
Book Review : Making of India: Game Changing Transitions Kotak Perspective

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This is one of delightful books to read on Indian Economy in recent years. The author took 5 years to complete. Materials of the book are from intensive research & travel all over India in connection with his job assignment with Kotak Security Private limited. Time provided to write the book and insights developed through experiencing India from every events occurring during the period of research, make the book valuable for all of us. An Investment Banker, trained at IIM Ahmedabad as an MBA student and then worked with Boston consultancy group, Kotak Mahinder Group as well as the co-founder of Park Financial Advisors, used a very different framework of research. This makes the book interesting reading and source of rich information. The preface of the book written by the author himself, is a look at socio economic transitions that have taken place in day to day lives of Indian citizen reflecting economic growth and development taking place simultaneously and making each as imperative for other. He then, developed an analytical framework to interlink various transitions- such as social changes, attitude changes especially towards women, changes in the way of dresses and living, - to usher in economic and demographic changes influencing "Making of India" in this century

The book finds following distinctive transitions of Indian economy.

- In profiling demographic changes, the author describes how India in recent decade and in coming decades will remain young -

many million Indian being less than 35 years. This is perceived as demographic dividend for India in the world which is aging faster. According to him, this is a potential advantage which can be used if the youth is trained in employable skills with relevant technical education.

- India's economic growth is driven by service sector especially IT and ITes as well as financial services.
- Transformation of Indian economy created new business opportunities and entrepreneurs contributing to "Making of India".
- Digital network expanded allowing communication among different stakeholders. Digital revolution is providing unbounded opportunities for Indian economy.

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- Globalization has helped Indian economic growth through expanding India's exports and inflows of foreign capital. At present, most of our private sectors are foreign subsidiaries.
- Urbanization has been expanding, yet compared to other countries, this is slow. The characteristic of urbanization in India is that the country did not add any new city, rather expansion has taken place through densification of old cities.
- Indian economic growth has occurred due to service sector growth not through growth of manufacturing sector. Service centric development resulted into expansion of old cities rather than developing new city centers which usually comes up through manufacturing growth.
- India did not have much growth of manufacturing sector.
- There is substantial increase in Agricultural income primarily due to increase agri. support pricing. The sector is still ridden with a large number of problems: (1) a poor landholding structure (2) layers of intermediation and (3) dilapidated or un-built logistics.

About digitalization:

Digitalization has penetrated among the public. For example, now, digital identities of Indian are easily available of Govt. services as well as financial services. Digitalization of money as well as information will be formidable strength for India. Digitalization has improved governance, transparency of service delivery, e-filing of tax return and starting a company.

About External sector:

The author's suggestion is to expand exports to earn more dollar in order to have better current account positions so that India does not have to depend on capital flows from outside the country. Though make in India is a good direction, it needs again huge investment and reforms to boost manufacturing.

The book also discussed major issues limiting Indian economic growth. For Example:

Problems in the Agricultural Sector:

Though productivity of agri. is low, yet due to vast area of land, India is top producers of some of agri products. In most of commodity production, India ranks second while she ranks first in pulses, milk and livestock.

Higher percentage of workforce is dependent on agriculture with low productivity and low standard of living. Migration of population from agriculture to manufacturing and service sector will need good quality technical and general education. Aspirations of agri. population is rising and India needs to find its solution through improved agricultural productivity, lessening burden of population in agriculture and creation of nonagricultural job opportunities. Indian processed food market is not growing as majority of Indian do not prefer processed food.

Problems in education sector:

The challenge in the education sector is to deliver quality of education. Abysmal performance of the public sector education, has driven privatization and vocationalization of education in India. Education system whether under the private or public, is not geared to solve the issue of industry. Problem still is how to bridge the gap between skill requirement for the industry and the skill formation in the education institutes. The private corporate does not want to spend on training the new recruits any more due to high attrition and labour mobility. Constant and continuous interactions between industry and the private educational institutes are the way to train students for industry readiness.

Problems in Urban India:

All Indian cities are clogged with severe transportation problems measured in terms of time of commuting as compared to cities of other countries. Also, the pollution, parking problem created by vehicles.

The book has taken a critical look at urban utility services such as water and electricity. The author holds restriction on free play of the market and low pricing of these utility services are responsible for crisis.

No one expects that these services will be available from the govt. Demands for these utility services have given rise to private players in market of both water the electricity supply.

The book has provided a very convincing and new ways of looking at urban development

2. India's industrial policy has been in favour of growth of SMES in the private sector. Though the policies has been reformed and industrial growth has got some supportive policies, for make in India infrastructural problems are the most constraints for its growth.

3. the utmost requirement for the country is to release lands from the agriculture for industrial corridor and growth of new urban Centre . This issue is most controversial and politicized. The author sites examples of South Korea where land acquisition for industrial or urbanization was given utmost priority through law. State intervention in India for acquisition of land has not been fruitful for more than one reasons. The Author suggests some game changing policies for this purpose. (a) digitalization of land ownership. This will release Indian land market from rampant black money , land transfer will be transparent . (b) The price of land should be such that owners should be able to get calibrated price that will occur when development takes place in the agri. land for other usages.

4. The dynamics of rural –urban migration has been discussed on the basis of potential benefits of shifting to cities and cost of leaving agri. job as well as ease of settling in the city. Since cities are congested , housing as well as other service costs for city life have been increasing. Moreover, jobs in the service sector require higher levels of skills.

5. The book suggests citing examples of other countries and proper numerical methods how to de density cities. His calculation shows huge amount of land and investment in other infrastructure are required for this. His research shows that at least 40 per cent of households has severe financial limitation to purchase house at the market rate. These households as per their earning capacity can afford

a house at much lower price than the present market price.

Where are solutions as suggested in the book:

1. For both housing and other urban problems, the author suggested independent elected Mayor being responsible to city dwellers with financial and decision making power. He also suggested appropriate pricing of Urban utilities and efficient mechanism of collection of revenue. Privatization of urban utility services may allow market to find appropriate pricing. As long as prices are below normal, quality and availability of utility services will be much under expectation.

2. In order to meet housing demand , India needs to build 6 billion sq. feet of capacity every year. Financing can be done through improvement in the bankability of large section of population at low rate of interest as well as opening up large area of land

3. The interesting feature of the book is that it talks about game changing policy reforms for issues arresting India's economic growth.

The book should have covered the following aspects of Indian economy :

1. India needs huge amount of investments in digital networks, infrastructure, urban development, agri. marketing infrastructure. Though logic of investment requirements is developed well, not much has been stated excepting in the case of financing urban housing. Readers would expect ways of financing –especially game changing way.
2. Potentiality of full Capital Account convertibility for India has not been touched in the book. The analysis of Current Account (CAD) deficits and India's ability cope up with capital inflows good convincing. Suggestion that India should be able to expand her export to reduce and CAD as well as generate surplus for India does not appear to be pragmatic in current global economic scenario of slow growth in both

developed and developing economies. Rather global capital flows are looking for opportunities in India. Should not India take advantage of this Global trend. Or yet again should we be conservative to miss another chance for faster economic growth through globalization. What will be game changing institutional framework to make global inflows of capital to be advantageous for Indian economic growth in this decade? Of course, it needs lots of checks and balances to open

up the economy for full capital account convertibility.

3. Modernization of financial sector and banking sector including foreign exchange management have not also been discussed adequately.

Perhaps, the authors need to write another book on all these aspects in the same interesting and readable style.