

Strong mandate gives Modi room for policy manoeuvre

Sebi member cites fiscal and revenue deficits, inflation, education

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[SINGAPORE] The new Indian administration, while facing several challenges on the economic and social fronts, has some room for policy manoeuvre – a positive result of Prime Minister-designate Narendra Modi and his Bharatiya Janata Party's landslide win in the recent general election.

And this political stability will ensure that India's challenges will be manageable, said Prashant Saran,

whole-time member of the Securities & Exchange Board of India.

Speaking at the second Singapore-India Business Dialogue (SIBD), at the Singapore Management University yesterday, he said that the new Indian government will be required to meet various challenges on the economic front.

These include a high fiscal deficit and revenue deficit which pose concerns with their "crowding out" effect on private investment. Moreover, inflation in India has been persistent as it is fuelled by rising wages, and rising property and food prices. But since inflation has been a problem even in periods of slower economic growth, Mr Saran suggested that infla-

tion there is not just due to excess demand, but is also related to cost-push inflationary factors.

"For example, supply constraints in agriculture have caused rising food prices. This will require all the political will and administrative acumen of the new government."

Although the financial markets in India are reasonably modern and sophisticated, they are however limited to a very small section of the population. Therefore, the challenge for the government is to expand the markets in new geographies, across economic strata and through wider choice of instruments, he said.

In education too, for instance, Mr Saran noted that

the rigidities in the system, coupled with an increasing population, has put pressure on all the segments – primary, secondary and tertiary – as the country is still far from 100 per cent literacy. "The challenge is to have 100 per cent literacy while training a vast majority of teens in some vocational stream suited to the present day world."

Education, capabilities and skills of young Indians were also areas touched on by S Iswaran, Minister in the Prime Minister's Office, who also spoke at the dialogue yesterday.

Mr Iswaran pointed out that Singapore could help India with some of these challenges, which could in turn strengthen bilateral economic relations. "I be-

lieve these opportunities lie in India's industrial, infrastructure and skills development priorities, and the potential for greater regional economic integration."

Mr Iswaran, who is also Second Minister for Home Affairs and Trade & Industry, suggested that India's growth potential is most evident in the projected increase of 300 million young Indian workers by the year 2040, and its rising middle class. He added that the best way to reap this "demographic dividend" is to invest significantly in the education, capabilities and skills of young Indians – at the national, sectoral and business level. Singapore, he believes, can share its expertise in this area with India. In helping India devel-



Mr Iswaran: Says that Singapore can help India with some challenges

op its technical skills, it can also strengthen its manufacturing sector.

Even in infrastructure, Singapore could play a vital role, he said. "Some of our companies like Jurong Consultants and Hyflux are already involved in the Delhi-Mumbai Industrial Corridor (DMIC), and Ascendas is exploring a joint venture with the Maharashtra Industrial Development Corporation. PSA too was recently awarded a contract to develop the fourth container terminal at the Jawaharlal Nehru Port Terminal."