

Urjit R Patel: Encouraging young enterprising skills in India

Speech by Dr Urjit R Patel, Deputy Governor of the Reserve Bank of India, at the Business Standard Best B-School Project Awards, Welingkar Institute of Management Development and Research, Mumbai, 12 January 2015.

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I am honoured to be part of the Business Standard Best B-School Project Awards to be presented today for recognising the bright young talent of business schools in India. I understand that this is the 7th edition of the Award, and 158 colleges have participated from across the country with a wide range of projects. This conveys the high esteem that the award is held in, its popularity among B-School graduates, and the impact it has made over the years in recognising and honouring young professional talent. The teams are evaluated on the basis of the rigour of their work, innovative approaches, structure of the content and the meaningful solutions they provide for diverse business, social and organisational challenges.

The function symbolises “out of box” thinking and the entailed enterprising skills of the “Young India”. It epitomises a tribe of budding professionals who are not risk-averse and have “fire in the belly” to take a leapfrog into the future.

Frankly, I am deeply envious of the young students that I see in front of me. They have the dreams, desire and the capability to create new business models and modern enterprises, which India critically needs at this juncture. There are several notable inter-locking drivers that have been recently initiated or reinforced with vigour, which will complement our budding graduates’ innate talent.

- An emphasis on entrepreneurship for solutions. To absorb a labour force that increases by about one million per month requires many more entrepreneurs, tens of thousands, if not hundreds of thousands, more.
- The national objective to make India a global manufacturing hub and a substantive part of international supply chains. The “Make in India” vision/strategy is apposite and provides a much needed “focal point” to inculcate durable competitiveness in key sectors of our economy.
- The stress on improving India’s ranking in the “Ease of Doing Business index”. This provides a measurable gauge to determine how we progress. The repeated commitment and associated ground-level changes already taking place towards deepening “Policy-driven” governance (and less government) is mission critical in this context.
- Uncertainty has been lifted in key sectors like coal and spectrum.
- In today’s world, terms like “game-changer” and “transformative” are often used loosely, and are, therefore, more ubiquitous than warranted. But the “Jan Dhan Yojana” scheme implemented almost wholly by our public sector banks, whereby 100 million bank accounts have been opened for those who were unbanked, is unequivocally a “game-changer”. It provides an unprecedented scaffolding and a spring board for meaningful financial inclusion and, concomitantly, substantial financial deepening of our economy.
- At the recent “Gyan Sangam” gathering of bankers and top-level policy makers in Pune, important and far reaching changes were discussed. I am virtually quoting from the official website two of these in the interest of brevity:
 - We should redefine the metric for effective lending, viz., prioritise loans to enterprises which will generate more employment.

- A call for an end to lazy banking; banks are asked to take on a proactive role in helping the common man.

In other words, bankable labour-intensive enterprises should benefit as we go forward in this direction.

There are 3 potential corollaries:

- (i) First, a much larger number of small business loans will be encouraged rather than an overriding emphasis on very large loans per se.
- (ii) Second, in the context of discussions on priority sector policy/guidelines, finance for small entrepreneurs, SMEs and employment creation may be reinforced. (RBI's licensing policy for small finance banks has stipulated higher exposure to priority sectors.)
- (iii) Third, banks may have to revisit at an opportune time (not now) in due course (that is, in the future) the individual company/group credit exposure limits, as well as sector exposures as part of their learning for the future for better risk management practices over the business cycle.
- Lastly, the hard earned macroeconomic stability provides an important backdrop for optimal decisions by all stakeholders. We have to preserve this. The dramatic fall in oil prices is a boon for us. It saves, on an annualised basis, around US\$ 50 billion, roughly, one-third of our annual gross POL imports of about US\$ 160 billion. This is on a back-of-the-envelope, top-line basis. Of course, there will be leakages and other set-offs. But our external situation undoubtedly improves. The welcome development enhances our disposable income (which will increase consumer demand for other goods and services), reduce input cost of our businesses (which will increase margins and help to enthuse investment demand), and aid government finances by reducing the energy subsidy burden in the budget.

Let me conclude by quoting a participant at the inaugural session of this year's Vibrant Gujarat Global Summit: "India will be a bright spot in an otherwise mediocre global economic outlook".

Thank you, once again, for giving me the opportunity to speak at the 7th Business Standard Best B-School Project Awards function.