

Ethical Wealth Creation For A Self-reliant India

Dr Krishnamurthy V Subramanian
Surbhi Jain

Dreaming of a self-reliant India (आत्म-निर्भर भारत), Mahakavi Subramania Bharathi wrote

கங்கை நதிப்புறத்துக் கோதுமைப் பண்டம்
காவிரி வெற்றிலைக்கு மாறுகொள்ளுவோம்
சிங்க மராட்டியர்தம் கவிதை கொண்டு
சேரத்துத் தந்தங்கள் பரிசளிப்போம்

Gangainadhipurathugodhumaipandam,
kaavirivetrilaikkumaarukolvom.
singamaraatiyarthamkavithaikondu,
serathuthanthangalparisallippom.

(Translation) Let us exchange wheat from the Gangetic plains for betel leaves from the Kaveri delta and the poems from the brave Marathas for the sandalwood from the Chera region.

Following the dream of patriots like Subramania Bharathi, India must become a self-reliant economy. This need has been clearly highlighted by the COVID-19 pandemic, which has exposed several economic weaknesses across the world.

आत्म-निर्भर भारत के लिये आत्म-निर्भर
नागरिक – “Self-reliant Citizens For
Self-reliant India”

The wealth of nations stems from the drive and creativity of its people. A self-reliant India will be built by self-reliant citizens. India is a family of 130 crore Indians. If each one of the family members gainfully contributes to the economy and thereby Rashtra Nirman, then our population becomes our collective strength and not a weakness. Citizens that energetically contribute—with confidence in their own capability—will be able to even move mountains. A person becomes independent if s/he has skills and can earn their own livelihood. Government needs to facilitate this by providing opportunities for skilling.

For Indians to be self-reliant, the social compact between the Government and citizens has, in essence, to be one where “government actively supports

personal responsibility, rather than government support substituting personal responsibility or community responsibility.” Active government support for self-reliant citizens requires our citizens to retain their personal drive and dignity as part of this compact. Therefore, subsidies, especially those that go to the relatively well-off, cannot be consistent with a self-reliant India.

The expenditure that is spent on subsidies must instead be utilised for education and continuous skill/resource development of our citizens. Equipping the economy with modern techniques and technologically training the nation’s youth on an extensive scale are indispensable for the construction of a self-reliant India.

रोज़गार से समावेशी विकास – Inclusive
Growth Through Employment

A self-reliant economy has to mean self-reliance for each and every member of our population.

So the most important objective of a development strategy that focuses on self-reliance is inclusive growth. As gaping inequalities in various countries demonstrate, GDP growth cannot be the sole objective of economic development. Trickle-down economics—which holds that if GDP goes up, the incomes of all (or most) will, too—simply does not seem to work. For instance, in many countries and sectors, incomes of unskilled workers have stagnated even while the sector (country) has experienced growth in its sectoral contribution (GDP). Such an inequitable pattern of economic development cannot be consistent with a self-reliant India. Self-reliance can only be achieved through economic policies that increase equality while generating growth. Seeing equality and growth as complements rather than substitutes has to be the transformative change we have to bring in our economic strategy for a self-reliant India.

Dr Krishnamurthy V Subramanian is the Chief Economic Adviser, Government of India (GoI). Email: cea@nic.in
Surbhi Jain is Director, Department of Economic Affairs, Ministry of Finance, GoI. Email: surbhi.jain@nic.in

Employment generation is central to inclusive growth. When one person in a family gets a job in the formal sector, the entire family gets uplifted economically and socially. Moreover, such formal sector employment for one member of the family contributes to mobility of future generations as the kids are likely to get better education and healthcare facilities and thereby uplift themselves. Leaving large fractions of the labour force underutilised or unutilised is extremely inefficient for the economy as the output they can contribute remains untapped.

शुभ-लाभ से ऋद्धि और सिद्धि – Wealth And Skill Through Private Enterprise And Government

Self-reliance means recognising the complementary roles of the private sector and the government. Specifically, self-reliance cannot be achieved without recognising that market forces and private enterprise can take care of our needs during normal times. As market forces allocate resources based on prices

and profits, they promote economic efficiency in normal times. Therefore, promoting private enterprise has to be an important component of self-reliance. The very idea of “*Shubh-Laabh*” (Prosperity & Profit) is that profit is not pariah but at the core of human endeavour and that social-prosperity and business-profit cannot exist in isolation from each other. Self-reliance, therefore, does not mean a return to the “License Permit Raj”; nor does it mean that Government itself will once again occupy the “Commanding Heights.” In fact, Indian businesses have always clubbed *Riddhi* (Wealth and prosperity) and *Siddhi* (skill) together, thereby internalising the fact that expertise and success cannot be decoupled. Specifically, the Government to build self-reliance must support the development of *Riddhi* and *Siddhi* in the following ways:

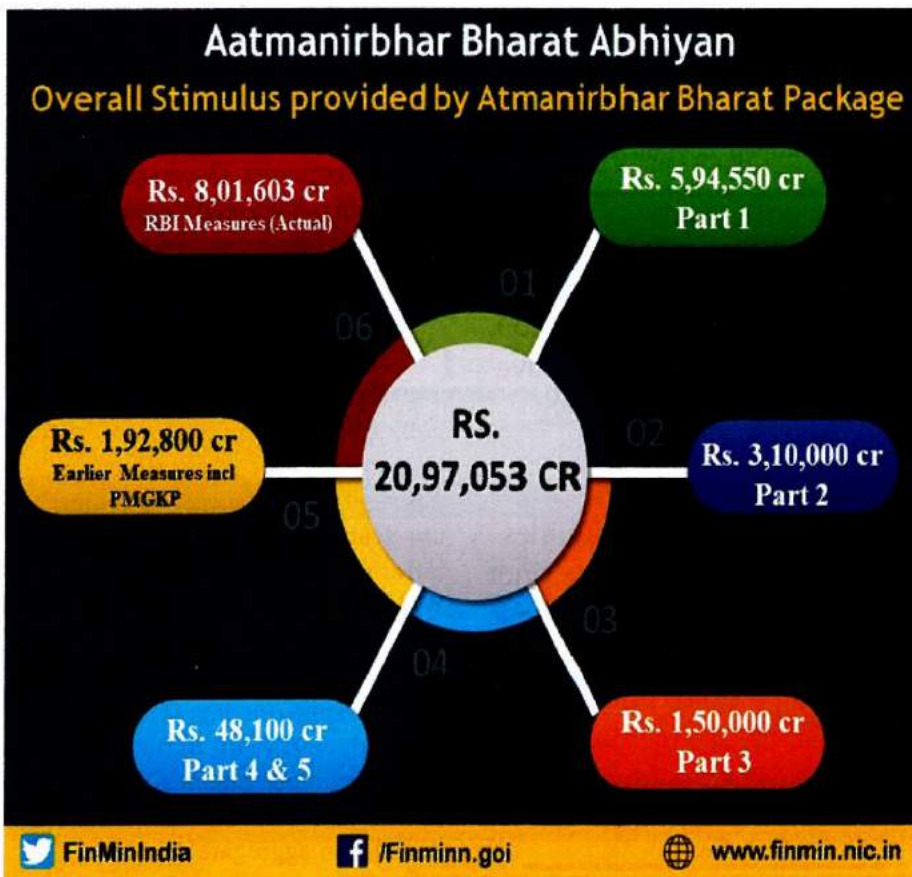
1. Our citizens learn skill, which is *Siddhi* (सिद्धि).
2. We must support our MSMEs

and SMEs by providing them skilled labour. The *Siddhi* (सिद्धि) of workers will create *Riddhi* (ऋद्धि) for both MSMEs and workers.

3. We must invest in R&D and innovation like Digital Economy, Medical Research: All सिद्धि.
4. We must endeavour to reach new technological heights by using earth’s resources meaningfully (सिद्धि).
5. We should aim to help the rest of the world through both ऋद्धि and सिद्धि.

At the same time, as the current COVID-19 crisis has demonstrated, market forces and private enterprise can often be too slow or incapable to step up during calamities and war-like situations. If markets and private enterprise could take care of all societal needs, then there should have been no shortage of masks, sanitizers or protective equipment. After all, the humongous demand for these items should have provided adequate incentives for the private sector to produce them in sufficient quantities and thereby avoid the possibility of shortage. However, the acute shortage of such items emphasises the need for a model of economic development that ensures self-reliance. Therefore, in strategic sectors such as healthcare, life-saving medicines, payment systems, mobile communication and defence, government must retain economic presence through one or two public sector firms. More broadly, self-reliance implies that the Government has to identify the critical sectors and ensure manufacturing capabilities in these sectors.

While the role of Government in development has been viewed as inefficient, recent learning in India alleviates such concerns. For instance, the Jan Dhan Yojana is contributing critically in enabling Direct Benefit Transfers to the poor and vulnerable during these uncertain



Stimulus provided by announcements in Part 1 and 2

PART 1

SN	ITEM	(Rs. Cr.)
1	Emergency W/C Facility for Businesses, Incl MSMEs	3,00,000
2	Subordinate Debt for Stressed MSMEs	20,000
3	Fund of Funds for MSME	50,000
4	EPF Support for Business & Workers	2800
5	Reduction in EPF rates	6750
6	Special liquidity Scheme for NBFC/HFC/MFIs	30,000
7	Partial credit guarantee Scheme 2.0 for Liabilities of NBFCs/MFIs	45,000
8	Liquidity Injection for DISCOMs	90,000
9	Reduction in TDS/TCS rates	50,000
Sub Total		5,94,550

PART 2

SN	ITEM	(Rs. Cr.)
1	Free Food grain Supply to Migrant Workers for 2 months	3500
2	Interest Subvention for MUDRA Shishu Loans	1500
3	Special Credit Facility to Street Vendors	5000
4	Housing CLSS-MIG	70,000
5	Additional Emergency Working Capital through NABARD	30,000
6	Additional credit through KCC	2,00,000
Sub-Total		3,10,000

times. Similarly, the Swachh Bharat programme has been successful in bringing about an awareness of cleanliness and has also generated positive outcome on the health outcomes.¹ Both these programmes achieved outcomes that would not have been possible through private enterprise. This clearly demonstrates that over the years, we have learned how to reduce the risks of failure and increase the chances of success in government programs. Nevertheless, as the role of government in making India self-reliant is pivotal, our efforts have to also focus on increasing the efficiency and efficacy of government, which includes overall governance.

Produce For The Bottom Of The Pyramid

Self-reliance means that Indian firms focus on producing goods and services that cater to the needs of our huge population. As Indian academic C K Prahalad had highlighted, significant fortune lies at the bottom of the economic pyramid. However, tapping into this fortune requires tailoring the product to the customer's pocket. The sachet revolution—packaging the shampoo, toothpaste or hair oil in small sachets that could be easily afforded by the poor—represents a brilliant example of such a product. The poor may not

have the financial wherewithal to buy products in large volumes. However, they also rightly aspire to consume products that the rich in India use. Therefore, the development strategy for a self-reliant India can benefit from small and medium enterprises producing goods and services that are tailored to the needs of the large number of consumers at the base of the income pyramid.

The business models that Indian firms generate in catering to the needs of the poor can enable them to tap into markets in many under-developed economies in Asia

A self-reliant economy has to mean self-reliance for each and every member of our population. So the most important objective of a development strategy that focuses on self-reliance is inclusive growth. As gaping inequalities in various countries demonstrate, GDP growth cannot be the sole objective of economic development. Trickle-down economics—which holds that if GDP goes up, the incomes of all (or most) will, too—simply does not seem to work.

and Africa. Therefore, by creating development models that cater to the needs of the poor consumers, a self-reliant India can help others and thereby occupy its rightful place as a global economic power.

Importance of Agriculture For A Self-reliant India

Agriculture is crucial to India's economic transformation. Increasing productivity and output in the agricultural sector would, beyond improving food security and the balance of payments (through reduced food imports and increased exports), sustain agro-processing, the manufacturing of agricultural inputs, and a host of services upstream and downstream from farms, creating employment and boosting incomes across the economy. There are opportunities for increasing exports of agricultural goods; the transformation should entail identifying high-value-added crops for which there is a demand elsewhere. Moreover, agriculture can be very advanced technologically, serving as a basis of learning, with some of the skills having applicability to other areas. Indeed, there are ample opportunities for non-labour-saving innovations—better crop mix, better fertilizers, better seeds, better planting patterns. The transformation of farming from traditional practices to modern farming can be an exemplar of general societal transformation entailing modernisation.

Successful agricultural transformation will reduce the pressure arising from urban migration and the dilemmas it poses—for instance, whether to use scarce resources to build urban infrastructure, including housing. With limitations on the ability to create urban manufacturing jobs, excessive migration can be very destabilising. And finally, the increase in productivity in agriculture will result in higher incomes, giving rise to multiplier effects and supporting increase in aggregate demand.

नैतिक धन सृजन – India Must Rediscover Its Spiritual Ethos Of Ethical Wealth Creation

As climate change presents an existential challenge to the planet, a responsible developmental strategy should not ignore its impact on the environment. The COVID-19 induced lockdown illustrated how excessive economic activity influences our environment detrimentally. Absent the effluents from the factories, the water in the Ganges has become potable. The Himalayas could be seen from the towns of Punjab—a sight that had not been possible for the last five decades.

For more than three-fourths of known economic history, India has been the dominant economic power globally. As research by Angus Madisson shows, till about 1750 AD, India accounted for more than one-third of the world's GDP. Economic dominance over such long periods manifests by design; not by mere chance. This year's Economic Survey establishes clearly that India dominated the global economy because our age-old traditions commended "ethical wealth creation" as a noble human pursuit. For instance, Kautilya's Arthashastra is a treatise on creating Artha, which is the Sanskrit word for wealth. Other Indian literature also recognises wealth creation as a worthy human pursuit. The Thirukural, a treatise

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on enriching human life by Tamil saint and philosopher Thiruvalluvar, asserts in verses 753 of Chapter 76: "Wealth, the lamp unflinching, speeds to every land; Dispersing darkness at its lord's command." Crucially, ancient Indian wisdom emphasises equally the means to creating wealth. Verse 754 in the Thirukural declares: "(Wealth) yields righteousness and joy, the wealth acquired capably without causing any harm." By appealing to the spiritual, moral and philosophical dimensions, Indian wisdom ensured that private greed does not wreak havoc on social good.

To ensure that economic development occurs without detrimentally impacting the planet, ethical wealth creation advocated in

the Indian ethos now needs to become a global model for development. For that purpose, India needs to take the lead in exemplifying it domestically. Specifically, India needs to lead "frugal innovation" so that we use mother earth's resources as less as possible to maximise welfare for a large proportion of humanity. India should take a lead in this and thereby demonstrate the value of "frugal innovation" to the rest of the world.

Self-reliance Is Not Doing Everything Yourself

Whether it is an individual or a nation, self-reliance does not imply doing everything yourself. Similarly, building a self-reliant economy does not mean building an economy in isolation. Self-reliance implies recognising that when we depend on others for help, there will be times when such help will not be forthcoming. As the times we seek help may be the times when we are most vulnerable, self-reliance implies building the necessary capability to be independent at the most vulnerable times. Thus, self-reliance does not imply complacent self-sufficiency, where India cuts itself off from the rest of the world and thereby avoids competing with the best in the world and benchmarking itself against them. Instead, self-reliance requires delineating sectors that are strategically critical to the nation and investing in these sectors so that our dependence during vulnerable times is minimised.

Let us all work together for a self-reliant, resilient and a dynamic India which lends glory to our rich heritage.

The views expressed through this paper belong purely to author(s) and do not necessarily reflect the views of the organisations they belong to. □

Reference

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MINISTRY OF FINANCE			MINISTRY OF FINANCE		
Stimulus provided by announcements in Part 3,4 and 5			Stimulus provided by announcements in Part 3,4 and 5		
PART 3			PART 4 & 5		
SN	ITEM	(Rs. Cr.)	SN	ITEM	(Rs. Cr.)
1.	Food Micro enterprises	10,000	1	Viability Gap Funding	8,100
2.	Pradhan Mantri Matsya Sampada Yojana	20,000	2	Additional MGNREGS allocation	40,000
3.	TOP to TOTAL: Operation Greens	500			
4.	Agri Infrastructure Fund	1,00,000			
5.	Animal Husbandry Infrastructure Development Fund	15,000			
6.	Promotion of Herbal Cultivation	4,000			
7.	Beekeeping Initiative	500			
	Sub-Total	1,50,000		Sub-Total	48,100