

'FDI NEEDED TO SPUR THE VIRTUOUS CYCLE IN INDIA'

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

Foreign investment in India is needed to spur the domestic private investment cycle, says Chief Economic Adviser (CEA) Krishnamurthy Subramanian. Excerpts from a Q&A session:

Could you elaborate on what you mean about treating data as a public good?

Let me start with an example. Imagine a woman in a village accessing on her smart phone all the hospitals that are there in her vicinity. Not only can she access the hospitals but she can click on a particular hospital and get the quality of emergency care, let's say, of that hospital. And suppose, she can get this in the local language. Now, if someone falls ill in her village, she knows very well where to go. This is an example of ease of living that can be generated by bringing in data.

That is possible today and it can't happen without viewing data as a public good. While you have companies like Amazon, Google, etc. which utilise data, they do it in a particular area. They will only do it where there is profit, they are private entities.

Much like the government invests in public goods such as roads, ports, etc., these [data for public use] are areas where the private sector will not make investments. It can reduce inclusion and exclusion errors as well via Aadhaar.

That's the basic idea. And it can be created within the framework of the privacy laws in the country because we have the necessary technologies to do that.

The main plank of your Survey is that investment will drive all the other factors of the economy such as growth and job creation. Where will this investment come from?

When we were writing this chapter, we had the choice of going into each of these details or focussing on the big picture message, which is what we need to do to get on that 8% growth path.

These are questions to which we have the answers, but we wanted to keep the Survey focussed.

I think some of the overhang from the previous period has unwound completely. Second, banks have cleaned up their balance sheets and credit to large firms has started going up.

Third, which I think is a very important opportunity that we have not tapped enough, is that if you look at the global environment in terms of liquidity and the surplus and the interest rate environment that has been prevailing, it is as benign as it ever was. There is a lot of flush liquidity that is looking for avenues for investment.

If you have an economy that is going to grow at 8% growth rates, this money finds it profitable to be invested there.

In order to trigger this virtuous cycle, we have to rely on some of these foreign savings. They

can come in and start investment, and once this happens, that will enhance productivity, which creates jobs, fosters exports and thereby, demand.

In the Survey, you have missed out on focussing on the banking sector or the problems affecting the NBFC sector. Why is that?

As I articulated, we wanted to focus on the big picture. We will be writing another Survey in six months, that will be presented on January 30. So, we had to make a choice. One thing we knew very well when we started working on the Survey is that this will be the Survey of a new government and therefore, a government that potentially has five years to implement policies.

Banks have cleaned up their balance sheets and credit to large firms has started going up

You need to subscribe or sign-up to read Today's Paper articles.

Already a subscriber? [Sign in](#)

Already a subscriber? [Sign in](#)

Find mobile-friendly version of articles from the day's newspaper in one easy-to-read list.

Enjoy reading our articles without intrusion from advertisements.

A select list of articles that match your interests and tastes.

Move smoothly between articles as our pages load instantly.

A one-stop-shop for seeing the latest updates, and managing your preferences.

We brief you on the latest and most important developments, three times a day.

*Our Digital Subscription plans do not include the e-paper. Our plans enhance your online reading experience.

Already a user? [Sign In](#)

To know more about Ad free news reading experience and subscription [Click Here](#)

or Please whitelist our website on your Adblocker

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com