

**Mr. Rangarajan addresses a special convocation of the Indian Institute of Management** Address by the Governor of the Reserve Bank of India, Dr. C. Rangarajan, at a special convocation held to confer upon him the honorary title of Fellow of the Indian Institute of Management at Ahmedabad on 3/10/97.

It gives me immense pleasure to be on the campus of the Indian Institute of Management. I accept in all humility the award of the title "Fellow of the Indian Institute of Management", Ahmedabad. What can be a greater honour than the recognition by one's own peers and family? I look back with immense satisfaction on the years that I spent on the campus here. Those fourteen years marked the most productive period of my academic life. It is no mean task to have created here an institution of world-class excellence. All those who have been associated with IIMA can take legitimate pride in this achievement. This, however, makes the task of the current faculty members and students even harder. The race of excellence is a perpetual one and is, therefore, very demanding. I am sure that IIMA will always remain ahead.

We are celebrating this year the Golden Jubilee of India's Independence. As a nation, we have accomplished much during this period. We have moved from the status of dependent country stricken at periodic intervals by famine and shortages to that of an independent nation with a high degree of stability. But the unfinished agenda is still long. Our rate of growth, though high in relation to our own performance in the previous fifty years, has fallen short of our expectations and that of what certain other countries have been able to achieve. The miracle of East Asian countries may to some extent have been dimmed by the recent crises in these countries. Nevertheless, they have shown that it is possible for countries to grow at a sustained rate of 7 per cent or more for several decades. We need to set our goals high.

We have over time created the wherewithal for progress. The real task today is to use these advantages for further growth. All of us are conditioned by history. History is a great teacher if we can draw appropriate lessons. The present is an extension of the past. We should not, however, become prisoners of the past. Where changes are called for, we must be willing to make them. It is only by making such changes that a nation can progress. In the recent period we have made some basic changes in our approach to economic development and the means to achieve the desired results. The fundamental objectives of economic development in our country remain the same: growth and social justice. Instrumentalities to achieve these will have to change in tune with our experience and according to the demands of the time and the responses of the society.

In bringing about faster growth we need to address many issues. Perhaps one that is most relevant in the context of work that is going on at IIMA is the issue of productivity. In ensuring a higher growth rate, there is no doubt that we must bring about an increase in the saving rate and, consequently, the investment rate. But at the same time one cannot over-emphasise the need for improving the productivity and efficiency of input use. Economists in fact talk about total factor productivity, which identifies the contribution to the increase in output of influences other than increase in factor inputs. The total factor productivity growth thus encompasses the effect not only of technological progress but also of better utilisation of capacities, improved skills of labour, etc. In fact during the period 1960-87 the total factor productivity growth of East Asia was 1.9 per cent per productivity and efficiency. Contrary to the general impression, the natural resources of our country are not large. From the point of view of long-range sustainability, the need for greater efficiency in the management of natural resources of land, water, minerals, etc. has become urgent. In a capital-scarce economy like ours, there can be no excuse for under-utilisation of capacity. Macro-policy framework and micro-management practices must be such as to bring about the desired increase in productivity. While the policy framework must be supportive, industrial structure must be such as to compel firms to continually innovate and to cut costs. The policy environment, the organisational structure and the attitude to work and technology: all these have to be right. Needless to say, institutes of management have an important role to play in bringing about this improvement in productivity by sharpening the skills and the vision of managers.

The recent development experience has clearly shown that countries which have grown fast are those which have made very heavy investment in education. Even as we aim at creating a broad-based educational system, including compulsory education at the primary and secondary levels, we also need institutions of excellence. Living as we are in a complex and globally competitive world, institutions of excellence in all disciplines are required to meet the challenges of competition, which in effect is the competition in skills and techniques.

We are living in a fast-changing world. One analyst has compared these changes to the movement of the continental plates under the surface of the earth -- "plate tectonics" as geologists call it. The same analyst has also compared the dramatic changes using an analogy from evolutionary biology: "punctuated equilibrium". In these periods, the environment undergoes such significant changes that the dominant species is replaced by another one and evolution takes a quantum leap. Whether such a description fits the changes that are occurring today, history alone can tell. There is, however little doubt that we are living in exciting times. India missed the first Industrial Revolution. We cannot afford to miss the second one. All of our institutions of higher learning have an important responsibility in this regard. IIM, Ahmedabad has played a major role in improving the managerial practices in this country in the last three decades. In the current phases of industrial development, when Indian firms are subject to competitive forces, both domestic and global, the role of IIM is even greater. If the past is any guide, I am sure it will fulfil this historic role.