton a Generically Modified Seeds (GMS) is the success story of the highest order in Gujarat and various such places wherever we grow cotton and should be encouraged by the government. He questioned on the subsidies given on fertilizers. He said that the farmers who have very small land holdings are not really in a position to take advantage of these subsidized fertilizers prices. He also highlighted that Agriculture is like somewhere in 5000BC in terms of our imports and exports duties. He ended on the hopeful note that milk is a great success story because we have been somewhat more rational with regard to milk by setting up of Co-operatives rather than setting up a one giant company which is trying to do everything itself from production to marketing. He said that similar success stories should be repeated in the coming times.

Prof N R Bhanumurthy, Professor, NIPFP highlighted that US\$ 5 trillion economy is a very ambitious target and what is the role of rural India in this US\$ 5 trillion economy is more interesting. He said that certainly there are a lot of activities in the rural areas but the way GDP numbers are estimated, the share of agriculture is declining. He said that the rural India creates only demand because rural demand is really important for growing at 7-8% but there are no discussions on rural supply. Prof Bhanumurthy said that he is optimistic about the rural economy because of the

focus that Government has been showing in terms of improving the rural infrastructure. He mentioned that one of the reasons why we are the fastest growing economy today in this particular year is largely because of substantial increase in rural development expenditure. He said that the scheme of Indira Aawas Yojana have added nearly 1 crore of houses by the end of March 2018 which is a very substantial kind of progress in the rural housing segment. He said that the Prime Minister Gram Sadak Yojana is also the most successful rural infrastructure programme in the country. He added that the kind of transformation that Jan Dhan Yojana has brought in is something very substantial. He said that there is an abundance of resources but planning and implementation needs to be strengthened, going forward.

Dr. S P Sharma, Chief Economist, PHD Chamber moderated the Economic Conclave 2018 on Rural India: Road to US\$ 5 trillion Economy by 2025 and stated that India's growth rate stood at 8.2% in the Q1 of 2018-19. He said that after so many years the growth is now again on track and we look forward that we will grow at around 7.4% or 7.5% in 2018-19 as projected by various esteemed organizations such as IMF, World Bank and the respected institutions in India. He said that inflation is under the ambit of controllable trajectory. He mentioned that agriculture sector growth at 5.3% in Q1 of 2018-19 is inspiring that will facilitate the manufacturing in the coming times. He added that FDI inflows are also very good and intact in the first few months and 23% FDI inflows are in line with India's growth rate. He mentioned that the worrying factor is the external sector where rupee is depreciating and our current account deficit and trade deficit are not in satisfactory trajectory.

The Economic Conclave was attended by more than 80 participants from diverse fields. The Conclave was sponsored by Mefcom Capital Markets Ltd. and SMC Investments and Advisors Ltd.

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Warm regards,

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