Indian CDR Strategies

Today the Indian economy is in a very chaotic conflict between the Indian industry, RBI and the government administration. The gap analysis seriously indicates that though all the three counterparties are for growth the actions made by the administration are not at all in tune with the industry interface and RBI is too risk averse to follow the industry's choices. The administrative pace is 60%behind the schedule pace of the industry in terms of growth. Though Rajan slams the jugaad way of working however he has been prudently restricted to his limitations. The string of growth is being pulled at 3 ends instead of coming together with a straight line boosting growth with a single edge rather than a 3 sided sword which is not only difficult to handle but not sharp enough to cut through the barriers of growth.

Today one cannot be out of place to mention that India has succeeded in it mission in agricultural surplus inspite of the drought conditions however we still find reasons to imply the cut in growth rates based on monsoon advances which leads to higher inflationary predictions leading tight lending rates which later affect the industrial economy. India has shown a very poor performance in terms of Infrastructure with no roads or very kaccha roads deep in the rural terrain which inhibits rural development in regions of healthy agriculture. As per sources Nitish Kumar has achieved wide publicity mainly due to the improvement in infrastructure in Bihar especially public infrastructure like roads, electricity, etc and most importantly maintaining law and order situation.

India has surplus of natural and human resource which when put into proper gear could have made it transform it into a developed country in 67 years of its independence. The main issue which shattered India's future is the availability of cheap capital to the individuals of this country. Rich monetary capital in the hands of few made Indians service dependent rather than a higher percentage of its population turning into an entrepreneur. In stark contrast to the steel and coal export driven economy in the past we see today the services sector is having sustainable and maintained growth over a period of time which employs about 44% of the employable human resource. One can safely say Indian economy is driven by its population rather than its abundance of natural resources and manufacturing abilities. It was during the pre independence times that the Tata scion found the USP of Indian economy in its abundance of natural iron resources and set up the world acclaimed industry dedicated to the manufacturing of products from this raw material, thus exporting not only crude iron or steel but also the manufactured products. India once an exporter of steel has now become one of the importers due to the mere reason being non manageability of the issues in mining of iron. Domestic consumption of steel by China for urban infrastructure is to the tune of 700 million tons compared to India which consumes 80 million of which 30% is imported. Only 14 % of the world rubber production is contributed by India and the same is totally consumed along with the remaining being imported to complete the 100% requirement. India once an exporter of steel has missed its own record by importing it, leading . Though rich in natural resources India today is not able to prove its strength due to the ongoing issues in management of the same. Environmental management being the biggest issue in case of natural resource exploitation though there is hardly any thrust made by the Government to manage the environment pollution resulting from issues not related environmental pollution from natural resource exploitation. The issue of non simplification and rationalization of the tax regime, inspector raj, harassment at every check level has not only led to dampening growth due to divergence of profits to unnecessary corrupt elements rather than the worker himself. Transportation costs is another factor which leads to minus in the growth miles , internationally the transportation costs account to 3-4% of the GDP however, in India it is more than 6% of the GDP.

The present economic scenario demands creation of demand for goods manufactured at a competitive price in context to global price situation by the developed world from India. To cater to this situation it is mandatory for India to create margins for the Manufacturing Industry community to make availability of the products at a lower value. The dollar earnings in the export scenario have risen by 31% since 2010, however export of goods has not risen to an extent so as to make the most out of the dollar price growth. This is mainly due to the fact that the manufacturing cost has not dropped due to the inflationary conditions prevalent post 2007 some being contributed by the subprime conditions, crude oil inflation etc and more importantly the Indian government's lack of interest in boosting manufacturing by easing out the interest rates pulling down the artificial inflation. Today though the CPI inflation is controlled at 4.37% .We find that the interest rates rose due to depression or due to heightening inflation have not eased to couple growth in the manufacturing sector by lowering higher interest costs of working capital involved. India's balance sheet viz a viz the manufacturing sector's balance sheet shows debilitate conditions. India has reduced its fiscal deficit along with the current account being in negative mode. However, the financial crisis especially in case of debt management exists deeply in each of the companies in the manufacturing sector which can be tackled only by providing subsidized capital.

Consumer demands innovation in products along with price competitiveness. Manufacturing companies keeping the same in mind research for better plant and machinery to achieve the same. Such projects consume expenditure in the initial set up phases and other set of annual expenditure until the project starts earning positive returns. Businesses open such new projects only in a lower interest rate scenario when the cost of capital is not more than 12% pa. Absence of such a scenario is not conducive to either innovation or new product range making the business uncompetitive leading to stagnation in the type of product and its utility. Moreover the Indian projects which had commenced during the boom in the economic scenario in 2007 will now almost complete a decade requiring a replacement of plant, machinery and technology. However, the mismatch in the economic scenario then and now has forced them to remain under developed in terms of the above criteria. it is very clear that with divergence of profits other than to the industry it becomes very difficult to train personnel for the industrial jobs and employers expect skilled labor . Another point to note is that only 30% of the Indian population is skilled as per the industry requirement. Though Government has set up the NSDC its reach is limited to comply with the industry expectations unless and until the content of the syllabus is absorbed in the natural college curriculum.

There is a strong need to relook at the non performing assets norms which need to be adjusted to gear with the need of the emerging economic conditions. Government has given the CDR package to such non performing industries for 2 years however the same does not suffice its working capital conditions. Banks being risk averse have not been of any special help as realignment of debt is only possible if policy conditions favor these industrial units.

In conclusion, if the industry needs to climb out forcefully from this slumber like situation then its most urgent that financial capital is made available to them at a subsidized rate on an urgent basis either by pulling down the interest rate or allowing disbursal through a development fund at a lower rate and in bands for offer with limitations such as consistent profit margin of 10 to 15% pa with sizeable amount of un distressed collateral at higher band or effective profit margin of 6-7% with 50% collateral etc.