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As part of the *Café Insights* series of interviews with inspiring speakers, The Insight Bureau recently caught up with Adit Jain, an advisor, speaker and writer on the Indian economy and political landscape. Adit believes India is poised to grow strongly, not only as a result of consumption, but of investment too, and from a more inclusive economy.



- Andrew Vine** Well, hello and welcome to another in the series of Cafe Insights. I'm Andrew Vine, CEO of The Insight Bureau and today is my pleasure to be in conversation with Adit Jain from India.
- Adit Jain** Thank you, Andrew.
- AV** Okay. Well, Adit is a well-known advisor to corporates in India. He is the chairman and formally ran the IMA India business, he is called upon to advise on India. So, I thought no better person just to grab while he's in Singapore. So, Adit, tell us, what brought you to Singapore?
- Adit** I had a client briefing a couple of days ago, which went well, and which clearly demonstrates there's still a lot of interest in India.
- AV** Yes, however I think a lot of attention is being focused on China though, rather than India ...
- Adit** Yes, that is true, but I don't think there is any comparison; it's not a matter of choice. China is already the second largest economy in the world, and it's a matter of time -- a few years -- when it will become the largest. But over the next 10 years, I honestly believe India's economy will double from its current size, and therefore, the impact it will have on global supply chains, global demand will in many ways be similar to what China had on the rest of the world, over the course of the last 10 years.
- AV** I think it's typical to say that the time frame that you expect things to develop with the Indian economy is going to be slower, that China has had such a rapid pace of change, and that it can't easily be replicated by other countries...
- Adit** Well, that is true. India will never grow at 10 or 11 percent on a sustained basis. although, it can! Its economic structures would allow it to happen because it has a large savings rate, and therefore it is technically capable of growing at 9% a year on a sustained basis. But there are other impediments in the shorter term which will prevent such growth. But be that as it may, I believe that in the longer term, the economy will grow at 7 and a half to 8 percent on a sustained basis. Andrew, I thought I might take the opportunity with these chats to provide a few comments on what the government has actually done. Because there's been a lot of discussion on expectations not having been met and the economy isn't thumping ahead with 8 or 9 percent growth. But there have been certain tangible achievements which people don't often talk about and I believe that companies should be aware of, because, in the longer term, they have an impact on the market.

**AV** Yes, I was going to ask you; I think that when Prime Minister Modi took office, he came in with very high expectations that things would change quite dramatically. And so I was interested to hear what you felt the verdict really is.

**Adit** Well, I think the jury is still out on a number of issues, but as an analyst, I believe that the judgement will fall on the side of the government's favour, because of the following: The first is, over the course of the last two years, they have taken serious reforms in the financial sector. Basically, with schemes like Jan Dhan, GST, etc., where physical savings -- where people, and households that save land, property and gold -- are moving their money into financial instruments. And that's a wonderful thing because it has long-term consequences. You'd be surprised to hear that in the course of last two years, 250 million new bank accounts have been opened, and therefore, 100% of India is now banked -- they have bank accounts -- and that makes a big difference because we are now in the inclusive economy and therefore with longer-term repercussions.

The second issue is that with the movement of money into financial savings, the size of assets under management in India has increased from two trillion rupees, two years ago, to six trillion now. And they're adding 200 billion rupees a month. So, all this is wonderful because these are real savings in financial instruments which help a new investment, and so on and so forth.

The second issue where good reforms have happened is in the area of tackling subsidy and great benefit transfers. So, there was a hell of a lot of leakage that used to happen, and now with benefits being transferred directly into these hundreds of millions of bank accounts, people who had the settlements, that money isn't lost. And the savings, apparently, are conservatively calculated at about 2% of GDP.

The third is the resolution of the banks. Everybody knew that banks are in big trouble, but now, they have been re-capitalised to the tune of two and a half trillion rupees and, therefore, they will start lending again. So, what does that actually mean? What this means is that in the course of the next two, three years, you will find new investment begin to happen. New investment was lacking. The economy was growing at 6 and a half percent largely based on consumption, but that will change. So, if you were to call me in for a chat like this two years from now, I would happily report that the economy is growing both as a result of investment, and as a result of consumption.

So, these are some of the broad areas where, I believe, will have longer-term implications. Very quickly and finally, it's about federalism. I think what the government has done is moved a greater share of government expenditure from the federal level to the states. So, money is more local and they focus more on local projects.

**AV** What I was interested to ask, as India develops, where these industries are. Which are the sectors that you see playing a more significant role?

**Adit** I'm looking, right now, Andrew, at a map of India which has been plotted based on urbanisation and based on investment. And the map reveals to me that the central part of India, which covers the states of Gujarat, Maharashtra, Karnataka, Andhra Pradesh are the pockets which are heavily urbanised, also attract a lot of investment, and therefore, going forward in the next 5 to 10 years will be the main markets for consumption. Going north, the states of Rajasthan, Madhya Pradesh, UP, so on and so forth, are the second tier which have attracted lesser investment, are not as urbanised, but are therefore going to be the second tier in the form of market opportunities. And then clearly, the bits on the north, and the bits in the far east are lagging behind where urbanisation levels are low, as are investment levels.

**AV** And then the industry sectors that you think are going to play a bigger role.

- Adit** Well, I think going forward, the big investments are really going to be in infrastructure, because that's where the government is driving the ball with public-private partnerships. I think the old-fashioned industries like steel, and coal, etc., are a bit over-invested like in prices and global commodities, but infrastructure will drive growth. I think the opportunities will be in pharmaceuticals, the opportunities will be in consumer goods, but most importantly, the opportunities will be in the new age industries. So, you could hoo-ha the investments of Amazon and Flipkart putting billions and billions of dollars and people think they're going to see their money, but that's not true. They're looking at longer-term opportunities, and in the end, they will come out. So, it's really in the e-commerce and the new age industries.
- AV** You still have in India which is very diverse. where the rural economy's still very strong and important driver of the economy, yet all of these new industries are playing a vital role as well.
- Adit** That is true. But you'd be surprised to hear that, now, 40% of Indians have Internet access. Do you know that they ship 250 million mobile phones a month, and 50% of them are smartphones? So, people living in rural communities, now by virtue of expansion of the Internet, are becoming pretty smart. So, in terms of farmers, they know where to sell their goods, national pricing, so they have a better feel of the marketplace simply by virtue of Internet access and technology.
- AV** Yeah. And, as you said, more inclusion in the economy than before through that infrastructure. Now, you get called upon, of course, by visiting CEOs and organisations needing to take a deeper look at the country. I mean I was interested to gauge from you how western companies view India. From the global headquarters, how do you think people view India?
- Adit** I think if I was to answer that question in a single word, it would have to be positive. Having said that, I think other people, they had, perhaps, wrongly higher expectations of what could have happened in the course of the last two or three years. But I think their expectations are now more realistic. They feel happy about the fact that we have political stability. They feel happy that reforms are happening all week at a steady pace, despite that they may have happened at the time of demonetisation but that's in the past. GST has happened. So, by and large, I think multinational executives and head offices do see India in a positive light. And this is based on the engagements that we've had as a company with them, and I've had as an individual having undertaken briefings over the course of the last several months.
- AV** So, it's great to have a little time to catch up with you and get your perspective. You're off this afternoon back to India, and I know you're a very keen supporter of wildlife in India, and a keen photographer, too. That's your passion ...
- Adit** Yes, that is my life; I am a conservationist and a wildlife photographer.
- AV** Thanks very much. I'll see you again soon.
- Adit** Thank you, Andrew.

Adit Jain is a speaker and writer on India  
He is the Chairman of IMA India and a former country Associate for the Economist Conferences / EIU

To learn more about Adit's Jain's experience and insights, please visit:

<http://www.insightbureau.com/AditJain.html>

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email: [engage\\_us@insightbureau.com](mailto:engage_us@insightbureau.com)