

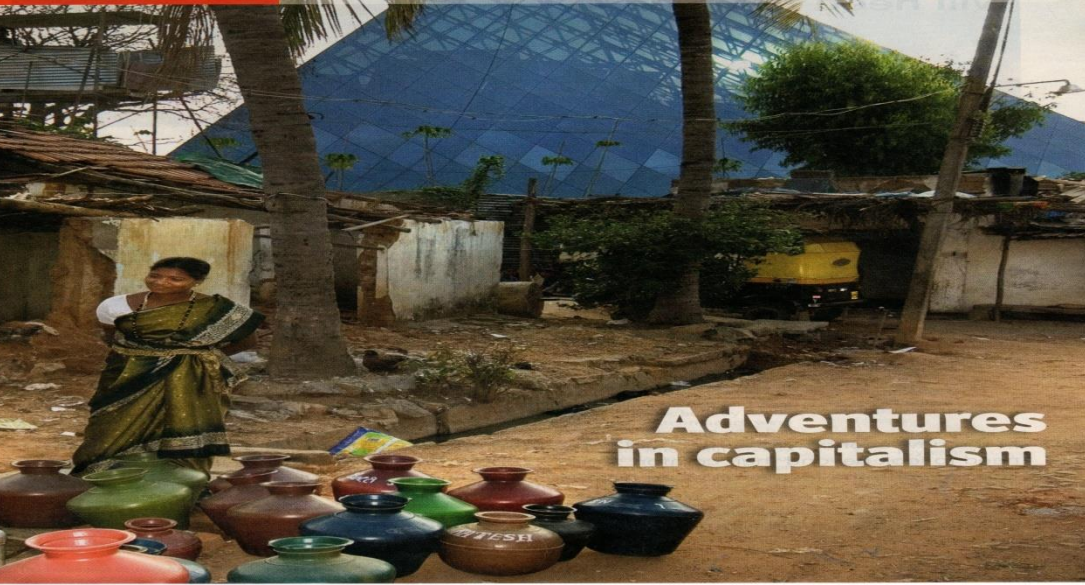


Slumdog Millionaire lives here



The Economist

SPECIAL REPORT
BUSINESS IN INDIA
October 22nd 2011



Adventures in capitalism

The Economist

Ed Miliband doesn't get it
Lula and Dilma: the handover in Brazil
Luzhkov's ouster
The meaning of Stuxnet
Ireland's banking black hole

R 2ND - 8TH 2010 Economist.com

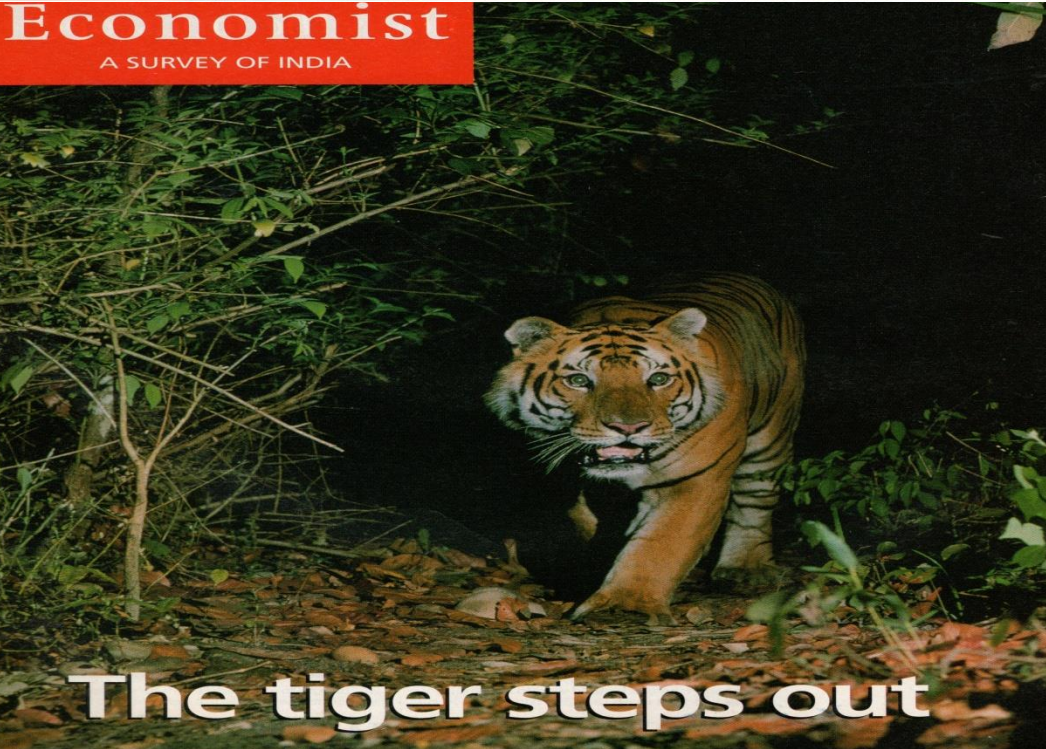
How India's growth will outpace China's



£5.50 4.0
061190

Albania ALL700 Croatia HRK48 France €3.50 Iceland ISK 200 Latvia LVL 3.00 Mexico MXN 700 Romania RON15 South Africa R15.00
Armenia AMD 1000 Czechia CZK 200 Gibraltar GIP 2.00 India INR 20.00 Lithuania LTL 1.00 Norway NOK 4.00 Saudi Arabia SAR 10.00 Taiwan TWD 30.00
Bangladesh BDT 100 Denmark DKK 20 Hungary HUF 200 Italy EUR 1.00 Kazakhstan KZT 1000 Kuwait KWD 3.00 Korea KRW 1000
Bulgaria BGN 2.00 Estonia EEK 10.00 Iceland ISK 200 India INR 20.00 Jordan JOD 1.00 Kenya KES 100
Canada CAD 1.00 China CNY 6.00 Colombia COP 2000 Costa Rica CRC 1000 Czechia CZK 200 Denmark DKK 20.00

The Economist
A SURVEY OF INDIA



The tiger steps out

A survey of India's economy
JUNE 2ND 2001

The Economist

The plot thickens



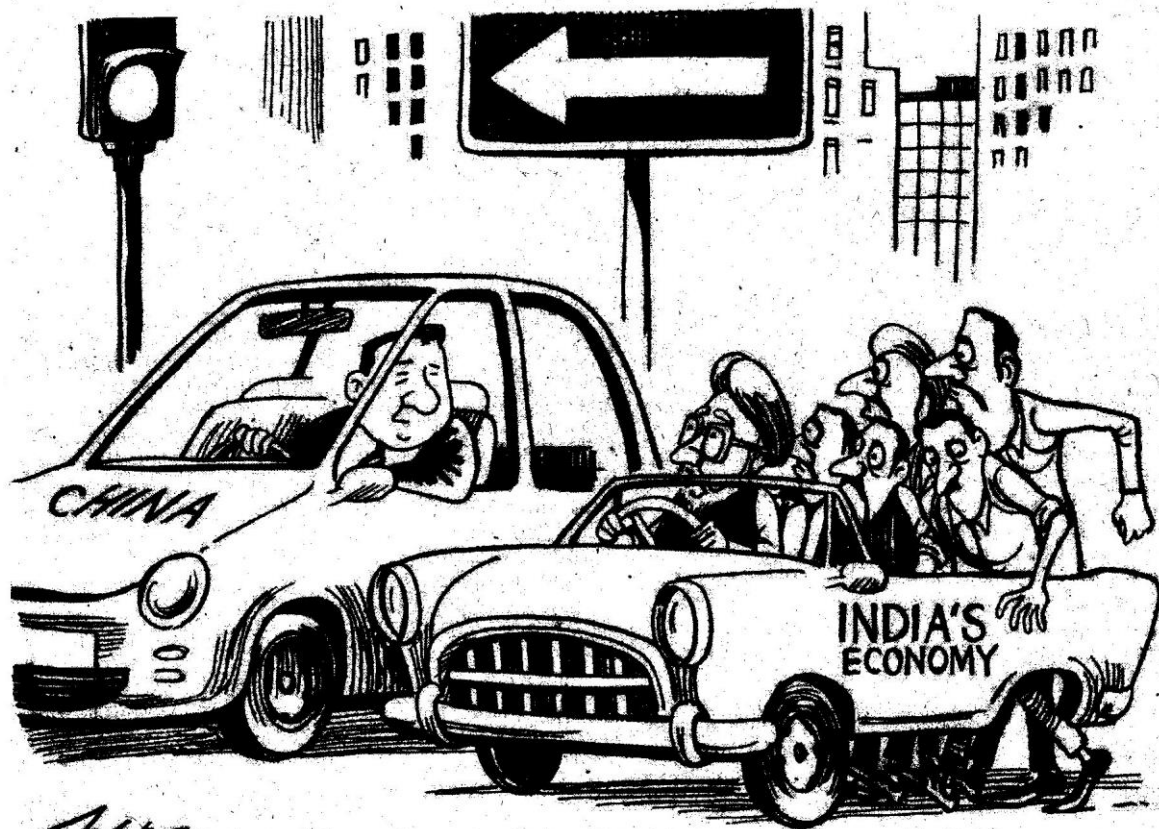
The country of many contradictions



Poorer than Africa and richer than Britain

(FT, 25.9.2012)





- 48 billionaire - 36 in UK (96 in China)
- 8 big firms in the 2011 Global 500
- India is considering to increase its contribution to IMF to bail the Eurozone
- While British Parliament is discussing about whether UK should continue to send foreign aid to India

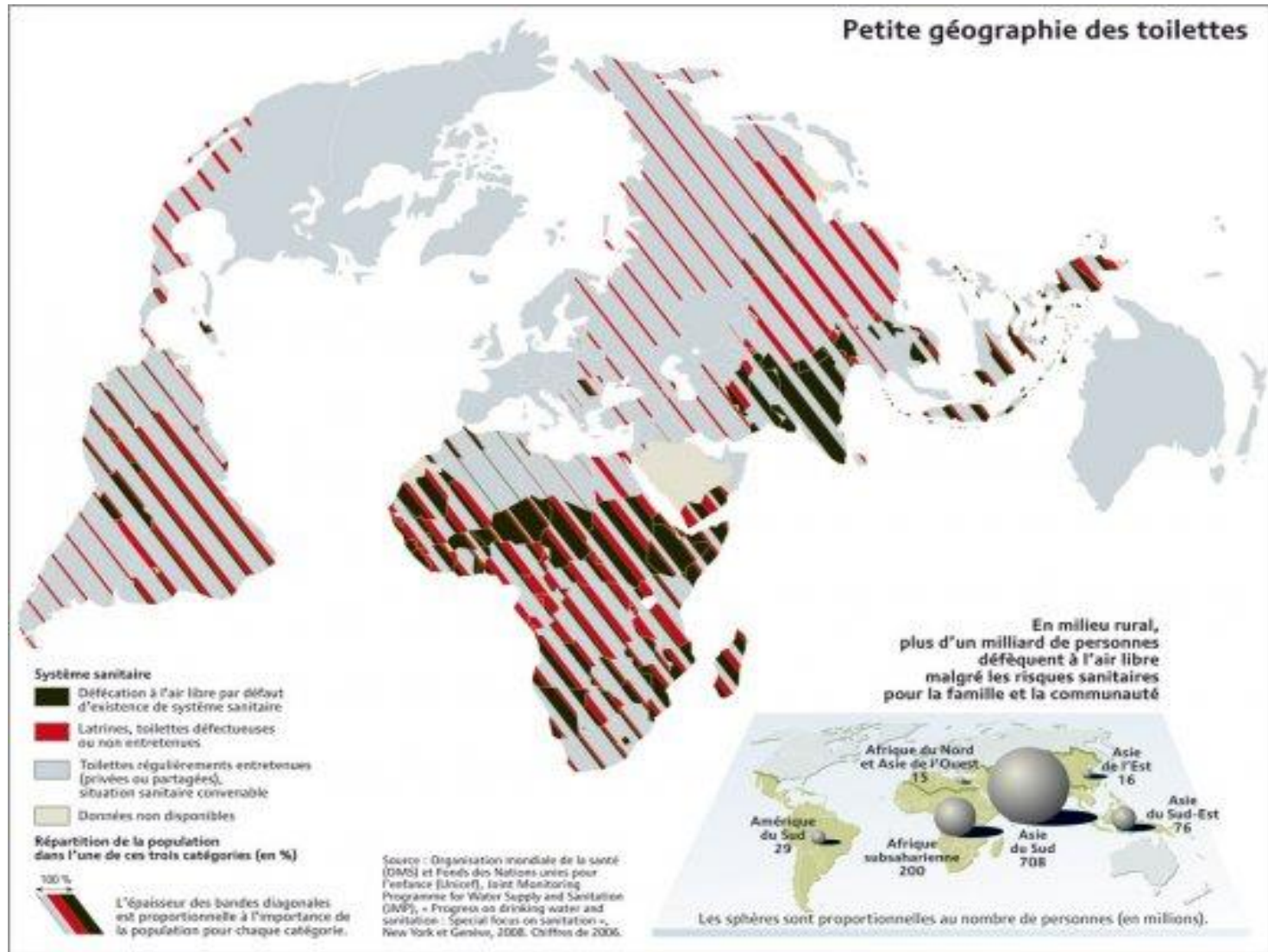
Slumdog millionaire is not only a movie

Uttar Pradesh: only 21% of inhabitants have access to a proper toilet and in India as a whole 600 million - out of 1,2 billion – “still practice open defecation either in fields or urban wasteland”
(UNICEF estimates, 2012)



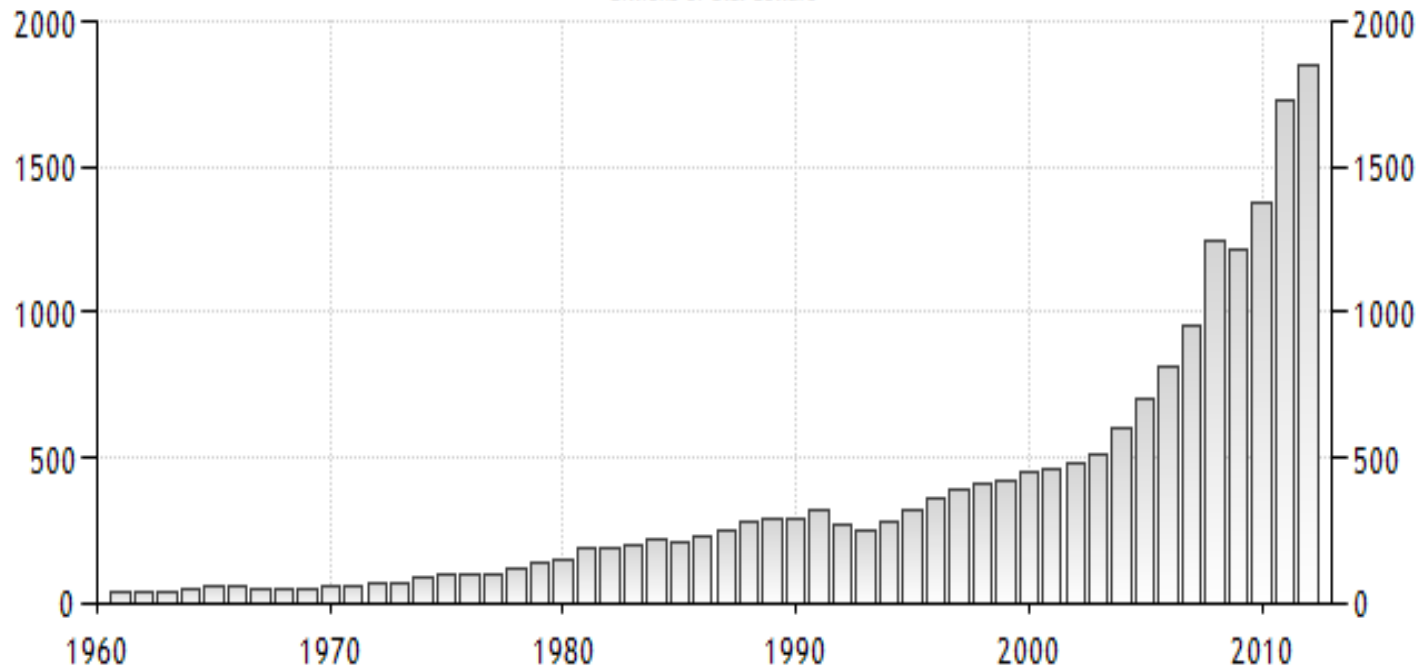
<https://www.youtube.com/watch?v=nHKsIYVIYNk>

But they're not alone...



INDIA GDP

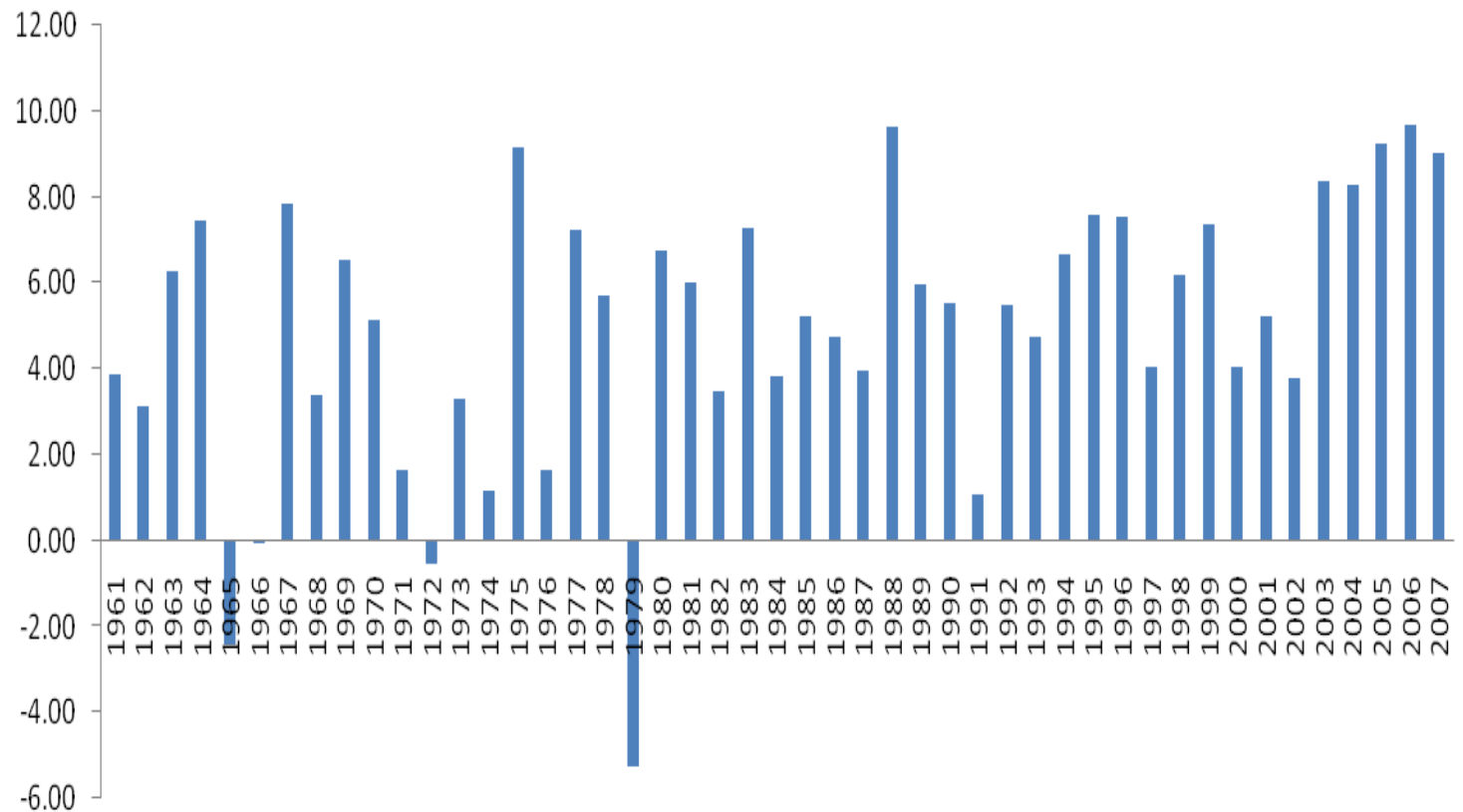
Billions of U.S. dollars



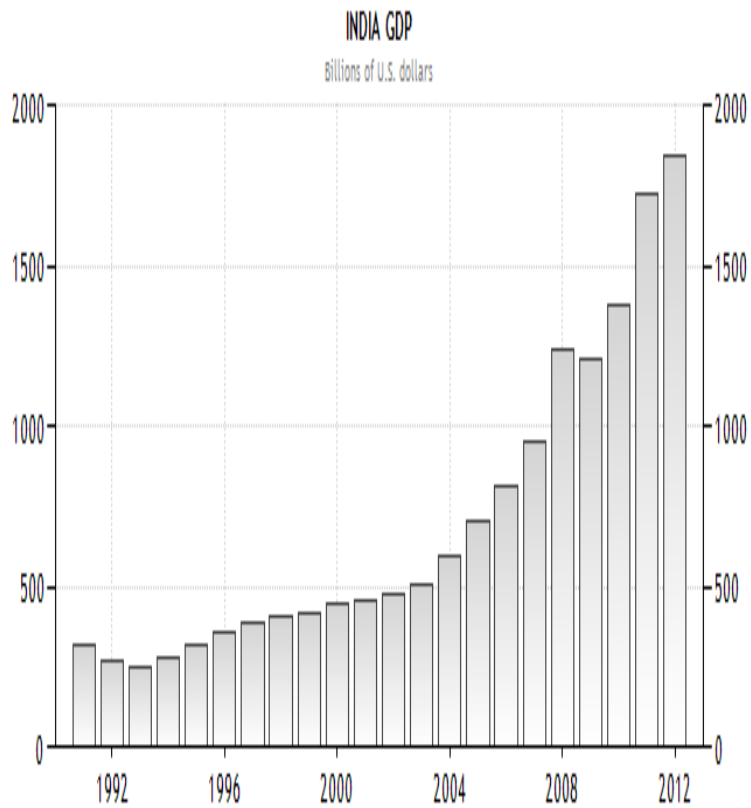
SOURCE: WWW.TRADINGECONOMICS.COM | THE WORLD BANK GROUP

A long term growth ?

Growth rate of Indian GDP between 1961 and 2007



Source: World Bank



SOURCE: WWW.TRADINGECONOMICS.COM | THE WORLD BANK GROUP

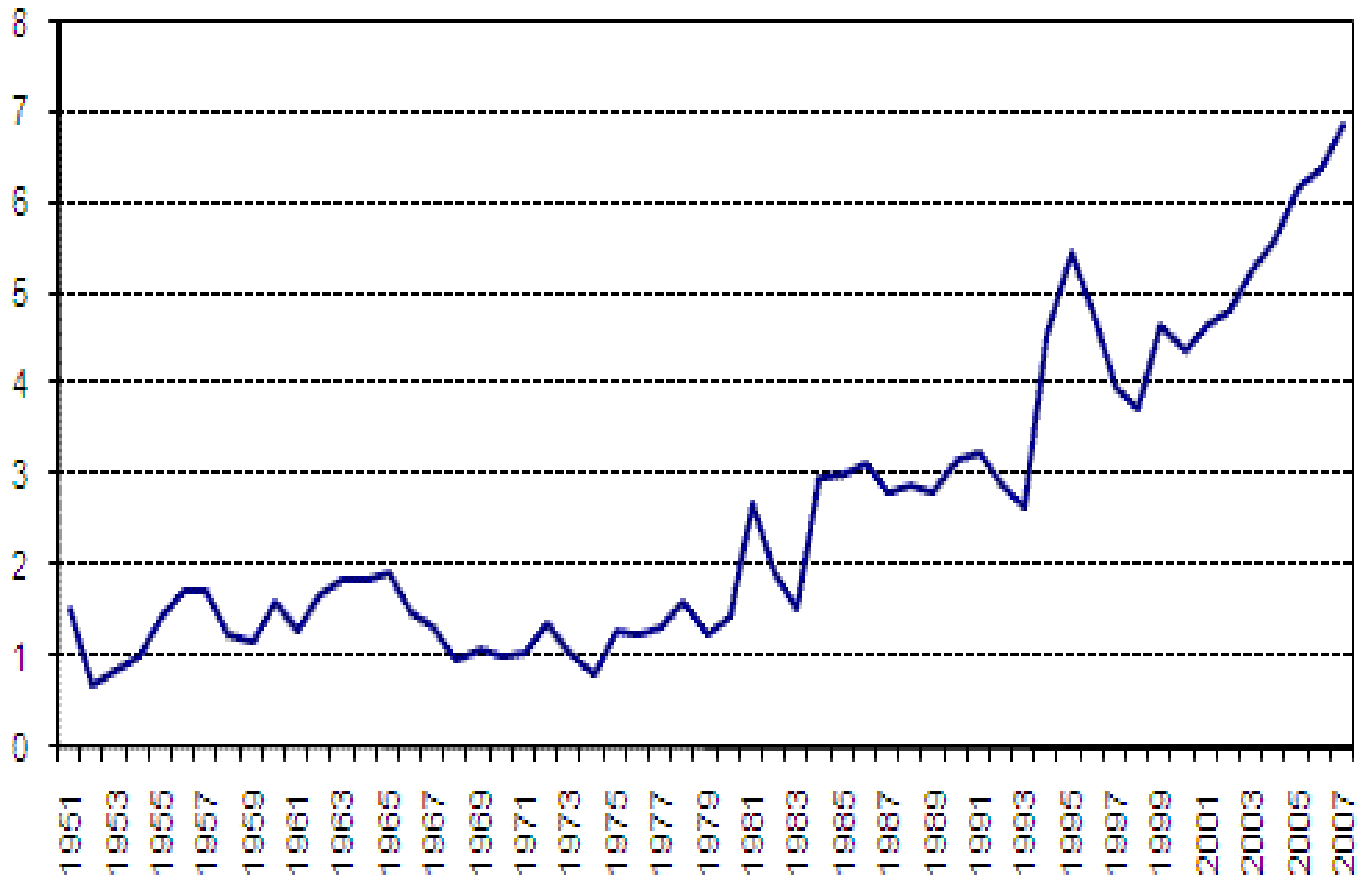
India GDP

Annual % change



Source: Thomson Reuters Datastream **FT**

India per capita GDP growth



GDP per capita

(ppp, constant 2005, international \$)

Country or region	1990	2009	2009/1990
World	6,814	9,514	
High income	24,505	32,600	133.0 %
Low and middle income countries	2,786	4,968	178.3 %
Least developed countries	812	1,259	155.0 %
China	1,101	6,200	563.1 %
Singapore	23,429	45,978	196.2 %
South Korea	11,383	25,493	223.9 %
Brazil	7,179	9,455	131.7 %
India	1,249	2,970	237.8 %
Russia	12,630	13,554	107.3 %

The legacy 1947-1991 and more

- slow development
- Five years planning economy – Industrial Policy Resolution (1948) - National Development Council and Planning Commission 1950
- Protected home market instead of export–led growth (share of world export fell from 2,5, (1938) to 0,9 (1968), and then up to 1,6 (1988))
- Industrial sector divide between strategic sectors (state monopolies) mixed sector (cooperation public-private), light manufacturing sectors (private) – licensing policies only partially revised in the 1970's

India – 2 developments and 3 periods

- Two important events in the first 50 years of India's independence (in 1947)
- **1. Formation of Planning Commission in March 1950**, India launched upon a unique experiment in state-led 'growth with social justice'
- Socialist leaning in domestic and international politics
- India's poor growth from 1960 to 1980. (3%)
- Foreign exchange crisis – pressure for reforms
- Forced to carry out reforms – domestic and international pressure

India –2 developments and 3 periods

- **2. New Economic Policy on July 24, 1991. LPG**
Liberalization, Privatisation, Globalization
- started India's economic liberalisation, integration with Global economy-
globalisation
- Ended the **license permit raj**, opened up the economy to deal with the balance of payment crisis

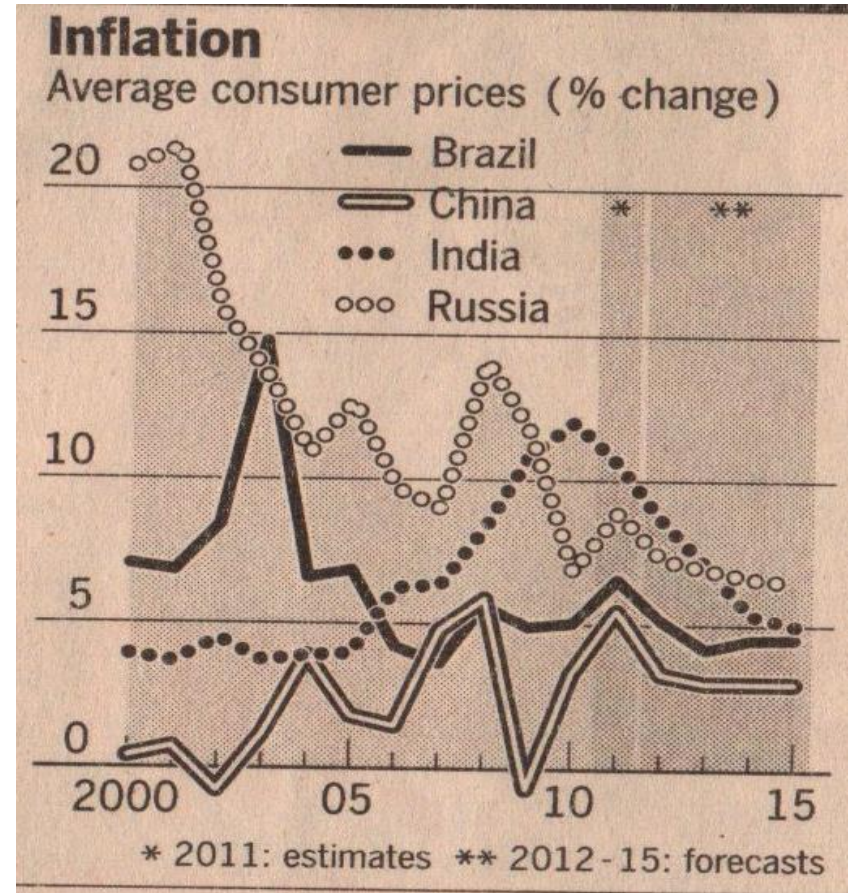
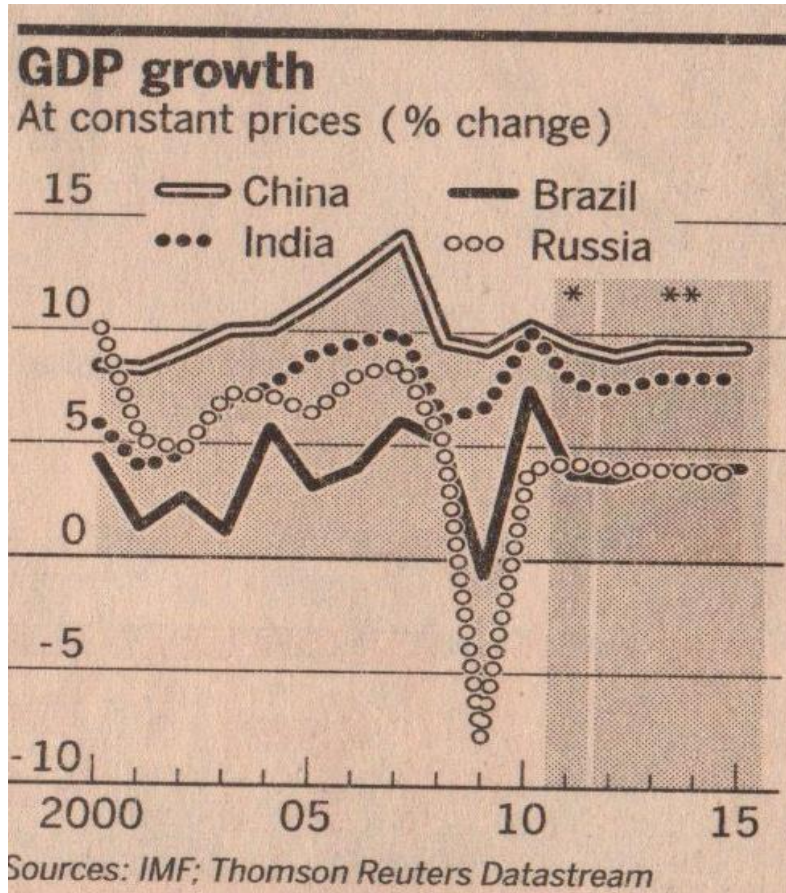
India –2 developments in 3 periods

- discouraged public sector monopoly and paved the way for competition.
- New Foreign Investment Policy- 2017 August
- Government and Automatic Route
- New government's emphasis on Economic diplomacy
- But skeptical ?

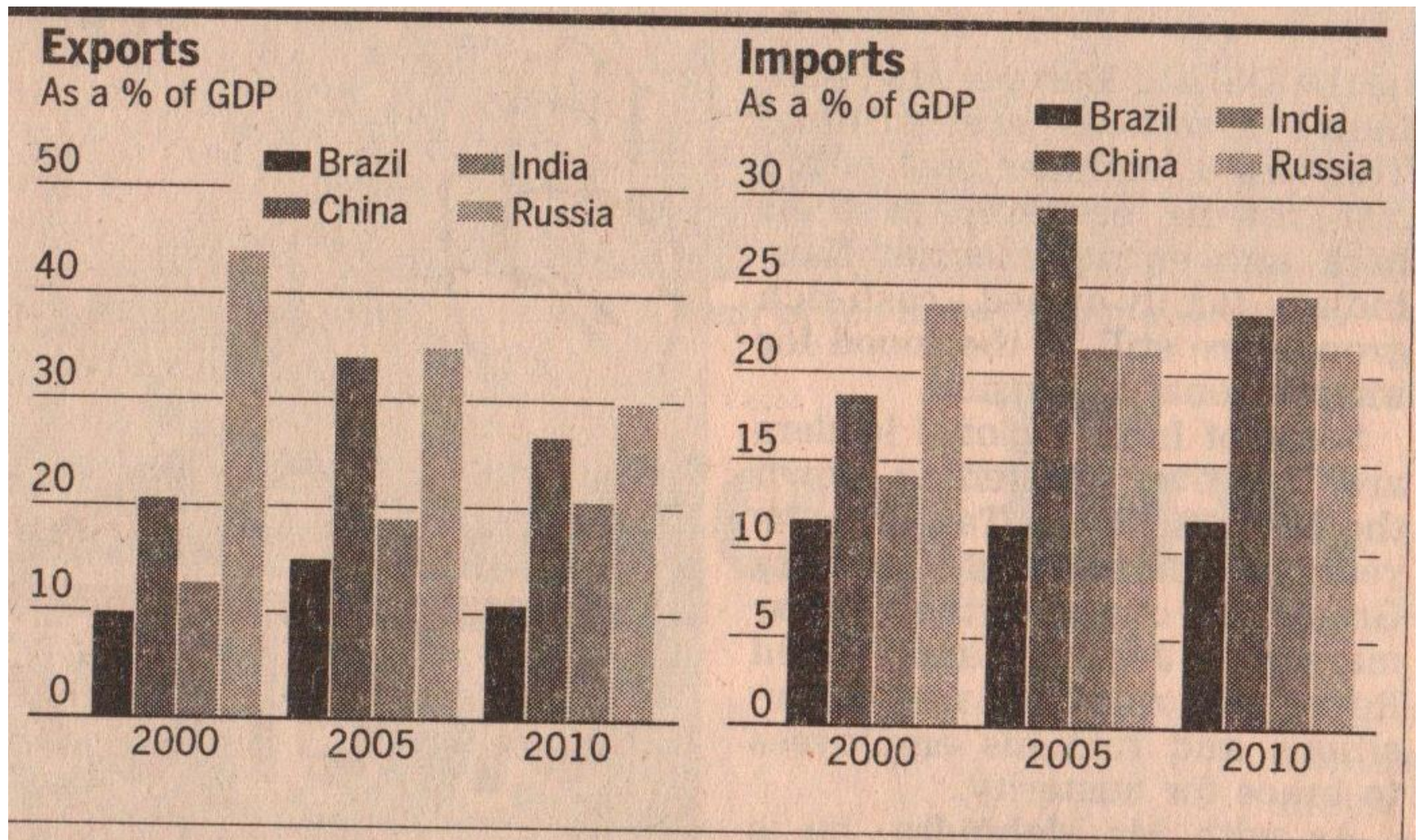
- The slow beginning of liberalization:
Competition Commission of India
- Special Economic Zones with fiscal measures for small and medium size firms

- Low literacy and high fertility: general failure to mobilize female population (compared with Tigers economies): protests against Indira Gandhi's sterilization programme
- 33 languages with more than 1 million speakers
- Hindi is mother tongue only for 1/3 of the population – the caste structure

GDP growth and inflation: India and the BRIC



Import-Export and GDP: India and the BRIC

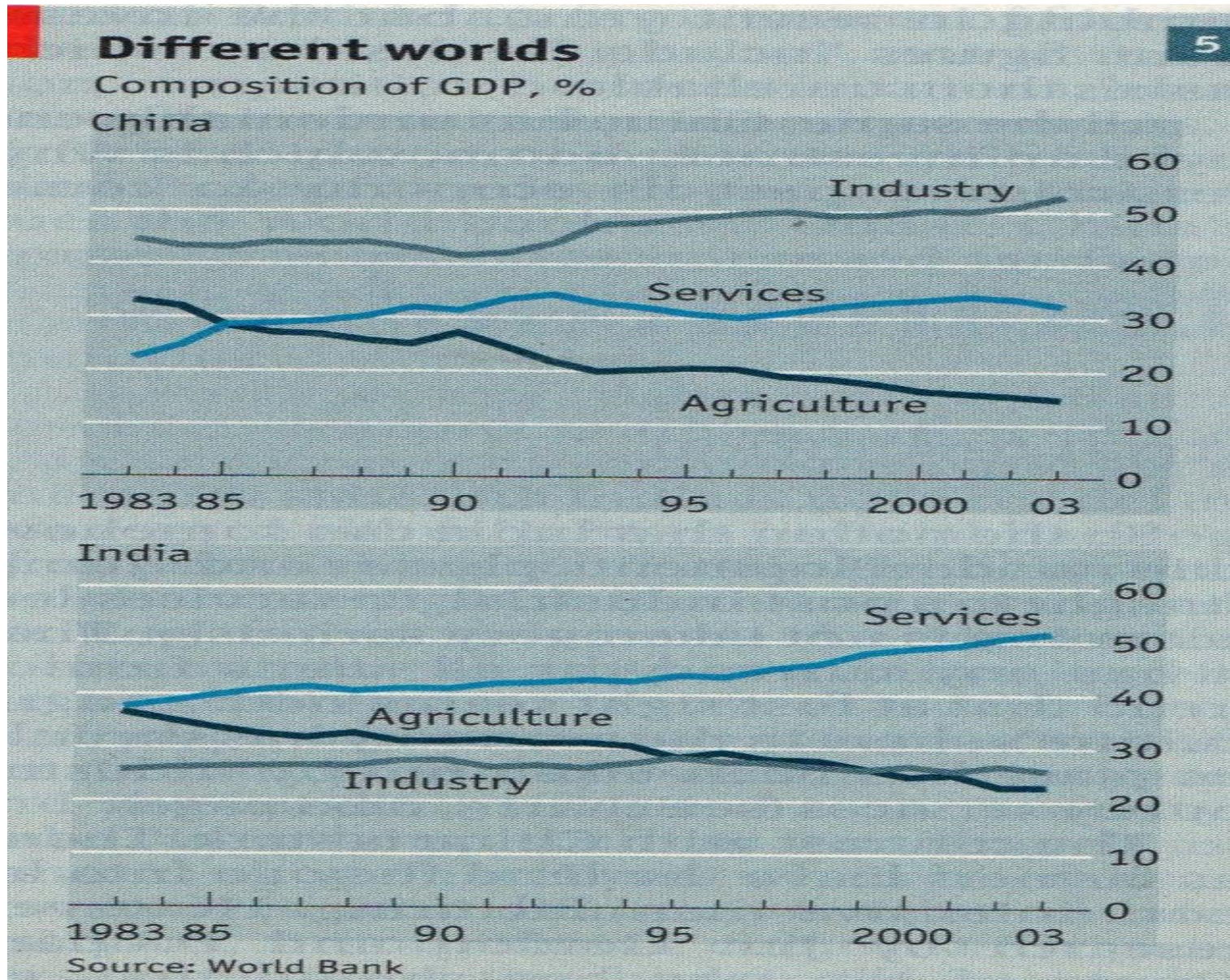


Too much... and too less

- **Labor force by occupation (2009)**
- **agriculture: 52%**
- **industry: 14%**
- **services: 34%**

• Brazil	Russia	China
• Agriculture 20%	10.8%	43%
• Industry 14%	28.8%	25%
• Services 66%	60.4%	32%

An advanced economy ?



Raghuram G . Rajan (Governor of the Bank of India, former *economic adviser in India's Finance Ministry and former IMF Chief Economist*)



- “I think India’s medium-term future is moving people out of agriculture into industry and services. Services, you know, some extent we have a sort of a sense of what it takes. And India’s service sector is disproportionately large for a country of its income.
- Where we have had less success is industry, and the question is can we sort of find a way to free the path for small and medium industry, and not just keep them forever as small and medium industries but allow them to grow into large industries”.

1966 90 - Autocracy and socialism

- But agricultural revolution 1967-1978 – with foreign donors- Ford and Rockefeller Foundations
- India became one of the leading agriculture producers
- Populism gaining upper hand over planned economic development

1966 90-Autocracy and socialism ;

- Still some achievements
- Vigorous policy of land reforms
- Bank nationalization -1969
- Monopolies and Restrictive Practices Act -1970
- During this period India became the 5th largest military power, 6th overt nuclear power, 7th in space , 10th industrial power, emphasis on Scientific capacity
- But poverty and related issues continued to be a problem

1966 90-Autocracy and socialism ;

- 1984 attempted liberalization in some sectors
- 1980-1989 5.5% growth for the economy from 3.3 %
- Corruption and delay in materializing long term projects
- Resulted in large scale external borrowings – collapse of USSR and other world developments – serious balance of payment crisis

Reforms , Globalization ad growing interdependence

- Third largest economy in terms of PPP
- 9th in terms of GDP ,
- GDP has increased up by 2216 % in the last 25 years
- Fastest growing major economy
- The second largest economy in the world by 2050.
- *In 2015 India replaced china as the top investment destination.*
- *Forex increased to 400 billion from 5 B in 1991.*

- Why a cautious Globaliser ?

Historical

- Colonial past-Bitter experiences from East India Companies
- transformation of the British East India Company from a humble trader into the political successor of an imperial empire- still very much alive .
- Imperialism to neo colonialism
- Cultural – insular and an inward looking country , cultural threat- family, children, cuisine , religion, divorce rates etc.
- Threats of cultural homogenisation, Westernisation
- cautious of globalisation.

Critical perception

- Theoretical- dependency theory, marxist arguments , imperialism, neocolonialism, Prescbish- 1950s- developed countries vs underdeveloped countries are likely to suffer
- “international competition for capital” tends to exacerbate income inequality, Thomas Piketty highlights in - Capital in the Twenty-First Century.
- Political and protest movements- loss of sovereignty of states,
- Opposition to big projects environmental movements, land rights movement,

Hard realities

- Hard realities - Poverty- nutritional levels, unemployment- FDI not resulted in employment. The economy is creating less jobs for per unit of GDP
- Volatility of private sector employment.
- Farmers suicide, labor struggles,
- Rural urban divide in education , electricity , health , water , increasing migration due to climate changes ,
- The World Bank reckons that India is home to nearly a quarter (270 million) of the world's poor

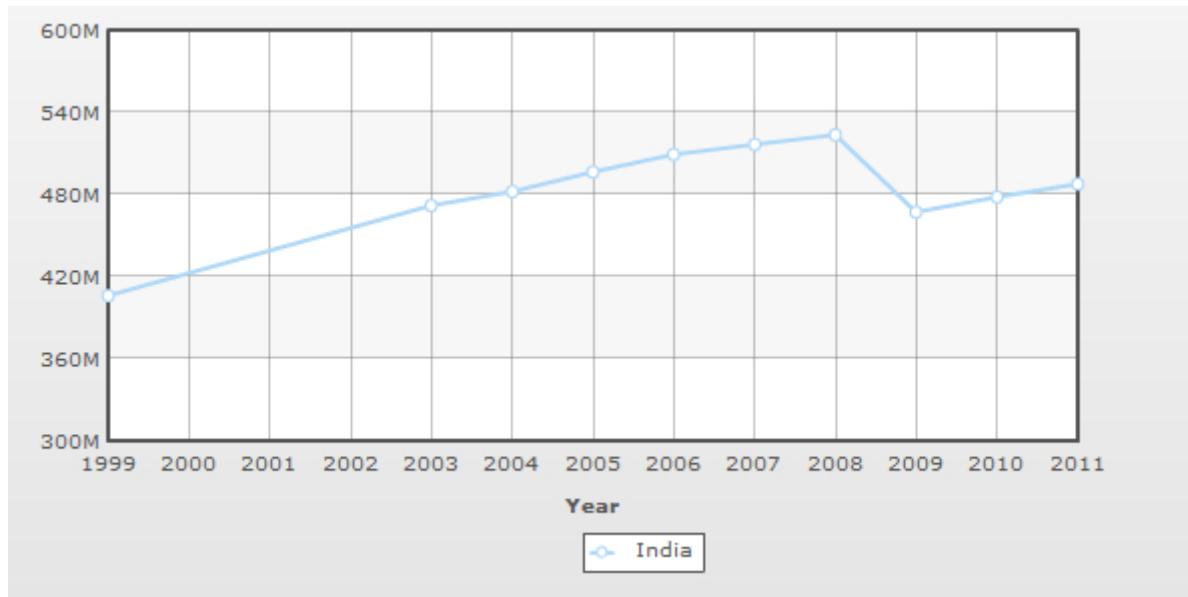
Hard realities

- absolute impoverishment of the working people, notably in the form of growing nutritional deprivation,
- Fears of India's political domination by big economic players constrains openness by govt.
-
- Globalisation is an uneven process – inequality, unequal distribution of wealth, concentration of wealth –second partition of the country
- Regional inequality- Delhi and Mumbai receiving half of the FDI equity flow , Odisha just 1%
- Strong argument , it will bring growth and development. , poverty reduction

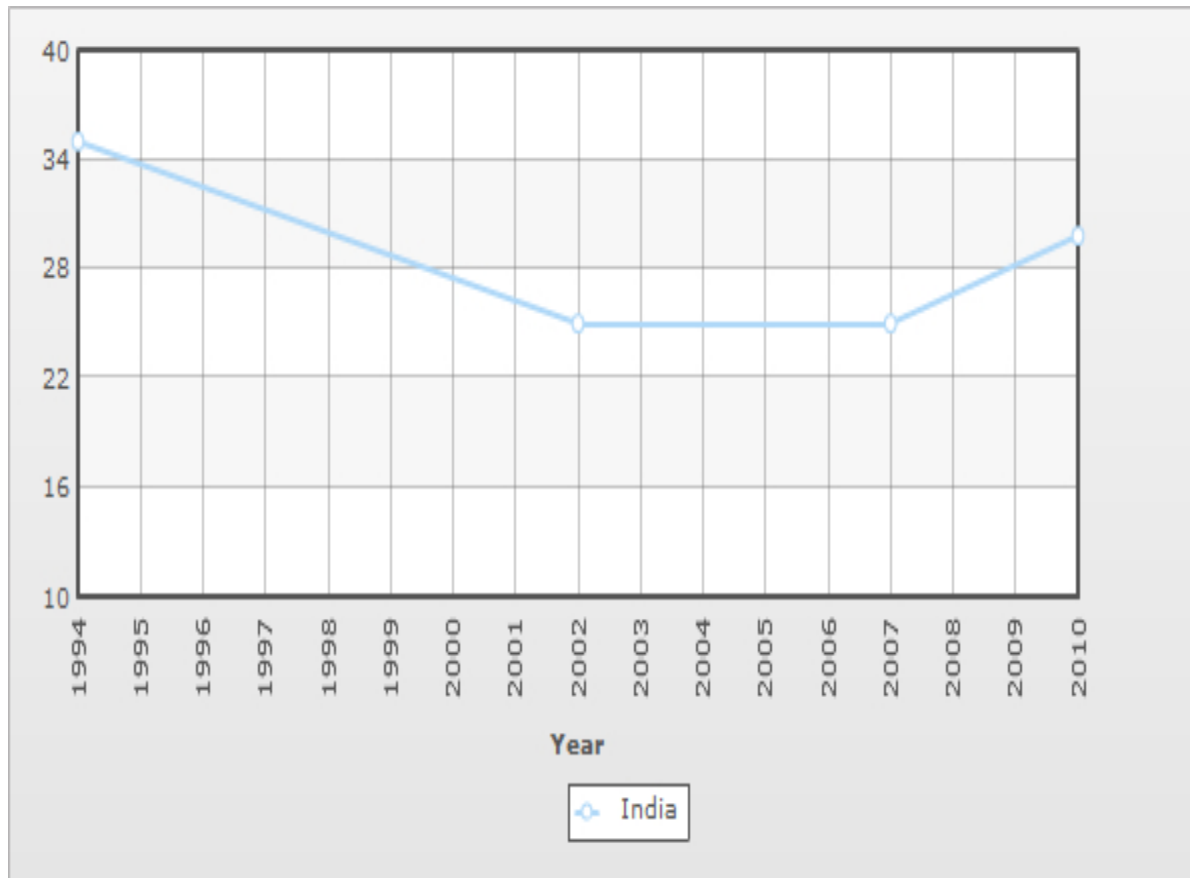
Hard realities

- Decline in agriculture
- India's traditional occupation, agriculture now contributes only about 15% to the GDP, down from 29 percent in 1991.
- The IT sector has been the torchbearer of the service sector contributes around 53 percent to the national economy-facing crisis- strict VISA rules
- the industrial sector has undergone marginal growth in the last 25 years.
-

The working population: too few



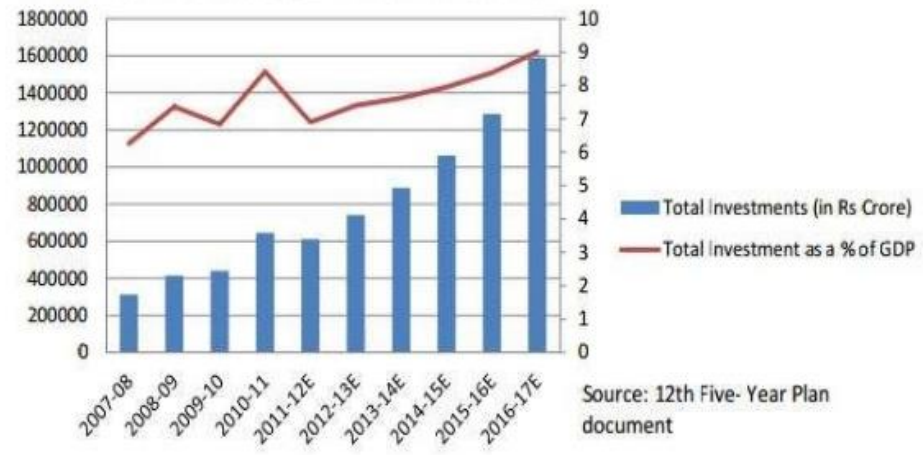
Population below poverty line (%)





Trends of Infrastructure Development in India

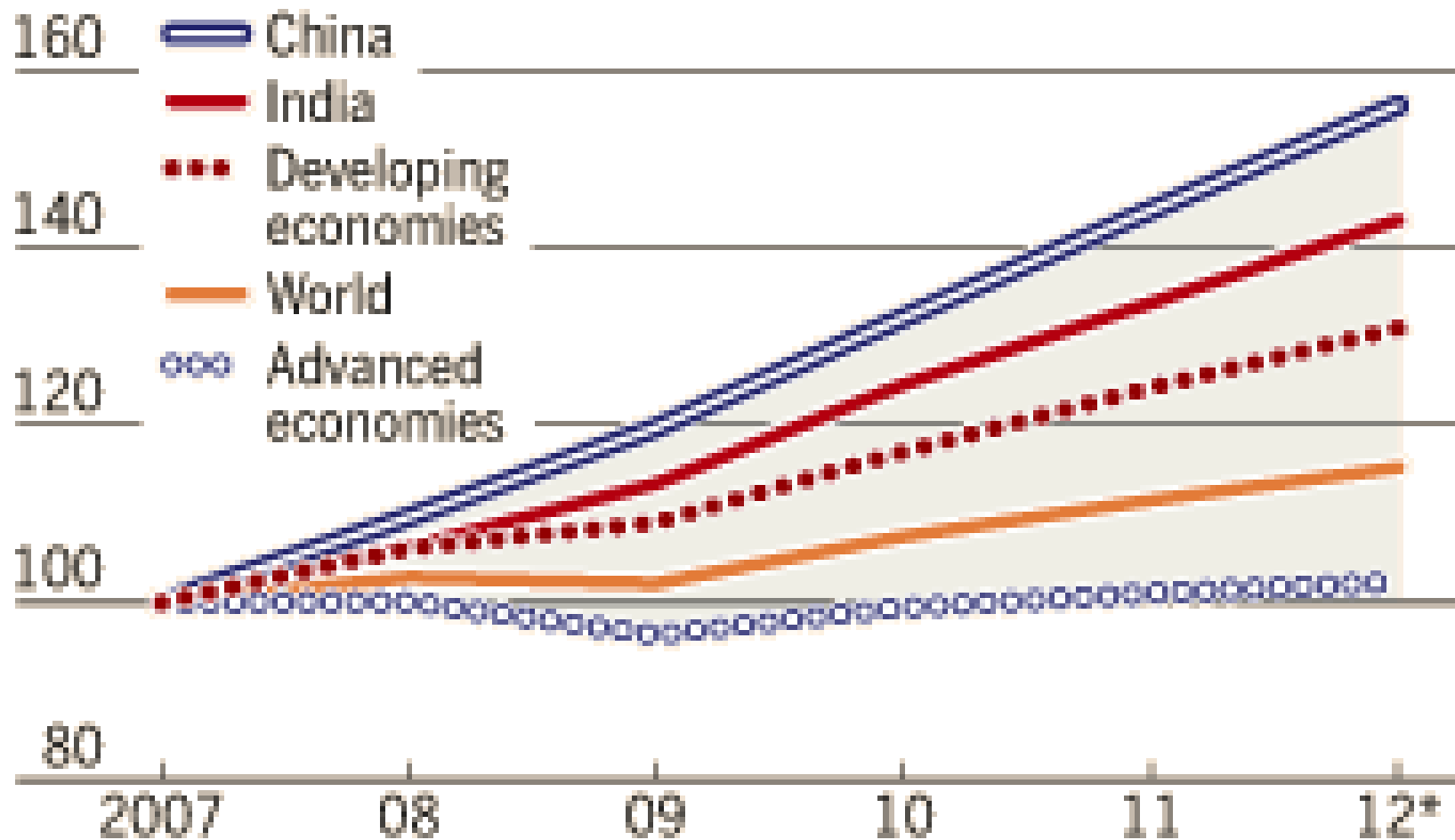
Figure 1 : Share of Infrastructure in GDP



Source: 12th Five- Year Plan document

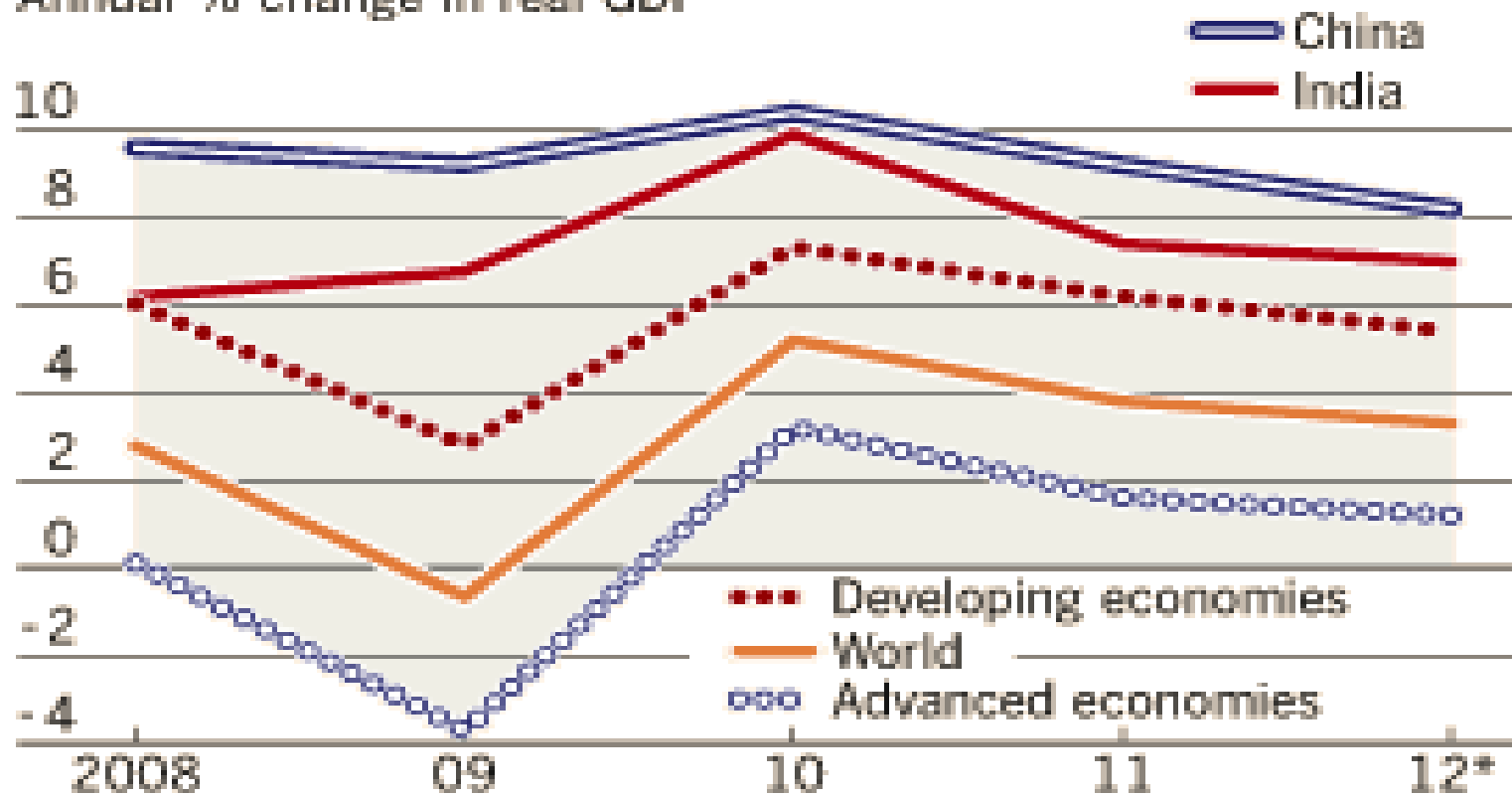
Economic output since the crisis

Real GDP (2007=100)

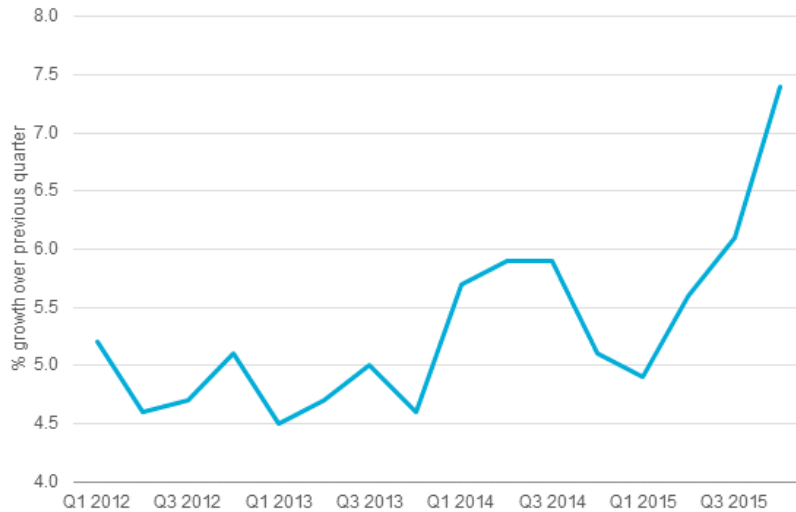


Growth rates during the crisis

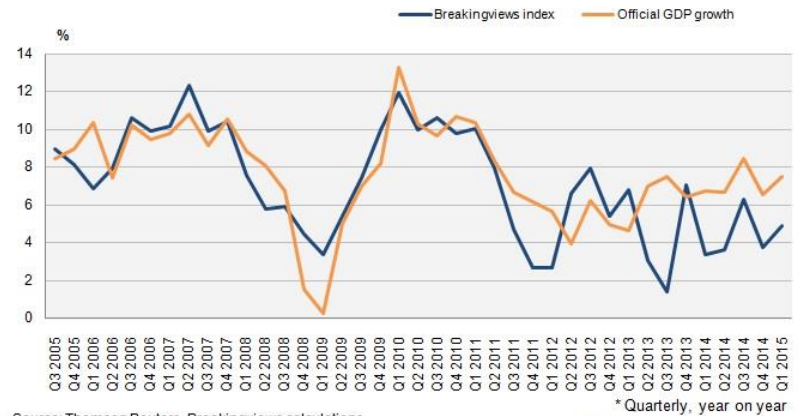
Annual % change in real GDP



The recent acceleration, or just an illusion?



India GDP growth: a statistical illusion

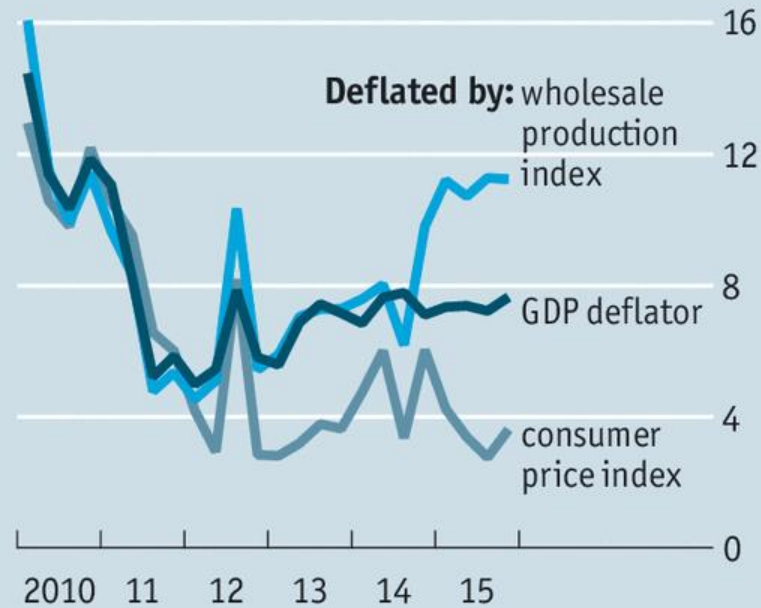


Source: Thomson Reuters, Breakingviews calculations

Andy Mukherjee, John Foley 05/06/2015

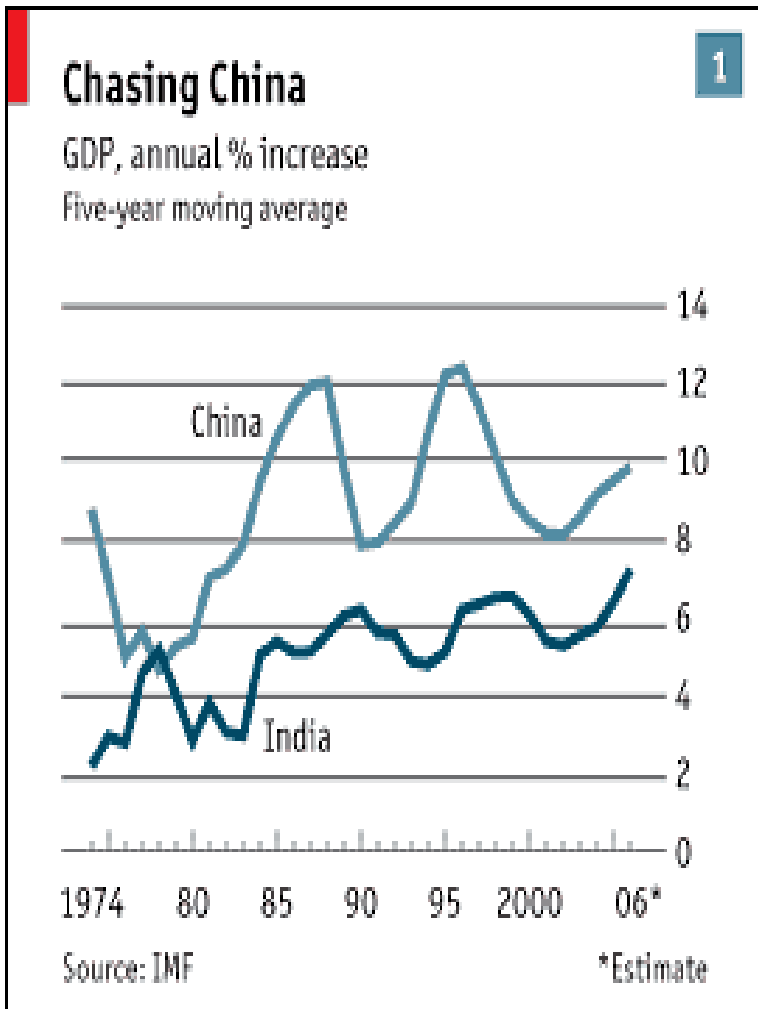
Juggernaut or slug?

India's GDP
% increase on a year earlier



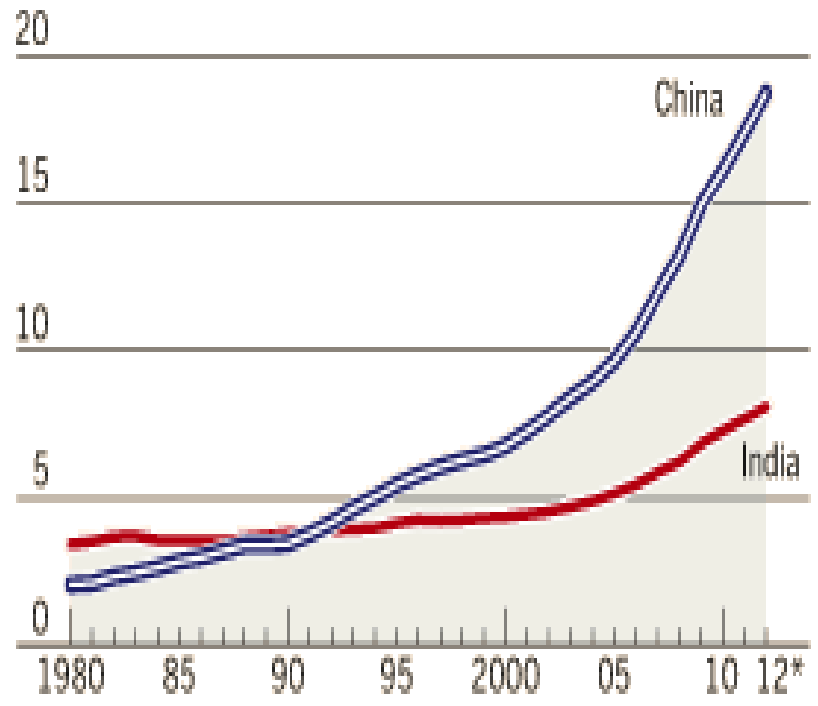
Sources: National statistics; Haver Analytics

Still far away. The limits of “Chindiaphoria”



Living standards vs the US

GDP per head at purchasing power parity (% of US level)



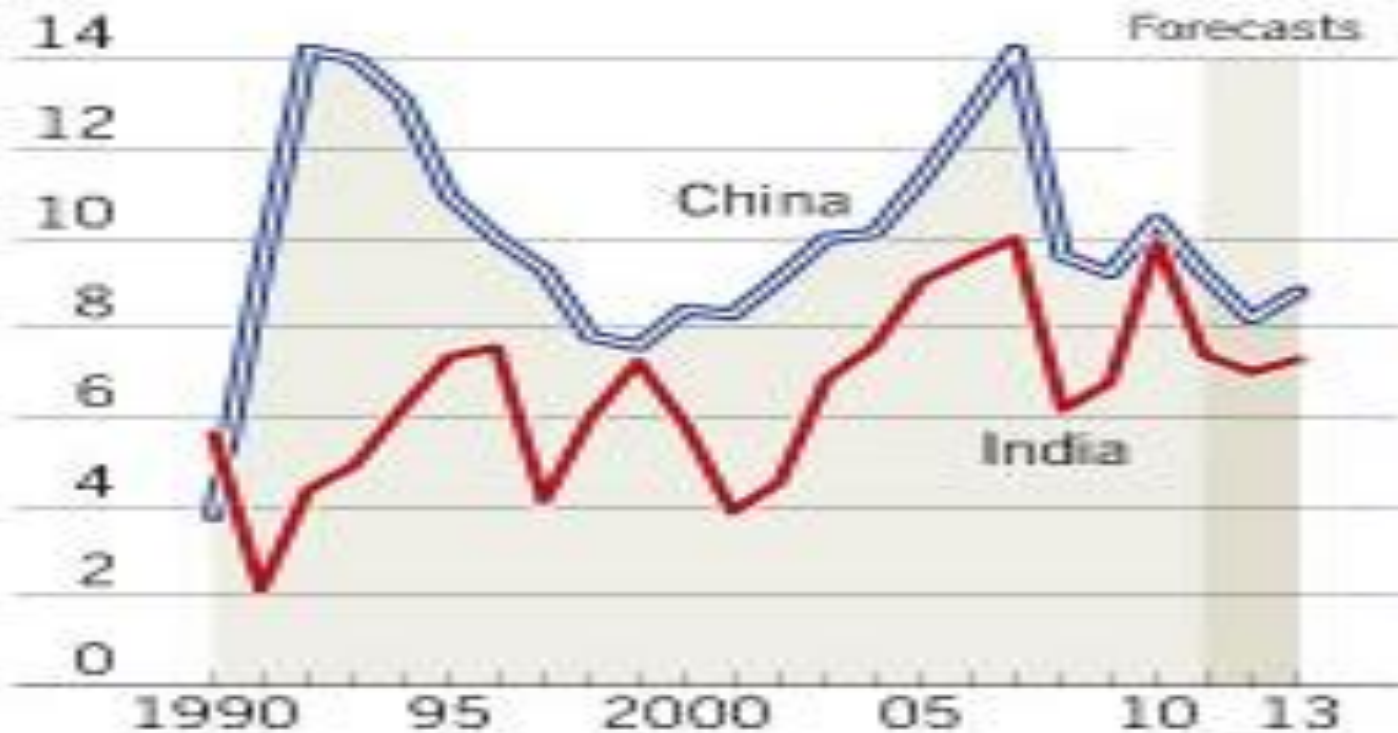
Source: IMF

* Forecast

Missing an opportunity ?

Missing momentum

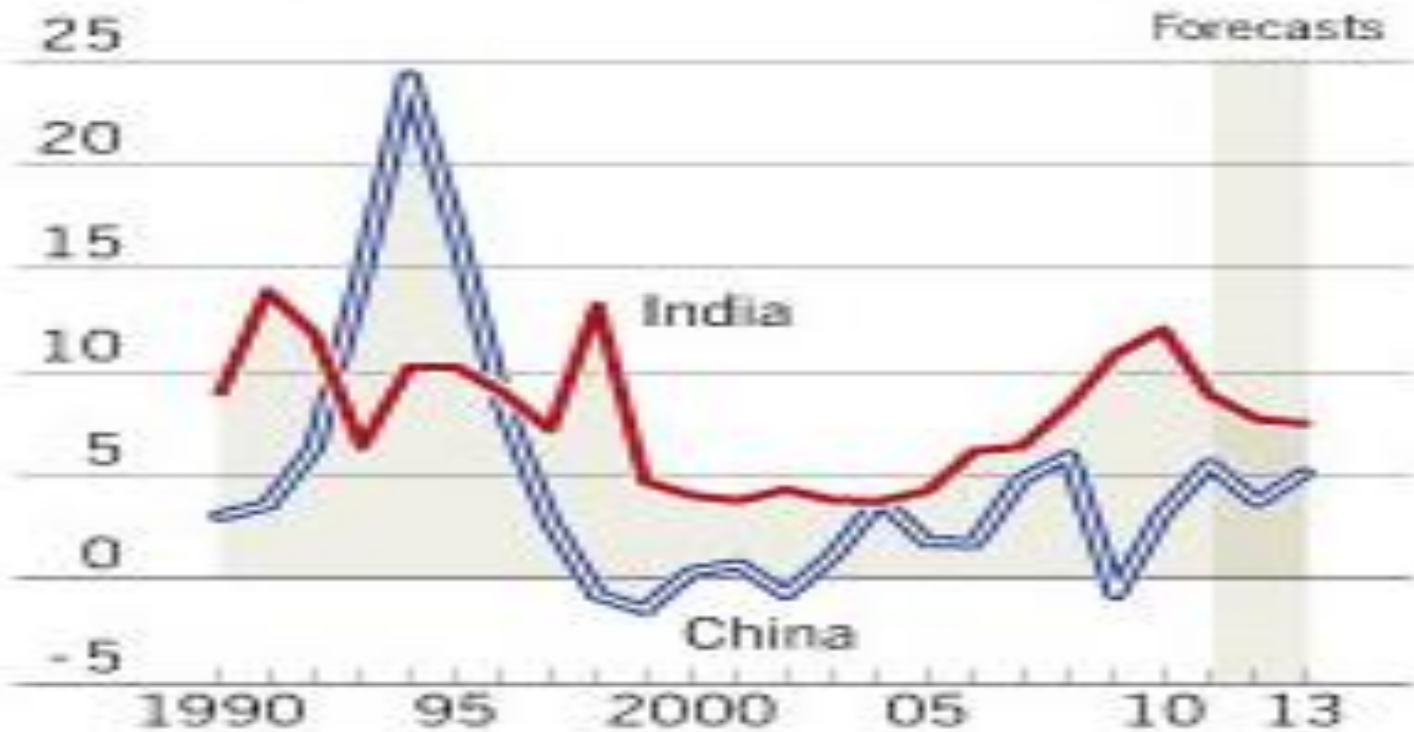
GDP growth (annual % change)



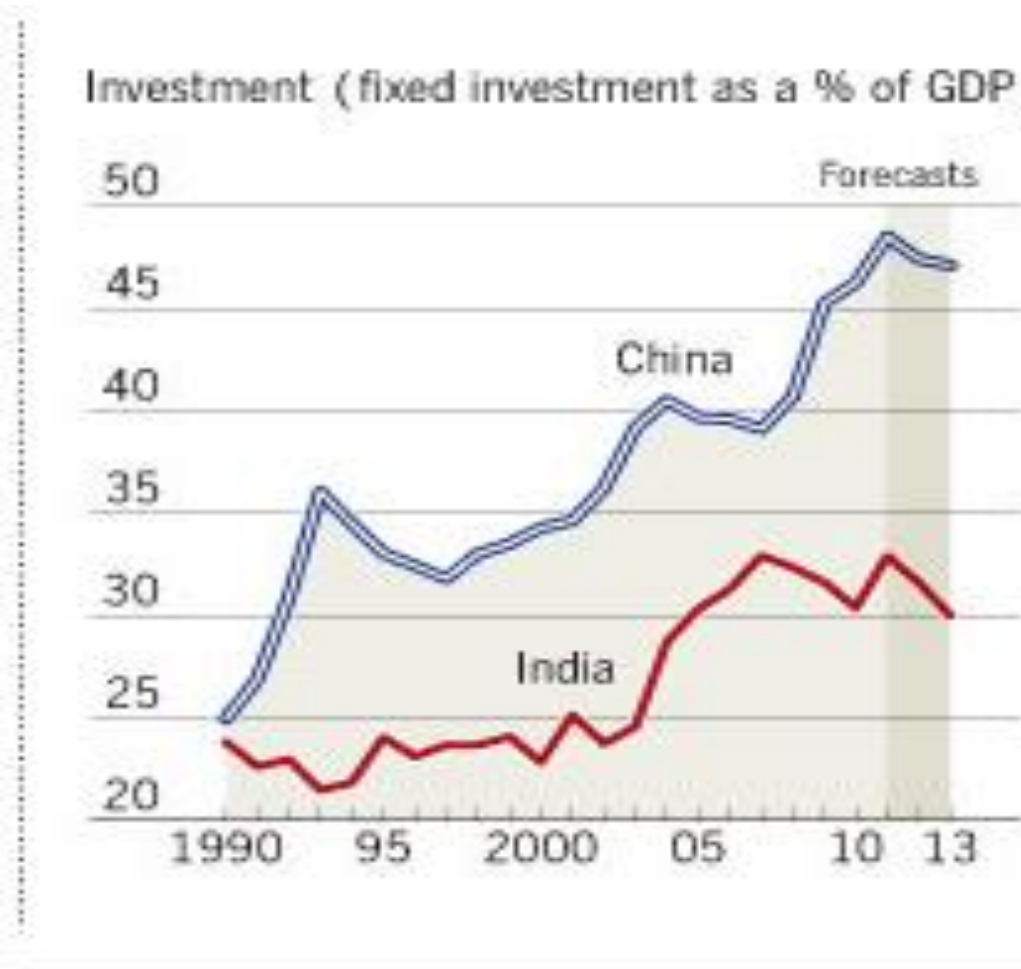
Sources: IMF; EIU

Too high inflation ?

Inflation (annual % change in CPI)



And yet a difference still exists



A chance to fly?



The opinions of the International Business Community

- **BRIC Report, Goldman Sachs** “ I have never seen India so dynamic, vibrant and full of business opportunities”. –
- **Dan Scheinman, Cisco System** Inc. as told to Business Week, August 2005 “ We came to India for the costs, stayed for the quality and are now investing for innovation”.
- **John Redwood Economic Competitiveness Policy Group**, UK “ India is now truly a land of opportunity”.
- **Jack Welch General Electric** “ India is a developed country as far as intellectual capital is concerned”.
- **Peter Loescher President and Chief Executive Siemens**, “By 2032, India will be among the three largest economies in the world”
- **Travyn Rhall, ACNielsen** “ The Indian market has two core advantages – an increasing presence of multinationals and an upswing in the IT exports”.
- **Craig Barrett Intel Corporation** “ India has evolved into one of the world’s leading technology centers“.
- **Mr Paul de Voijs Managing Director Volvo Car India** “ India is a very exciting market and the luxury car segment is growing exponentially here”.

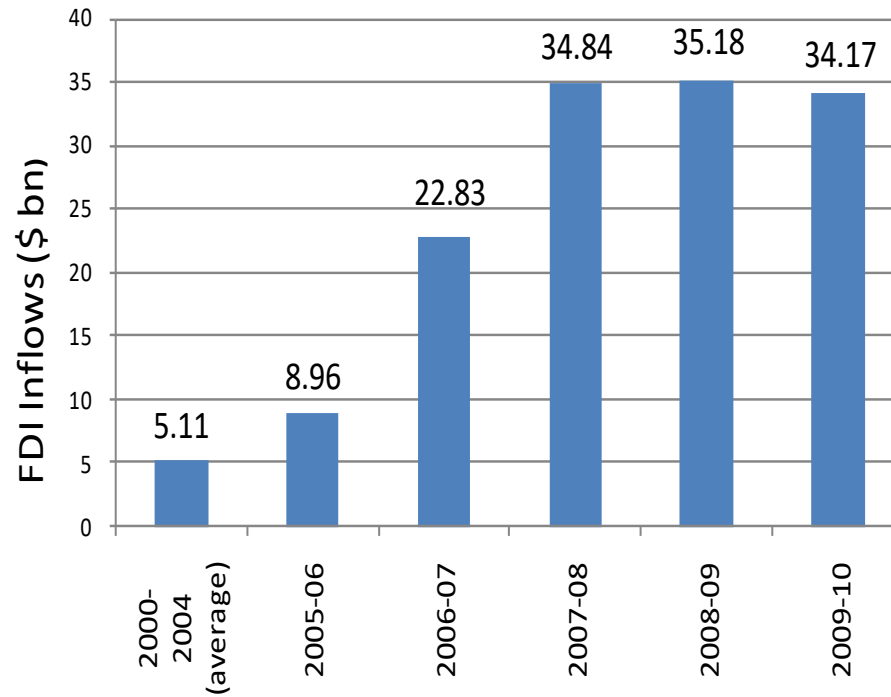
- “It wasn’t for want of knowledge on what needed to be done that India slowed down. It was obviously because of lack of political, sort of, will. And I think that to some extent, when things were going swimmingly well, which they were till a year ago, you are growing at 8 to 9 percent, sometimes at 10, why would you think that you need to do more? You can focus on the other things that are more palatable to the population”

Raghuram G. Rajan (*chief economic adviser in India’s Finance Ministry and former IMF Chief Economist*)

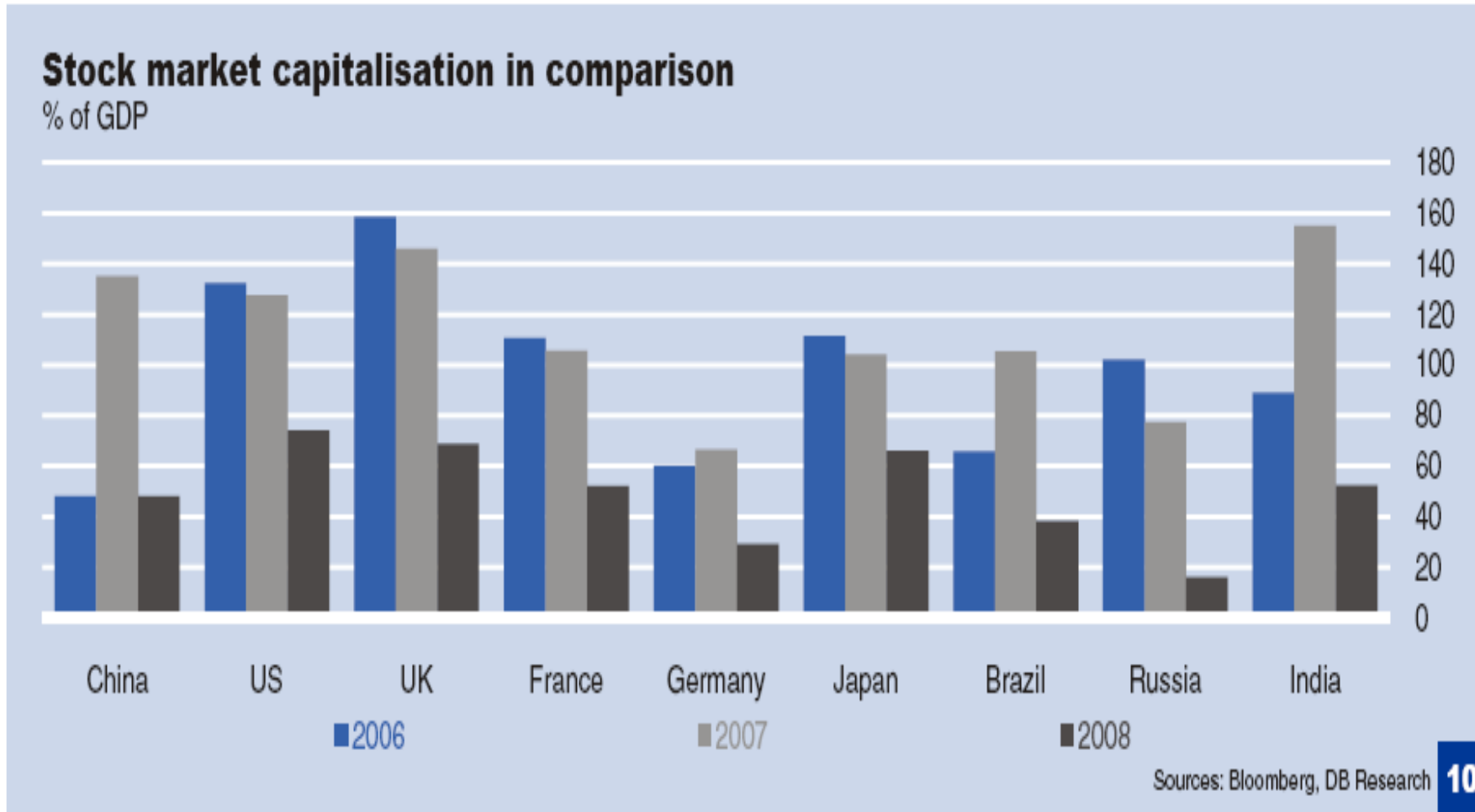
Problems still to solve

- 8 documents to fill up to export and 17 days for each expedition – Singapore : 4 documents and only 5 days
- Foreign investments: Wal Mart, Tesco and Carrefour still waiting for the permission to enter

Some encouraging data



The growth of stock market capitalization



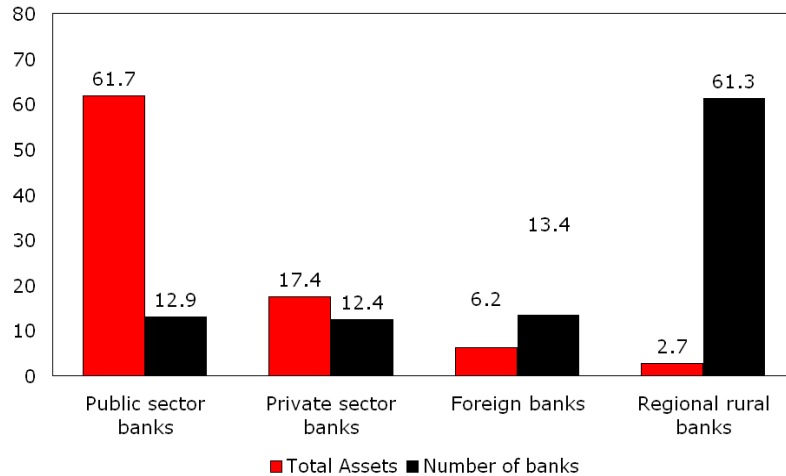
How many potential shareholders ?

	Per Capita Banking Loans	Per Capita Banking Deposits	Per Capita Banking Asset	Loans+Deposits/ GDP	Loans/deposits
	euro	euro	euro	%	%
China	1501	1126	2332	158	133
India	273	407	525	103	67
South Korea	8131	8418	4251	108	97
Indonesia	188	319	440	37	59
Malaysia	5653	5160	1753	228	110
Philippines	254	389	2480	57	65
Thailand	1569	2052	2595	139	76
Vietnam	239	263	372	84	91
Bosnia	1234	1173	1956	101	105
Bulgaria	1508	1813	2809	102	83
Croatia	5816	5070	9172	141	115
Czech Republic	4796	7286	11097	109	66
Hungary	5376	4228	9279	109	127
Poland	2485	2979	4971	77	83
Romania	1314	1395	2404	60	94
Russia	1635	1529	2836	58	107
Serbia	1045	982	2174	62	106
Slovakia	3586	4986	7690	105	72
Slovenia	9546	8549	16800	122	112
Turkey	1584	2186	3580	86	72
Ukraine	857	644	1188	83	133

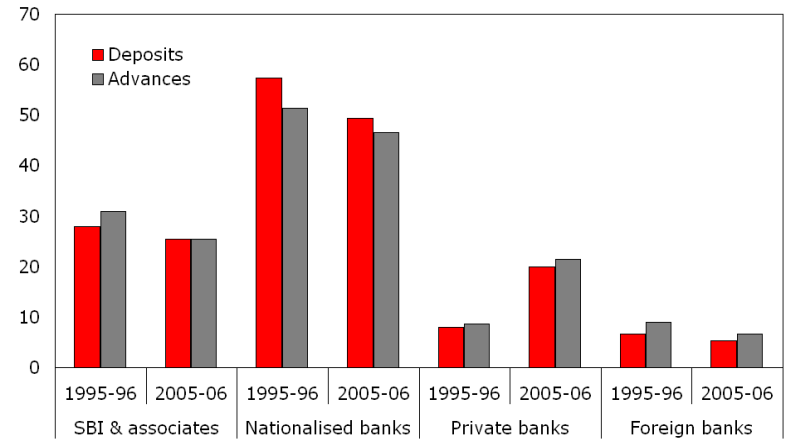
Source: UniCredit Research and Strategy, UniCredit New Europe Research Network, IMF World Economic Outlook, National Sources

The Indian banking system: still many problems

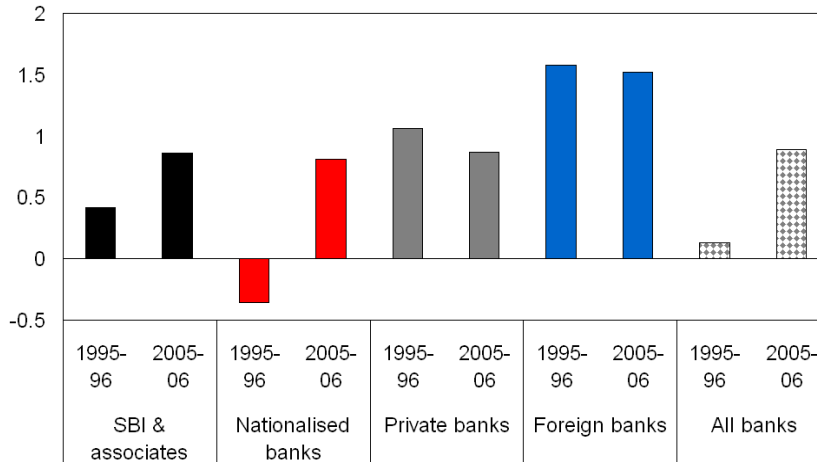
Structure of the Indian Banking System: (% of total)



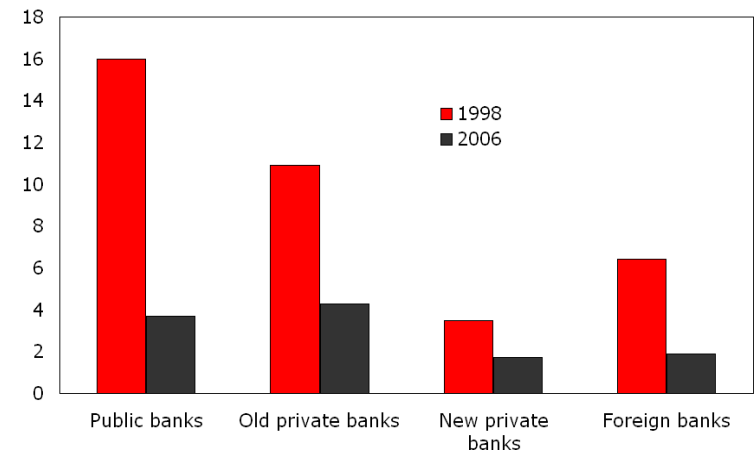
Basic Statistics of the different banking groups (% of total)



Return on Asset

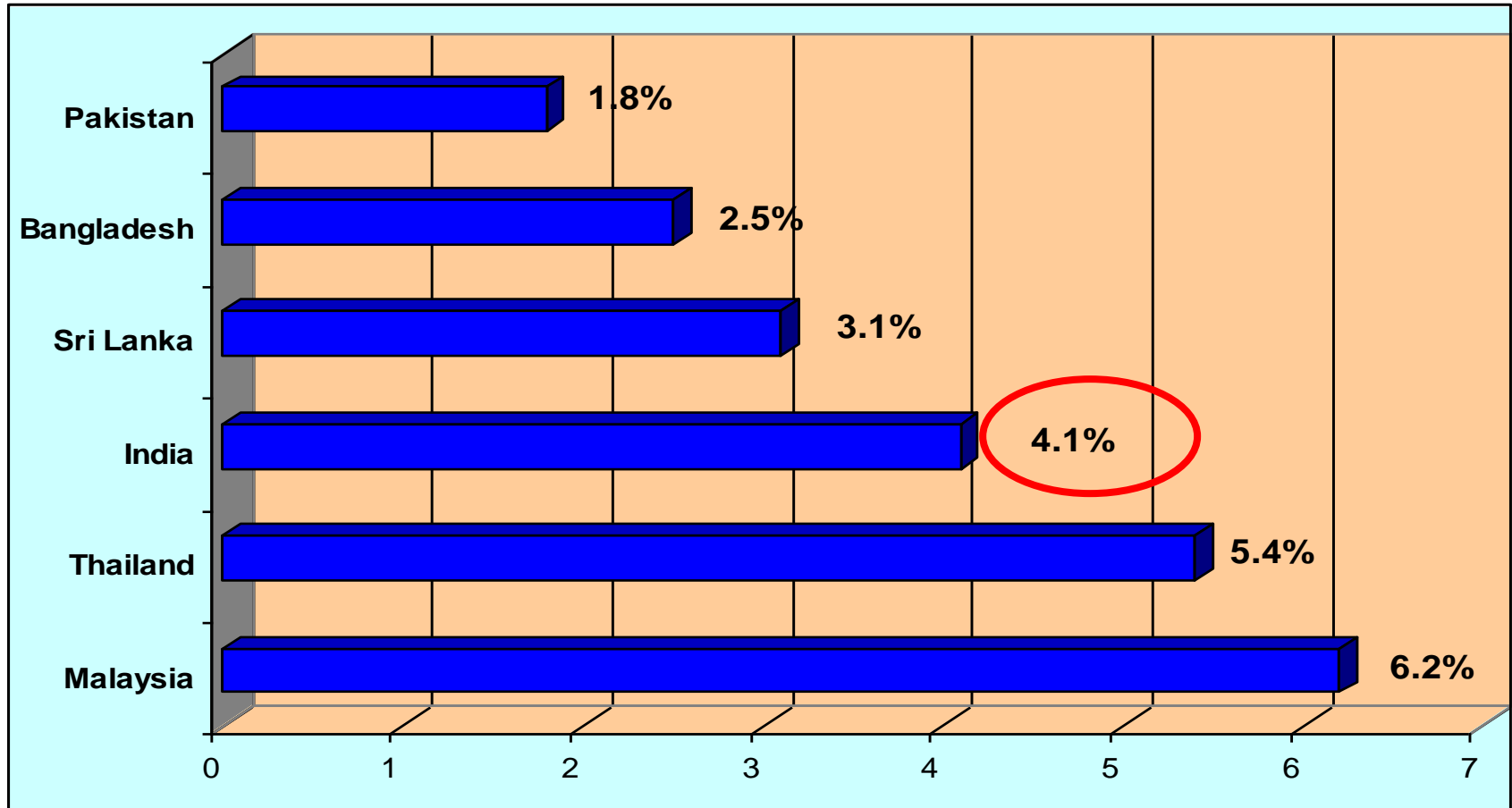


Non Performing Loans (as a % of total loans)



Challenges For India in Education System

Public Expenditure on Education as % of GDP (2002 / 2001)



A technological Renaissance ?

- The British legacy: education and language
- From brain drain to brain circulation
- The managerial experience in US and UK

Bangalore



The back-office of the world



The White Tiger (by Aravind Adiga)

or

explaining India to Chinese

- **The First Night**
- *For the Desk of:*
His Excellency Wen Jiabao,
The Premier's Office,
Beijing,
Capital of the Freedom-Loving Nation of China
- *From the Desk of:*
'The White Tiger'
A Thinking Man
And an entrepreneur
Living in the world's centre of technology and outsourcing
Electronics City Phase 1 (just off Hosur Main Road),
Bangalore, India.
- Mr Premier,
- Sir.
- Neither you nor I can speak English, but there are some things that can be said only in English.
- My ex-employer the late Mr Ashok's ex-wife, Pinky Madam, taught me one of these things; and at 11:32 p.m. today, which was about ten minutes ago, when the lady on All India Radio announced, 'Premier Jiabao is coming to Bangalore next week', I said that thing at once.
- In fact, each time when great men like you visit our country I say it. Not that I have anything against great men.
- In my way, sir, I consider myself one of your kind. But whenever I see our prime minister and his distinguished sidekicks drive to the airport in black cars and get out and do namaste s before you in front of a TV camera and tell you about how moral and saintly India is, I have to say that thing in English.
- Now, you are visiting us this week, Your Excellency, aren't you? All India Radio is usually reliable in these matters
- That was a joke, sir.
- Ha!
- That's why I want to ask you directly if you really are coming to Bangalore.
- Because if you are, I have something important to tell you. See, the lady on the radio said, 'Mr Jiabao is on a mission: he wants to know the truth about Bangalore.'
- My blood froze. If anyone knows the truth about Bangalore, it's me.
- Next, the lady announcer said, 'Mr Jiabao wants to meet some Indian entrepreneurs and hear the story of their success from their own lips.'
- She explained a little. Apparently, sir, you Chinese are far ahead of us in every respect, except that you don't have entrepreneurs. And our nation, though it has no drinking water, electricity, sewage system, public transportation, sense of hygiene, discipline, courtesy, or punctuality, does have entrepreneurs. Thousands and thousands of them. Especially in the field of technology. And these entrepreneurs - we entrepreneurs - have set up all these outsourcing companies that virtually run America now.
-

Bangalore

- First British school opened in 1853 (also library and church, on Sunday)
- Indian students
- 1911: Indian Science Institute + Central College of Bangalore
- 1950-60: early software Indian firms, aerospace industry (Hindustan Aeronautics Ltd) telecom (Indian Telephone Industries)
- 1985 Texas Instruments branch in Bangalore
- 1998 Bangalore Agenda Task Force for software and IT development
- 2000 Information Technology Act
- In 2008: 14.928 Micro, Small and Medium Enterprises in the State of Karnataka

HIGH-TECH Research Institutions in Bangalore

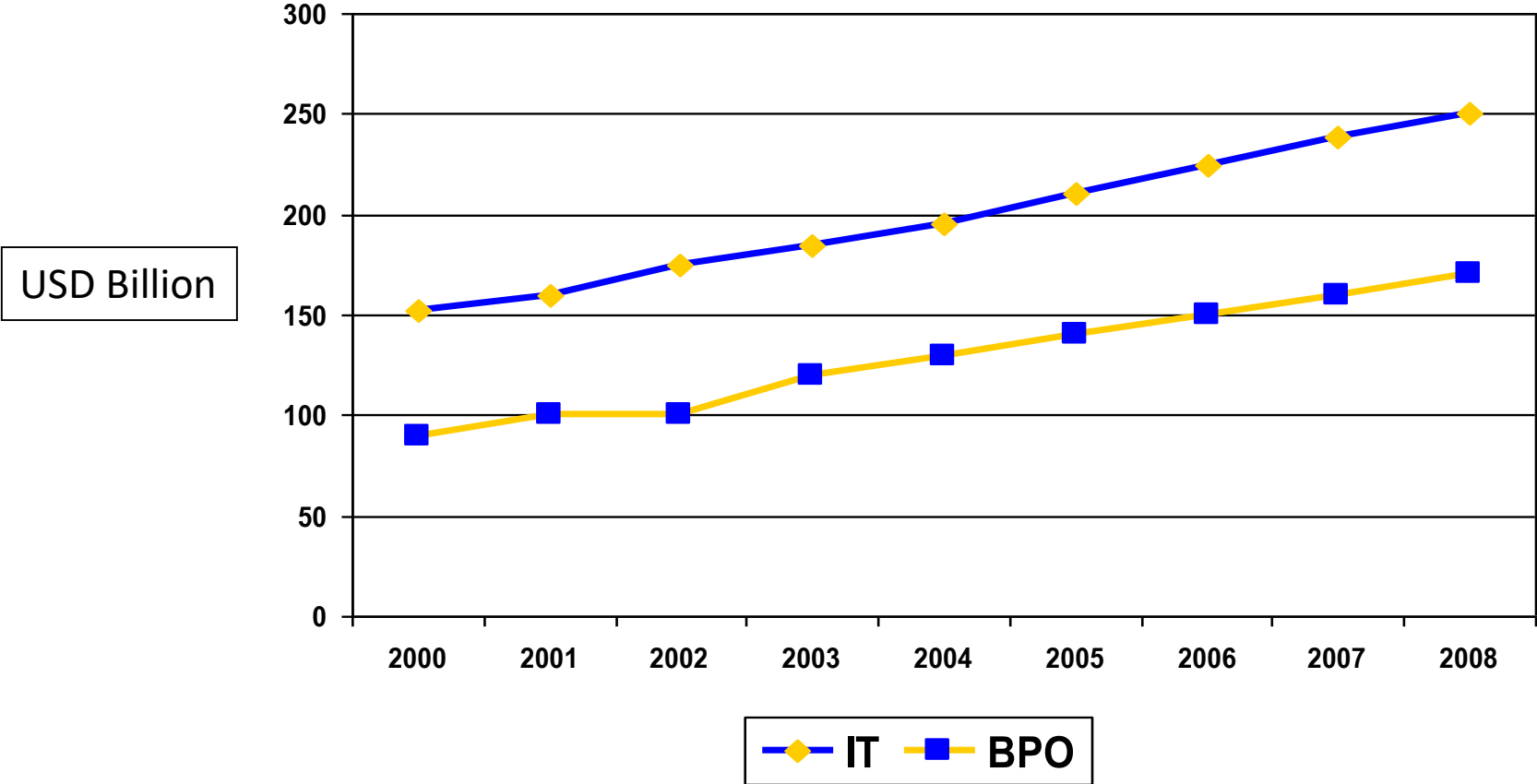
- Indian Institute of Technology
- Indian Institute of Management
- Jaraharlal Nehru University
- National Aeronatutical Laboratory
- Central Food Technological Research Institute

Business process outsourcing (BPO)

- India has become a major hub for outsourcing of IT-based business processes. Global demand is driven by multinational firms' bid to cut operating and production costs to maintain their competitiveness.
- India supplies a wealth of technical and engineering skills at competitive costs. The country's other clear advantages are friendly government policies for IT exports, an English-speaking environment and good quality-control systems. Its security and privacy laws also appear ahead of those of its major competitors in the region

65% of jobs is voice-based

GLOBAL SPENDING ON IT AND BPO OUTSOURCING



Engaging with India

THE WORLD'S BEST ARE ALREADY HERE

- **Microsoft** has offices in 16 cities
- Employs about 5000 people
- Key IT partner to the Indian government and the industry
- **Nokia** played a pioneering role in growth of cellular technology in India
- Started operations in 1995. Presently operates out of 10 cities
- Employs over 15000 people
- India is the second largest market for the company globally
- **IBM** present in India since 1992
- Offices in 14 cities, with regional HQs in Bangalore
- One of the leaders in the Indian Information Technology (IT) Industry



NOKIA
Connecting People



India : A Center for High Technology

Integrated Chip Design

Texas Instruments

Siemens

Synopsis

Philips

Analog Devices

National Semiconductors

Cadens

Communication Software

Lucent Technologies

Nortel

Siemens

Motorola

Cisco Systems

Ericcson

Sony

Hughes

System Software

Microsoft

Oracle

Novell

Sun Microsystems

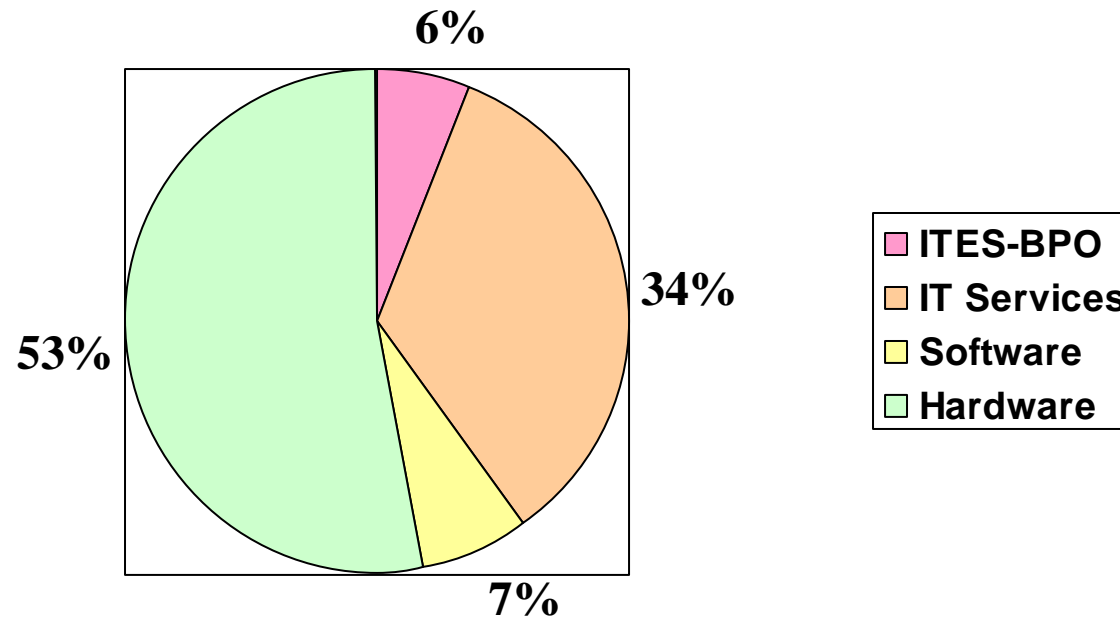
Digital/Compaq

Hewlett Packard

Fujitsu

Sapient

Composition of the IT Market in India



Source: NASSCOM : Strategic Review 2006

Engaging with India

THE NEXT GLOBAL R&D HUB...



- **First global tech company to establish presence in India**
- R&D facility set in Bangalore in August 1985
- Extensive contribution of India Centre in developing LoCosto, the semiconductor industry's first single chip solution for wireless handsets



- **John F. Welch Technology Centre** in Bangalore, India, is a multi disciplinary R&D centre that accelerates company's delivery of advanced technology to global customers



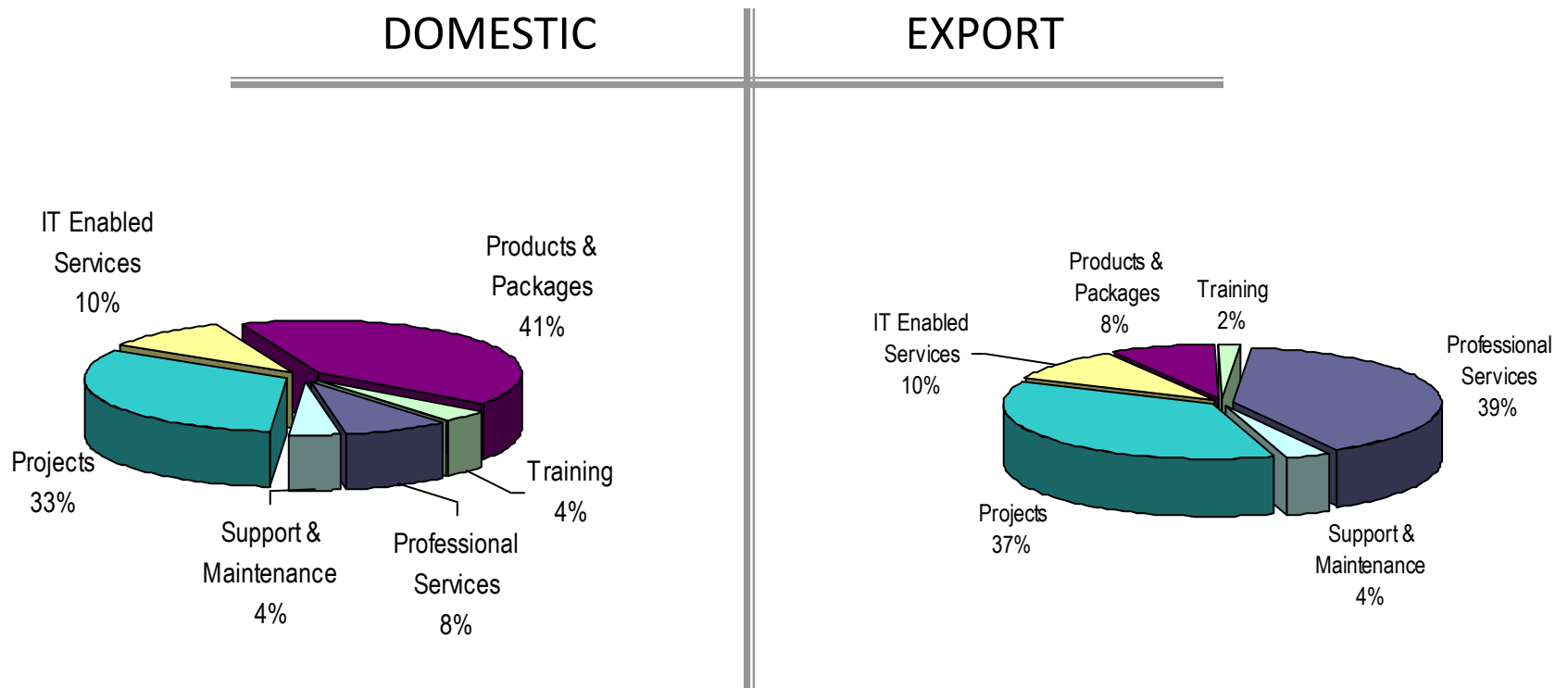
- **SAP Labs India is SAP's second largest R&D and Global Services & Support**



- One of the four global development hubs of SAP that contribute to all areas of SAP product value chain



SOFTWARE INDUSTRY ACTIVITY BREAK UP



- **With competitive telecommunication costs, well developed infrastructure and a huge pool of **English-speaking and computer-literate graduate manpower, India rates higher than many other countries as a hub for IT-enabled services. Call centers and business process outsourcing is emerging as the next wave of growth in India. The McKinsey study indicated that India will earn \$18 billion in revenues through these services and create additional employment of one million jobs.****
- **The IT-Enabled Services segment currently employs around 70,000 people and accounts for 10.6 percent of the total IT software and services industry revenues.**



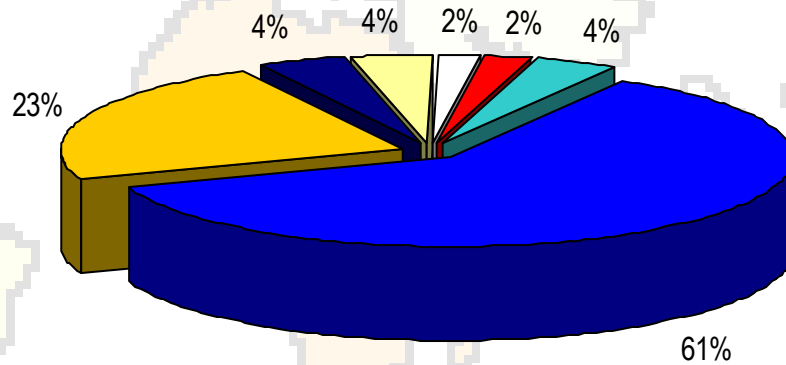
INDIA'S DEVELOPMENT IN SPACE RESEARCH

- **The Indian Space Research Organisation is the primary body for space research under the control of the Government of India, and one of the leading space research organizations in the world. It was established in its modern form in 1969 as a result of coordinated efforts initiated earlier.**
- **India's economic progress has made its space program more visible and active as the country aims for greater self-reliance in space technology**
- **India has launched 11 satellites, including nine from other countries—and it became the first nation to launch 10 satellites on one rocket.**



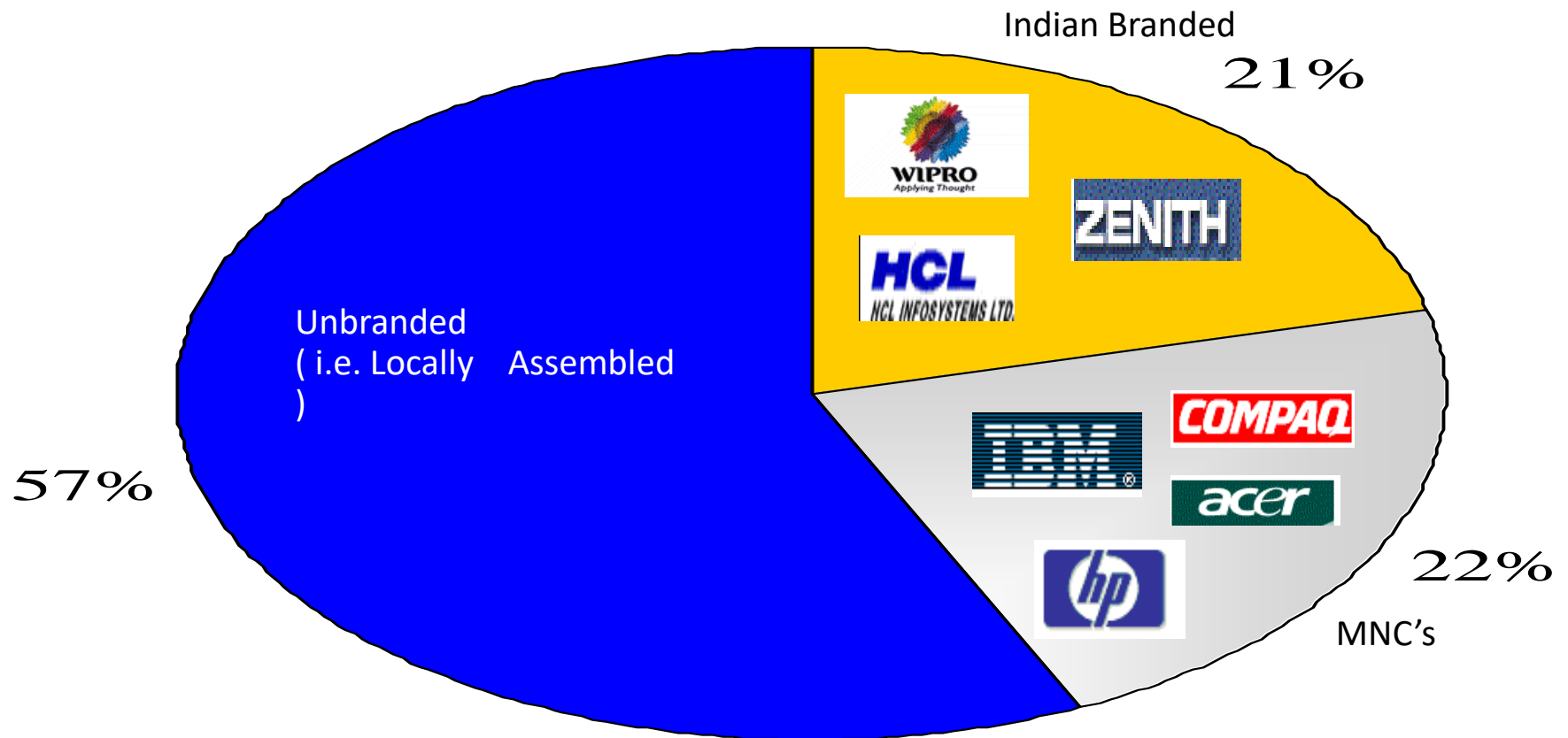
DESTINATION OF INDIAN SOFTWARE EXPORTS

- USA & Canada
- Europe
- S.E Asia
- Japan
- W . Asia
- Australia & NZ
- Rest Of World



India is exporting software to over 95 countries

MAJOR PLAYERS IN HARDWARE INDUSTRY



Our destiny ?

