

**SPEECH BY THE PRESIDENT OF INDIA, SHRI PRANAB MUKHERJEE AT  
THE ALUMNI REUNION IN INDIA OF THE OWNER PRESIDENT  
MANAGEMENT PROGRAMME OF THE HARVARD BUSINESS SCHOOL**

Rashtrapati Bhavan, New Delhi: 23-02-2014

1. I am glad to have this opportunity to address the alumni of the Owner President Management (OPM) programme of the Harvard Business School (HBS), who are in India for their Reunion function. To begin with, let me extend a warm welcome to all of you at the Rashtrapati Bhavan.
2. The OPM programme for business owners and entrepreneurs is one of the prestigious programmes at HBS. It seeks to develop greater expertise for corporate growth and leadership. It is my privilege to meet the business leaders from different nations, who have participated in this unique course. I am told that 13 per cent of the alumni comprise Indians. I am also happy to be informed that this batch was the first executive group to be taught at the Tata Hall Executive Education Centre of HBS, which opened in 2013 in honour of Ratan Tata, the doyen of Indian Industry.

Ladies and Gentlemen:

3. The corporate sector has a key stake in any economy. It has a lubricating effect in the smooth functioning of economic activity round the globe. Since the financial crisis in 2008, the world economy has been under considerable strain. The depressed global economic growth has had a contagion effect in the globalizing world. No economy could remain immune from its consequences. The Indian economy has a high degree of integration with the world economy, with an international trade to GDP ratio of 44 per cent. India, too, felt the repercussions of the global crisis. Our economy, which grew in excess of 8 per cent in six out of the last ten years, showed a decline in 2011-12 and 2012-13.
  
4. The global economy is today portraying signs of revival but its consolidation will depend on how quickly its growth centres, especially the US and Europe, recovers. As for India, the continuing concerns about its growth prospects and macroeconomic stability are rather exaggerated. True, the spurt in investment that led the high economic growth after 2003-04 has declined since 2007-08. But through multiple measures, we have created the necessary conditions to kick-start investment. We have remained firm in our

commitment to a business-friendly environment – impediment-free, predictable, facilitatory and transparent. Recognizing the need to improve governance of investment projects, we have created a mechanism aimed at speeding the implementation of large infrastructure projects.

5. A defining article of our economic reforms programme is our abiding confidence in foreign direct investment (FDI) as a vehicle for economic progress. India is rated as one of the most-preferred destinations for overseas investors. FDI inflows reached a high of 35 billion US dollars in 2011-12. Though it has thereafter declined somewhat, I am confident that with the revival of global business sentiments, we will be able to draw significant investments from outside. To ease FDI inflows, we have enhanced FDI limits in several sectors like retail and telecommunication, and removed restrictions in the banking sector. Sectors with high linkage to infrastructure - automobiles, steel and cement - enjoy robust growth in India. The infrastructure sector offers a great opportunity to enable productive use of foreign investments. I am hopeful of investment picking up soon to spur economic growth.

6. I want to add a footnote here by saying that though India's GDP growth was 4.5 per cent in 2012-13, it was still higher than the growth rate in many of the major economies. With the growth rate in 2013-14 estimated at 4.9 per cent, I am confident that we have crossed the inflection point and will return to the high growth trajectory of 7-8 per cent in a few years' time.

Ladies and Gentlemen:

7. Recent aberrations notwithstanding, our macro-economic situation – price stability, fiscal balance and external sector – will aid higher growth in the future. Fiscal consolidation is a key agenda for economic management in many countries. In India, a large amount of financial savings get absorbed in meeting government deficits, leaving a smaller proportion for investments. Steps have been taken towards fiscal consolidation like deregulation of diesel prices showing encouraging results. Reducing the fiscal deficit progressively to its goal of 3 per cent by 2016-17 is very much within our reach. Our macro-fundamentals remain strong as evidenced by the fact that the overall public-debt to GDP ratio has consistently declined from 85.9 per cent of GDP in 2003-04 to

66 per cent in 2012-13. India's external debt is only 21.2 per cent of GDP. Our foreign exchange reserves at over 292 billion US dollars provide us sufficient insulation from any short-term discrepancy in the external sector.

8. Having said that, there has been a disconcerting volatility in India's external sector in recent times, marked by a high current account deficit of 4.8 per cent of GDP in 2012-13. This has been compounded by volatility in capital flows as foreign institutional investors reacted to the reduction in the US Federal Reserve's monthly bond buying programme by re-adjusting their portfolio in the markets of emerging economies. This factor has had a lesser effect on Indian markets than the other emerging markets, given that our equity benchmark index – the SENSEX – reached record levels in December 2013. Nevertheless, there was a temporary impact on our exchange rate, which has since moderated and stabilized. As our current account deficit is expected to reduce to 3.7 per cent in 2013-14, and further down to about 2.5 per cent, our external sector will only strengthen in the near future.

9. The financial sector is the lifeblood of any economy. Reforms in this sector in India have been continual and progressive. We have initiated the process to harmonize the financial sector legislations, rules and regulations. We have enacted a new Companies Act in 2013, replacing the 1956 Act, to consolidate and amend the laws relating to companies. A law has also been enacted making the Pension Fund Regulator a statutory authority. This will help to develop the pension funds sector. Reforms in tax laws have been envisaged, which will bring about a sea change in revenue management. These will be implemented after developing a broad consensus, essential in a vibrant federal democracy like India.

Ladies and Gentlemen:

10. In India and much of developing world, the growth challenge is not merely the quantum of growth *per se*. An equally important dimension is the degree of inclusivity in growth - the extent of people-participation in the growth process. Employment generation and capacity building are a crucial part of the strategy to usher in inclusive, job-led growth. We adopted a National Policy on Skill Development in 2009 with an aim to create 50 crore skilled hands by 2022. Our higher

educational infrastructure comprising universities, technical institutes and management schools have expanded. Many of our institutions – Indian Institutes of Technology and Indian Institutes of Management – offer education at par with global standards. For other institutes, we are making a determined effort to enhance the quality of education. World-renowned universities have also evinced a keen interest in offering learning opportunities for students in India. I am happy to note that India is a prominent research hub for Harvard Business School. Its India Research Centre, launched in Mumbai in 2006, has till date collaborated with business leaders and educators in India on over 55 research projects. I compliment the Centre and urge them to continue the good work.

11. Financial inclusion, too, is a strategy and also an imperative to bring in inclusive growth. Technology and institutional innovation have enabled us to undertake an exercise of gigantic proportions to achieve unique identification of the population. This will facilitate better access to the growing banking network and also ensure prompt delivery of welfare benefits.

12. A growth that is faster, more inclusive and sustainable is an impending reality in India. As the number of middle-class consumers continues to swell, our market is likely to become more attractive for global business. India's economic fundamentals remain intact, and so is its growth story. I invite all of you to be a part of this unfolding saga.

Ladies and Gentlemen:

13. In this debate on growth, it is worth remembering what Philip Kotler, the acclaimed expert on Marketing, had said and I quote: "*Today you have to run faster to stay in place*" (unquote). Corporate leaders have to manage the development of their business into models of excellence. This calls for wider application of management principles in business and better appreciation of the socio-economic reality in which they operate. The corporate world is no charity zone. At the same time, they are meant not only to earn profits for their shareholders but also to add value to the society at large. Business leaders would do well to build this emerging gospel of doing business into their corporate framework.



14. I will be happy if you put the skills acquired by you in the HBS Owner President Management Programme to good use in transforming your ventures and the lives of the people. I wish all of you present here the very best for the future. I also wish the faculty all success in their future endeavours.

Thank you.

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