

Lecture No. 29  
Entrepreneurship in Modern India  
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I feel greatly honored to have been invited to deliver the 29th Nehru Memorial Lecture. Mr. Nehru has been the icon of free India and although I was very young in the early days of Independence, I had the privilege of seeing Mr. Nehru speaking at public functions. The love for his country was evident, as was the love of our people for him. His idealism and his vision gave India its early economic and foreign policy direction, on which indeed some may have some disagreement.

As we know, Mr. Nehru was impressed by the Soviet model of strong central planning and a strong public sector. This was an economic model adopted by several new developing countries of the time as it was inconceivable that funds needed for national development and basic infrastructure could be found anywhere but in the government sector.

#### India's Progress in 5-year Plans

India made considerable strides in its first 5-year plan where it gave emphasis to water and irrigation schemes, basic infrastructure like power, and agricultural development. The next four 5-year plans however, focused on the growth of basic and heavy industries extensively in the public sector, which was seen to be performing a national service, with little or no motivation for returns. Mr. Nehru evidently truly believed that the public sector was serving a much-needed national purpose and was once known to remark that he "hated the very mention of the word profit" which he thought was a "dirty" word.

GDP growth in the first 5-year plan (1951-56) was 3.7%.

Against this background, I have chosen to share my thoughts on entrepreneurship in modern India. I thought I would speak on this as I believe entrepreneurship has, through the centuries, been one of the greatest strengths of the people of India.

I say this, despite the fact that during the first few decades of India's independence, entrepreneurship on a very small scale was considered acceptable, but entrepreneurship which resulted in an enterprise of any size or scale was sought to be controlled or capped. The motto of the time was "SMALL IS BEAUTIFUL AND BIG IS BAD".

#### THE "MIXED ECONOMY" EVOLUTION

- Regulated entry
- Capacity
- Price controls
- Geographical constraints

Against which, the broadly-accepted criteria for an entrepreneur might be -

- Nimble-footedness
- Opportunistic
- Sometimes exemplary
- Sometimes venal
- High quotient of ability to manage the system

The two would not seem to be able to co-exist - but they did!

#### Categories of Enterprises in India

One could historically classify enterprises into the following categories -

- Traditional, small scale business enterprises
- Established business enterprises
- New breed of enterprises

#### Traditional Business Enterprises

Three examples of traditional business enterprises which stand out in one's mind are -

- The Bombay dabbawallas, which is a phenomenal enterprise that started in 1895, run and managed by uneducated people.

The dabbawallas are individuals who collect food cooked at home in 'tiffin carriers', and distribute them to the correct table in the office, on time, and then collect and return the same tiffin carriers to the correct home. About 200,000 hot meals are handled per day and this is growing at 10% per annum. Customers pay a charge of £ 2-3 per month. The monthly income of the dabbawalla is approximately £ 50-60 (which is low by India standards). Enterprise is driven by a unique, reliable coding system where mix-ups are only one in 16 million deliveries.

- The second example, although not so traditional, is an enterprise called Lijjat Papad, started in 1959 by seven Bombay housewives with a capital of £6. These seven housewives came together to cook papads (probably known by you as pappadums). The main thrust of this enterprise was consistent quality and distribution. Today the enterprise has 42,000 employees, has a turnover of £ 40 million with 70 branches. GDP growth in the 60s was 3%.
- The third example of a traditional enterprise is the world's first dairy cooperative called 'Amul' formed in 1946. It was initially conceived as an enterprise which provided hygienic milking, homogenizing, refrigerating and storage/delivery systems for milk, where farmers could bring their cows and were paid for the milk that their cows produced.

Today this has grown into a huge enterprise owned by 2.4 million farmers - the world's largest dairy cooperative, which provides 5 million litres of milk per day and has a turnover of £500 million. It also now provides several dairy-based products and also therapeutic products for animals.

#### Established Business Enterprises

I come now to the Established Business Enterprises. These were well-established commercial enterprises in various sectors such as textiles, minerals, power generation construction and the like, started by established business families and by British companies that had operated in India during the British rule. The British companies were mainly in steel fabricating, ship building and also petrochemicals and personal care products.

Most of these businesses found themselves highly regulated and highly controlled, and fettered in terms of their growth plans.

#### New Breed of Enterprises

While these established businesses stagnated, a new breed of enterprises emerged from the late 50's onwards. Most of these were also founded by families and include enterprises like Bajaj Auto, Cipla, Piramal, Orkay, Hero Cycles and of course Reliance Industries.

Bajaj had become the largest scooter manufacturer in the world but was overtaken by Hero Honda, which began by making bicycles, subsequently migrated to the manufacture of scooters and motorcycles to become today, the largest motorcycle manufacturer in the world. Cipla, a family founded pharmaceutical company in 1935, grew in the '60s. It is both applauded and denounced for its generic drugs for the treatment of HIV AIDS. Reliance has grown to be the largest company in the country. These, and many others not named, are a new wave of entrepreneurs who saw an

opportunity, built professional enterprises and grew those enterprises in the domestic environment that existed. But many of these companies also faced constraints on their growth at that time.

### Entrepreneurial Diaspora

All through this period, the people of Indian origin proved to be very successful entrepreneurs overseas. Some of the better-known examples would be people like Lakshmi Mittal, who today controls the world's largest steel empire, Lord Swaraj Paul, who built a steel and auto-components empire and Lord Karan Bilimoria who built a very successful beer brand from scratch. Apart from these notable names, there are scores of success stories in the U.K., U.S. and Africa where Indian entrepreneurship, big and small, have made their impact on the communities that they serve.

The question that comes to mind is, what enabled these successes to happen? Certainly, one factor is the free environment of these countries against the constraints that existed in India. The other and much more important factor is the entrepreneurship embedded in the diaspora of India who saw and availed of opportunities overseas.

### Reforms

Things changed in 1984, when Rajiv Gandhi became Prime Minister. His premiership was like a breath of fresh air for industry. He brought a new look to the industrial scene and carried little or no ideological baggage. The first dismantling of controls happened in the early days of his premiership and continued at a steady pace thereafter.

The real change of environment however came in 1991, under Narasimha Rao's premiership when India faced a foreign exchange crisis with only two weeks of foreign exchange reserves.

GDP growth in that year was 1.1%.

All industrial licensing was abolished and most of the protectionist barriers were demolished. Enterprises that were willing to modernize, become cost-effective and competitive, willing to invest in new technology, were able to take advantage of the new wave of national growth. Those that clung onto the coat-tails of protection, those who remained static and did not modernize, started to die a natural death. This was the first major industrial shake-out in independent India's history.

### New Wave of Indian Entrepreneurship

During this period the next wave of Indian entrepreneurship emerged, which caught the attention of the world and propelled India's visibility as never before. This was the IT sector. Around 2000, companies like Infosys, Wipro, Tata Consultancy Services and others - all little known companies, suddenly found themselves in the glare of public light as enterprises whose IT services and skills were called upon to avert the IT disaster that was globally expected to arise under the infamous Y2K paranoia. This resulted in both the visibility and appreciation of the enormous skills embedded in these organizations, many of them young companies founded by a new breed of technocrats who, based in India, with Indian manpower, found their place of prominence on the global stage.

Other sectors which have displayed a sense of great entrepreneurship have been -

- In the pharmaceuticals area with companies like Ranbaxy and Dr. Reddy's Laboratories
- Healthcare services like Apollo Hospitals which successfully runs seventeen hospitals in India and is expanding overseas. This growth in healthcare services has generated a new sector known as "medical tourism" where the low cost but high quality medical surgical procedures in India are coupled with recuperation and post-operative therapy in resort surroundings.

- The newly emerging but very fast growing telecom, retail and real estate sectors which have been growing at an exponential rate.

### Looking Ahead

The India of today is attracting a great deal of international attention. It enjoys a GDP growth rate of over 9%, has a population of just over a billion people and a consumer market of 350 million people, estimated to increase at 35 million each year. It is therefore conceivable that by 2010, the total consumer market will be over 500 million people. Let me dwell a moment on the demographics as projected. By the year 2030, India is likely to have a population of 1.5 billion, of which 64% is expected to be between 15 and 59 years of age - constituting the world's largest working age population. Many people may say that China has won the position of the "factory of the world" but I maintain that India will spawn a very large number of new entrepreneurs - better educated, better informed and better equipped to seize commercial opportunities.

### Challenges

All of this sounds almost too good to be true. So the question one would expect would be - What are the challenges and what would stand in the way of the increased presence of Indian entrepreneurs? In my view, the presence and impact of Indian entrepreneurs will continue to be significant. The growth of further entrepreneurship could however be thwarted by powerful vested interest which seek to subvert the system for their self-interest; discriminatory and inconsistent industrial policy; and influence subverting meritocracy.

Another challenge to the shine of entrepreneurship in India would be our past heritage of thinking small and growing in small increment (the legacy of a planned economy). Indian entrepreneurs are now starting to think big, to think globally and to exude the self-confidence and courage required to take big steps forward beyond the shores of India. A growing number of globally competitive Indian-based enterprises are emerging, more and more, are growing Indian enterprises with global scale, which in turn are deriving the benefits of such economies of scale.

### In Conclusion

In conclusion, the presence of Indian entrepreneurship will increase within India and beyond. One can also facetiously say that "If there is an opportunity, an Indian entrepreneur will find it", "if there is a loophole, an Indian entrepreneur will find it and exploit it". Unfortunately, too often one can also say that "If there is a way to seek protection, the Indian entrepreneur will use it".

India has the promise of tremendous potential in the years to come. It has come a long way from the early days of independence - the days of Mr. Nehru's dream and the India of today.

Per Capita Income £ 55 to £ 400

Food production from 51 million tons to 220 million tons

Literacy has grown from 20% to 65%

However, great inequities still exist. There is an inadequacy of schools and institutes of higher learning, there is an inadequacy of skill creation to meet the needs of the country's growth, and there are man-made inequalities and inequities amongst different religious sects.

If the India of tomorrow is to fully live up to or exceed Mr. Nehru's dreams, then all citizens of the country will need to work together to make India the land of equal opportunity, where each citizen truly has equal rights and where no one is above the law.

## ANNEXURE 'A'

### Dr. Reddy's Laboratories

- o Founded in 1984
- o Began as supplier to Indian drug manufacturers
- o Global pharmaceutical company with presence in over 35 countries and operations in over 115 countries worldwide
- o First pharma company in Asia-Pacific (outside Japan) to be listed on NYSE
- o World-class manufacturing facilities conforming to GMP and SHE standards.
- o Revenues US \$ 1.5 billion in 2006

### CIPLA Ltd.

- o Founded in 1935 by Kwaja Abdul Hamied.
- o Earlier known as Chemical Industrial and Pharmaceutical Laboratories Limited
- o Has made substantial progress in the 1960's after Mr. Yousef Hamied, the founder's son joined
- o In 1976 introduced medicinal aerosols for Asthma patients
- o In 1999 introduced its drug for HIV Aids. Now, CIPLA is the largest manufacturer of anti retroviral drugs (ARV). 40% of the patients undergoing ARV's take CIPLA drugs
- o Revenues US \$1 billion in 2006

### Ranbaxy Laboratories Limited

- o Founded 1961
- o India's largest pharmaceutical company
- o The Company is ranked amongst the top ten global generic companies
- o Has a presence in 23 of the top 25 pharma markets of the world.
- o Global footprint in 49 countries, world-class manufacturing facilities in 11
- o Revenues US \$1 billion in 2006

## ANNEXURE B

## INDIAN ECONOMY INDICATORS

	2004-05	2005-06	2006-07	2007-08 E
<b>GDP (\$ Bn)</b>	<b>694</b>	<b>792</b>	<b>916</b>	<b>~1000</b>
<b>GDP growth rate (%)</b>	<b>6.9</b>	<b>9.0</b>	<b>9.4</b>	<b>9.0+</b>
<b>Agriculture growth rate (%)</b>	<b>-1.5</b>	<b>5.8</b>	<b>2.9</b>	<b>3.0</b>
<b>Industry growth rate (%)</b>	<b>9.1</b>	<b>10.1</b>	<b>11.4</b>	<b>9.4</b>
<b>Services growth rate (%)</b>	<b>10.7</b>	<b>9.8</b>	<b>11.0</b>	<b>11.2</b>
<b>Savings rate (% of GDP)</b>	<b>31.1</b>	<b>32.4</b>	<b>33 (E)</b>	<b>-</b>
<b>Investment rate (% of GDP)</b>	<b>31.5</b>	<b>33.8</b>	<b>35 (E)</b>	<b>-</b>
<b>Inflation rate (%)</b>	<b>6.4</b>	<b>4.4</b>	<b>5.4</b>	<b>-</b>
<b>Bank Rate (%)</b>	<b>6.0</b>	<b>6.0</b>	<b>6</b>	<b>-</b>
<b>Export growth (%)</b>	<b>26.4</b>	<b>24.7</b>	<b>20.9</b>	<b>18.5</b>
<b>(Value in \$ bn)</b>	<b>80.7</b>	<b>100.6</b>	<b>124.6</b>	<b>Apr-Oct</b>
<b>Import growth (%)</b>	<b>36.5</b>	<b>31.5</b>	<b>25.5</b>	<b>26.5</b>
<b>(Value in \$ bn)</b>	<b>106.6</b>	<b>140.2</b>	<b>181.3</b>	<b>Apr-Oct</b>
<b>Forex Reserves (\$bn) as of 31<sup>st</sup> Mar</b>	<b>141</b>	<b>151</b>	<b>199</b>	<b>271 Nov16</b>
<b>FDI inflow (\$ bn)</b>	<b>6.1</b>	<b>7.7</b>	<b>19.5</b>	<b>-</b>
<b>FI inflow (\$ bn)</b>	<b>8.3</b>	<b>10.0</b>	<b>6.9</b>	<b>14 Till Oct</b>