

**SPEECH BY THE PRESIDENT OF INDIA, SHRI PRANAB  
MUKHERJEE AT THE INAUGURATION OF NORTHERN INDIA  
CHIEF MINISTER'S CONCLAVE - "REFUELING GROWTH"**

**New Delhi, December 15, 2012**

I am happy to be here today at the Northern India Chief Ministers' Conclave being organized by the PHD Chamber of Commerce and Industry. It gives me immense pleasure to share my thoughts with the political leaders who steer some of the largest States of the country and some of the Captains of the Indian industry to discuss an issue of immediate and great relevance to all of us.

2. The PHD Chamber, in its history spanning more than a century, has endeavoured to build synergy between the Government and the Industry for the progress of our nation. I congratulate the Chamber for this initiative.

3. India is, today, among the fastest growing countries in the world. The decadal average growth rate, which was 1.9 per cent in the Eighties, increased to 7.3 per cent in the last decade. India's share in World GDP has doubled in the last two decades, from 1.2 per cent in 1991 to 2.4 per cent in 2011. It became the third largest economy in the world on Purchasing Power Parity basis this year.

4. We have, therefore, a collective challenge to reverse this deceleration in growth and raise it to 8 to 9 per cent that we had recorded for most of the years in the previous decade. I need to hardly emphasize that growth is dependent on the investment rate and the efficient use of capital. The rapid economic growth after 2003-04 was accompanied by a rise in the investment rate. However, the investment rate has declined after reaching its peak in 2007-08 and for this, we have to create the conditions required for it.

Ladies and Gentlemen,

5. The manufacturing sector is an important tool for the creation of jobs in the country. Hence, growth of this sector is vital not only for the overall growth of the economy but also to meet the objectives of employment generation. The growth in the manufacturing sector, which was 9.7 per cent in 2009-10 and 7.6 per cent in 2010-11, declined to 2.5 per cent in 2011-12. The share of manufacturing in India's GDP of around 16 per cent, which has been the level since the eighties, is much lower than the comparable economies in Asia such as Thailand, South Korea, China and Malaysia, where its share is between 25 to 34 per cent.

6. We have the advantage of a demographic dividend. The average age of population in India is below 30 years and over 60 per cent is in the working age group. This provides us with a unique advantage for driving future growth. But, it could also pose a serious challenge of creating 220 million jobs by 2025.

7. The National Manufacturing Policy that was announced a year ago has addressed this opportunity by aiming to increase the growth rate in manufacturing to 12 to 14 per cent over the medium term. In another decade, the share of manufacturing in the country's GDP is envisaged to rise to 25 per cent.

8. To increase the competitiveness of this sector, a host of remedial measures are necessary. The World Bank annual surveys on 'Doing Business', which rank economies in 10 areas of business regulation, has placed India 132 out of the 185 economies surveyed in 2012. While India ranks favourably in parameters such as Getting Credit and Protecting Investors, our country's rankings in areas such as Starting Business, Dealing with Construction Permits, Enforcing Contracts and Resolving Insolvency are not high. While the rankings may not truly reflect the ground realities, these are nonetheless indicative of the need for us to change. Thus, our emphasis should be on

strengthening the weak areas so that the manufacturing sector can be benchmarked with the best in the world in terms of its competitiveness.

9. Research and Development is the basic constituent of promoting innovation. The culture of research needs to be further augmented in our country. Only about 6,000 patent applications were filed by Indians in 2010, which is a mere 0.30 per cent of the total applications filed in the world. India spends only 0.9 per cent of GDP on research and development whereas China spends about 1.2 per cent, UK 1.7 per cent and Israel 4.3 per cent. We should increase our expenditure in this area to become globally relevant in manufacturing. In countries such as Japan, the USA and South Korea, the private sector finances a majority of expenditure on industrial research and development. The share of the private sector in research and development in India is only one-fourth and there is an urgent need to increase it.

10. To achieve the goal of improving research and development, we have to focus on creating centres of excellence in education. We do have a large number of engineering and technical institutions. But with the exception of

a few, the others need strengthening. The Government, with support from the World Bank, has been conducting the 'technical education quality improvement programme', under which 127 engineering institutions were covered for quality improvement in its first phase from 2002 to 2009. In the second phase from 2010 to 2014, it has been envisaged to cover another 190 engineering institutions.

11. I hope that in the next 10 to 15 years time, with all-round improvement in the parameters of competitiveness, the manufacturing sector of this country would contribute meaningfully towards economic growth and employment creation.

Ladies and Gentlemen,

12. Growth in the agriculture sector is important for alleviation of poverty, promotion of inclusive growth, sustenance of food security and generation of employment opportunities. The average growth rate in Agriculture and Allied Sectors during the Eleventh Plan period was 3.3 per cent, with 2.8 per cent growth in 2011-12, which is the terminal year of the Plan. To accelerate the overall economic growth rate from the current levels, much

higher growth in the Agriculture sector will be required, of say, 4 per cent annually, as envisaged for the Twelfth Plan period.

13. Improvement in agricultural productivity would be important to accelerate growth in this sector. Measures to improve productivity such as diversification of high yielding crops, improvement in seed replacement rate, use of high yielding hybrid seeds, improvement in water management practices and promotion of balanced use of fertilizers and pesticides should be some of our areas of focus. We should also increase the technological base of our agricultural sector.

14. As the Finance Minister, I had outlined a four-pronged strategy as part of the Union Budget for 2010-11 to push growth in the Agriculture sector. The four components of the strategy comprised of extending the green revolution to the Eastern region of the country, reducing the significant wastage in storage as well as in the operations of the existing food supply chains, improving credit availability to the farmers and give impetus to the food processing industry by providing state-of-the-art infrastructure. These strategies have led to positive outcomes in the sector and should help usher in a Second Green Revolution.

15. The Service sector is the dominant sector of our economy, contributing close to 60 per cent of our GDP. Hence, any strategy for enhancing economic growth should focus on facilitating the growth of important services such as finance and banking, information technology and telecommunications.

16. Though India has an important position in the global IT and IT enabled services, its prominence is being challenged by new emerging economies. We have to, therefore, improve the competitiveness of this sector.

17. A well-developed financial system is an indicator of a mature economy. Our policies have enhanced the level of competition amongst different financial players, and in the process, has benefitted the common man. The financial sector in our country is one of the well-regulated sectors. The fact that the recent global financial crises has not affected us as it has some of the stronger economies, is a testimony to the maturity of our regulation. Yet, nevertheless to realize the full potential of this sector and achieve an accelerated growth and inclusion, further reforms are required in banking, pension and insurance.

18. Ladies and Gentlemen, the high economic growth that we have envisaged for our nation will count for nothing unless we are able to translate this into tangible benefits of the poorer sections of our society. When 30 per cent of our population lives below the poverty line and 26 per cent are illiterate, 'inclusion' cannot merely be a slogan but a compelling goal.

19. India's economy is the sum total of its States' economies. States with large economies are crucial for growth of the national economy. Maharashtra, Uttar Pradesh, Tamil Nadu, Andhra Pradesh and Gujarat, the top five States in terms of economic size, contribute close to half the country's GDP. Though only one State in this list is from the Northern region of the country, the share of the Northern States in the country's GDP is around 21.4 per cent. Growth in the Northern States of the country is, therefore, significant for the nation's growth and therefore, it is a challenge that the Chief Ministers gathered here, should accept.

20. Of the five economically biggest states, only Maharashtra and Gujarat grew by more than 8 per cent in 2011-12. But, there is a perceptible deceleration in these states, from the high levels of growth achieved by them in the previous two years. Amongst

the states in Northern India, Uttar Pradesh and Punjab have grown at a rate less than the average growth of the country in 2011-12. This needs to change.

21. I am happy to note that amongst the states with larger economies, Delhi, Madhya Pradesh, Bihar and Chhattisgarh, have registered growth of above 10 per cent in 2011-12. This is no mean achievement considering the slowdown in the global and national economy. I am hopeful that these states will continue to grow at this pace, if not faster, and other states in the country will follow suit.

22. It is indeed important for this conclave to have brought many state leaders on a common platform to deliberate about the contribution that states can make to further India's journey of progress. I wish all the participants of this conclave the very best for a fruitful and meaningful interaction which would find ways to accelerate economic growth in the states and the nation as a consequence.

Thank you.