

Who India will challenge in Asia - the Political moment
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 Times New Herald, LA, April 23-26, 2018, LA, India



India:

In this article, I have been attempting to briefly trace India's economic history, draw a broad line, explore the opportunities India presents as a country from the broad line, and comment on what India can learn from the largest and economically most advanced democracy in the world.

First, for way of introduction and disclosure, let me say a company called Capital First, listed on the Indian stock exchanges are comprised of 100 from the US. As a business, we have an operating debt financing in 2015, US private equity firm Sterling Asset Capital as its a Management Board, and received US\$100 million in September 2012, followed with an additional investment of US\$ 20 million in March 14. The investment in Capital First was the largest US in India in 2012/2013/2014/2015/2016/2017/2018.

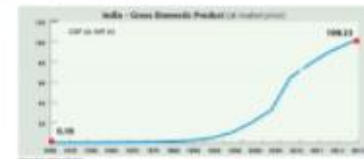
India had the distinction of being the world's fastest economy in the beginning of the Chinese era, as it accounted for about 11.8% share of world GDP and about 17% of the world's trade. The growth produced in India had long been regarded by far off observations across the world (even as early as 1700 India's share of world income was 33.8%, almost equal to Europe's share of 23.3% at that time).

At the end of colonial rule in 1947, India inherited an economy that was one of the poorest in the developing world, with no industrial development, an average life span 32.3 years, a literacy rate of 17%, and an economy that had grown at 0.2% for the last 70 years, in just 100 years, by 1950, India's share of the world economy slipped to 3.8%, and India was by then among the poorest countries in the world in terms of per capita income.

Maddala's data suggests that for close to three 210 years, India's annual growth rate was between 0.03% (LTC) then, for a moment when that began. That for two full centuries, every succeeding generation could, on an average, could expect no increase in living standards. For any country and its people, that is long enough to be disappointed. It is a miracle that India climbed out of this situation to become an upper-middle-income within 50 years of this long century.

India was psychologically scarred after the colonial rule that the leaders would not be for taken over again, and unfortunately as an outcome, India created its economy. For India study in public will a strong emphasis on import substitution, economic interventionism, a large public sector, and central planning. And growth in business was a bad word in a socialist thought process.

Fortunately, things changed in 1991. First liberalization of the Indian economy, followed by India and America's GDP has grown from \$24 billion in 1991 to about \$200 billion in 2018, with a per capita income of about \$100 US\$.



The Chinese Indian dilemma in October 2018, a defining moment. An interesting - follow the surface development is underway in India which provides one of the defining moment in the history of economic development, and this relates to how the political class relates to economic strategies. India has two national parties, the Congress and the BJP, who have been at the helm of the country since independence in 1947. Other major regional parties usually align with either of these two. In terms of the respective positions, the NDA (BJP led) or the UPA (Congress led). The important thing is that both leading national parties profess their commitment for liberalization, reforms and globalization, infrastructure, and financial discipline.

India is in the midst of an election as I write this piece, and it is common for parties to trade blows over the GDP growth rate achieved or their respective records, and even advertise growth rates during their governance. The new way of political discourse will ensure that no matter which party leads the country for the next 20-30 years, the nation will take economic growth as a benchmark of success, and this development in itself is a defining moment in the history of India. In a conventional set of rules, the nature of discourse of the economy will be one of good looking for India in the decades to come. Indian leaders of the country will take note that they have to deliver to keep growth going. And some elections, they have to defend their growth track record.

The other big lesson learnt over the last few years is that welfare schemes funded by deficits leads to high levels of borrowing, which leads to higher interest rates, which leads to lower investment, which leads to lower growth, which leads to lower job opportunities, lower consumption, and leads to high levels of lower investment, which the government must deal with in a demanding way, not understand such economic theories. However, in India the impact where it leads from more through debt, high inflation and lower job opportunities.

Financialization also ensure the country will stay tight of money, in a manner of spending in the foreseeable future. In it's not just a commodity, but inevitable that over the next few decades, India will continue to grow, and move towards becoming among the top 5 economies in the world.

The US continues: One piece of statistics that stand out is one of Paul O'Neill's facts book is that the per capita income in the United States is about \$40,000 US\$ 1990, and that a large democracy can attain a per capita income of \$40,000 US\$, even starting from a low base, can be a source of great inspiration for us. This one lesson that should not be lost on us - that only growth at 7.8% over 30-40 years, and high per capita income, can help provide world class education, sanitation, roads, drinking, shelter, power, and infrastructure for Indians. Engineering, for, is the name of the game. However well-meaning and correct, won't take us there.

At the heart of the growth of the US economy is business and free enterprise, low levels of government involvement, which maximizes the efficiency of the economy and the welfare of the people. Moreover, the US market is characterized - this quote sums the idea: "Capitalism without democracy is the Christianly without God" India should make rational entry and exit barriers from business, particularly labor law, and proceed to improve its "ease of doing business" ranking from its currently low ranking of 146. Its path from the US experience over the last few centuries is a good place to begin, more so because US is a large democracy. This is often used as a case in India as an impediment for growth. Fortunately, as discussed earlier in this note, there is a structural change in strategy since 1981, about encouraging private enterprise in business.

Indian entrepreneurs can tremendously benefit by adopting US from US. India can draw a lot of US\$ from the US\$ billion economy, growing at 8% per annum. Capital First Limited, for example, has raised additional equity from the US\$ markets in addition to the US\$ of US\$ 176 million received from the US. Then, leveraged it with local debt, and had over US\$ 1.5 billion in over 4,000 US\$ customers in India. Over 90% of the funding is for more entrepreneurs, and the rest is for consumption. Hence US\$ from the US in the example has had a multiplier effect on the economy of India, as the local entrepreneurs have expanded the base of the US\$ to the firm's total capital for the growth of their business. Now consider that India achieved US\$ of US\$ over 20 billion over between 2000 to 2018, and you see the significant impact this has already made to India.

Opportunities that India offers at a much level have been rather well documented as I wouldn't get into much detail here. The first driver for a recharged India is expansion for a better life, making up for lost time started by India's middle class, estimated at around 100 million. On demographics, India can control birth rates in the next century as compared to other countries. This may have changed our per capita income down, but this will keep India going for a long while. In 2018, when the average age for the Japanese will be 50, and for average Chinese will be 45, the average Indian will be 30 years at 31. The third driver is consumption, again fueled by expansion, quality, and entrepreneurship. Large and small companies (India is estimated to have 60 million SMEs) is driving the new India. Fourth, fortunately, the Indian taught India a language that connects her to the rest of the world. It's paying off today in our age in IT, R&D, and a lot more.

Technology 2018: Goldman Sachs predicted that India's GDP in current prices would overtake France and Italy by 2026, Germany, UK and Russia by 2030 and Japan by 2035, making it the third largest economy of the world, behind the US and China. India maybe a few years behind schedule, but surely on its way to get there.

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