

# INDIA TODAY

## STATE OF THE STATE 2018

**W**e are happy to partner the India Today Group in presenting the 'State of States' event every year. The seed of competitive federalism that the India Today Group had sowed so many years ago through the institutionalisation of these annual awards has taken the shape of a healthy competition among the State Governments. It has done wonders for the growth of the states and that, in turn, has enhanced India's stature at the world stage. With the present government endorsing this competitive spirit, situation has kept on improving. I would like to compliment Mr. Poorie and his team for conceptualising an event where the States take centre-stage. And my special compliments to all the Chief Ministers for building a better and brighter future not just for their states but for the entire nation.

India has surged ahead on the World Bank's Ease of Doing Business ranking. Our country has firmly held on to its position as the world's fastest growing major economy despite tell-tale signs of a global geo-political turmoil in the making. There is an established acceptance about the positive impact of the introduction of Goods & Services Tax (GST). There are distinct signs of pick-up in investment in certain sectors, and the capacity utilization in industry is gradually improving. While the banking

sector continues to face challenges of stressed assets, progress on the Insolvency & Bankruptcy Code (IBC) front has been positive. However, exports have moderated despite a depreciating INR, and a surge in global crude prices has created new challenges. But amidst all these, the government has accelerated its spending plans on infrastructure. This has immensely helped in sustaining the growth momentum when private investment in infrastructure is slow.

**As one of the largest and among the few private sector infrastructure financiers in the country, we, at Srei, have been in this business for nearly 30 years. We get to meet investors from across the world. I can say with confidence that there is huge enthusiasm about India's prospects. Ever since GST has transformed India into a composite market, there has been renewed interest about India amongst investors.**

The investment summits organized by the various State Governments have also created a strong buzz about India. These events have done an excellent job of marketing and showcasing future projects. The State Governments' websites are also a treasure trove of information for the investors today. The challenge is to get more investments in each State in our country.





In my sphere of work, it is always essential to get the feedback from the customers in order to improve the service delivery. For Indian economy, both the domestic and global investor community constitutes a large segment of the customers or potential customers. Thus, it is vital to gather feedback from them. I ended up asking several existing and potential investors what, according to their assessment, is actually constraining India from attracting the desired level of global investments, especially in a sector like infrastructure which can generate long-term returns. A number of reasons were cited by them, but one common factor that seems to be bothering everyone is the number of clearances needed for project implementation. The other common factor is the ongoing changes in regulations and policies which prevents investors from adopting a medium to long term investment strategy. I take this opportunity to appeal to all the

Chief Ministers to take personal interest in this matter and intervene wherever necessary to ensure that clearances do not become a roadblock. My suggestion is let all clearances be made a time-bound affair. If a clearance is not issued within a deadline, it should be given a 'deemed cleared' status.

Keeping in mind the positive multiplier impact that infrastructure projects create in terms of spurring entrepreneurship and employment, strict adherence to timelines for project conceptualisation, awarding and implementation must be a priority for all Chief Ministers. Such steps will be instrumental in mobilising private investments for infrastructure projects. However, I wish to take this opportunity to appeal to all the Chief Ministers to intervene in three specific areas – power, agriculture and entrepreneurship.



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## POWER

Although electricity is a critical input for all sectors of the economy, the power sector is going through an unprecedented stress. Potentially power loans to the tune of Rs. 5,00,000 crore can become NPAs. The success of the Make in India initiative hinges to a large extent on how quickly we can fix the problems in the power sector.

One of the principal tasks of the chief of a State Electricity Regulatory Commission (SERC) should be to see how early and efficiently Open Access and Parallel License can become reality. Competition will also facilitate fair tariff discovery through market forces. There are examples of presence of more than one power distribution company in one area. We have four discoms for more than 60-70 years in South West Bengal which has ushered in competition, so all customers are happy, they get power at competitive rates and there is 24x7 supply.

Cross subsidization, ideally, should be abolished. Particular segments of the society need to be subsidized. For them, the government should ideally use the Direct Cash Transfer mechanism through the AADHAR platform.

## AGRICULTURE

Agriculture has always been the backbone of the Indian economy. While this sector's share in GDP has kept on shrinking and is presently at around 17% only, almost two-third of the population remains directly or indirectly dependent on agriculture. The sector is confronted with multiple challenges, yet it has remained trapped in age-old farming methods. It is time to embrace mechanization in Indian agriculture. Indian farmers need to be encouraged to adopt modern agricultural technologies (like drip irrigation), embrace mechanization, reduce crop losses through setting up of cold storage and warehousing facilities and by improving farm-to-market logistics chain, make efficient use of inputs such as improved seeds, chemicals and fertilizers. In addition, there is tremendous potential in agro-processing market as well.

**India is already the largest or second or third largest producer in a number of agricultural commodities. Mechanization and adoption of modern techniques can do miracles in stepping up India's agro-produce. India can even emerge as the global supplier of food items.**

A profitable agriculture sector can address many of the social imbalances

and make growth equitable. This will also mitigate the incentive of people to migrate from rural-to-urban locations. As a consequence of this, the aspirations at the rural level will go up and their quest for a better standard of living will open up new investment opportunities in the towns and villages. Growth with equity will become a reality.

## ENTREPRENEURSHIP

The millions of entrepreneurs spread throughout the length and breadth of the country constitute the backbone of the India Growth Story. Most of them have no access to funds to either establish a new business or to operate the present one successfully, let alone expansion. They are now suffering from the liquidity crisis. Without help from the government, their survival is at stake. Any adverse impact on entrepreneurship will curb both production and consumption and that can be cause of long-term concern for the economy. I would request the Chief Ministers to consider reviving the State Financial Institutions so that these can be the channel for credit delivery to entrepreneurs in their States. Several of these institutions existed before and are partly operational because of viability issues. But it is important to assimilate the learnings from the previous failures and make the business model of these financial institutions robust so that they can play an important role in spurring economic growth.

**There is no dearth of entrepreneurship talent in India. All the entrepreneurs need is the support of the government in terms of a conducive policy framework. It is the State Governments which can play a pivotal role in facilitating their growth.**

I am sure the Central Government is willing to support the State Governments in all such initiatives which lead to innovation and job creation. It is my earnest request to all forward looking and high performance oriented Chief Ministers, Ministers and senior bureaucrats from the Government – please allow our entrepreneurs to spread their wings. Their growth translates into the growth of the respective states and the cumulative impact of all these gets reflected in the GDP growth of the country.

Let me conclude by thanking once again Shri Venkaiah Naidu-ji and all the Chief Ministers present here for making this event a grand success and my heart-felt congratulations to the India Today Group for institutionalising this event. It is our pleasure to support this prestigious event and we will continue to do so.