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New Delhi

**Hindi Version**

"Thank you very much for inviting me to share my thoughts on "Inclusive Growth – Challenges for Corporate India". Our Government has just completed three years in office. On this occasion, we released a "Report to The People", setting out in great detail the policies and programmes we have been pursuing to make our economic growth processes socially and regionally more inclusive. In my remarks, day before yesterday, I clearly stated that the guiding principle of our Government has been to ensure that, while sustaining higher rates of economic growth, the improved performance of the economy must contribute to employment generation, poverty reduction and human development. The aim of each of our flagship programmes is to ensure that growth is more equitable and that it empowers the most deprived of our citizens.

I do believe that we have a reasonably good story to tell. I will come to the growth story later. However, I do recognize that we have a long way to go in addressing the needs and concerns of all sections of our society, especially the poorest among us. Our Government came to power to address their felt needs and aspirations. We remain committed to that goal and that vision.

Employment generation is one important pillar of any strategy of inclusive growth. I continue to believe that while we continue to focus on agriculture and accelerate its growth, we must also focus on creating far more jobs in manufacturing. Given the small size of our farm-holdings and the limits to which technology can go in making farming on these small holdings viable, it is imperative that we rapidly expand the creation of jobs in the manufacturing sector which alone can absorb the large surplus manpower in our rural areas. This is an axiom which all political leaders and opinion makers must realise if we have to provide a decent livelihood to all our people.

While our Government will continue to create an environment friendly for the growth of manufacturing, leaders of industry must also facilitate employment creation in their industries. This requires expansion of economic activity, investment in human capabilities and the pursuit of socially, politically, environmentally, and financially sustainable growth processes. Our Government has its role and responsibility, and we recognize that so do the better off sections of our society. This is where I look to the CII for leadership.

While I am on the subject I should like to pay my tribute to the leadership of the CII. In the last 15 or 16 years, your association, your organization has played a glorious role in moulding the mindsets of our people to face the challenges that lie ahead of our country. I congratulate you and I thank you on behalf of a grateful nation. As I stand before you, I am reminded of the perceptive words of Lord Keynes on the positive social role of private enterprise in 19th century Europe. Writing in *The Economic Consequences of Peace*, in the year 1925 I believe, Lord Keynes said:

"...European Society was so framed as to throw a great part of the increased income into the control of the class least likely to consume it. The new rich of the 19th century were not brought up to large expenditures, and preferred the power which investment gave them to the pleasures of immediate consumption. In fact, it was precisely the inequality of the distribution of wealth which made possible those vast accumulations of fixed wealth and of capital improvements which distinguished that age from all others. If the rich had spent their new wealth on their own enjoyments, the world would long ago have found such a régime

intolerable. But like bees (these captains of industry) they saved and accumulated, not less to the advantage of the whole community... (they) were allowed to call the best part of the cake theirs and were theoretically free to consume it, on the tacit underlying condition that they consumed very little of it in practice. The duty of "saving" became nine-tenths of virtue and the growth of the cake the object of true religion." That is how modern capitalism has developed as a powerful entity in transforming social, economic and political scene all over.

You have all been the beneficiaries of our improved growth performance. When I read about the growing number of Indian millionaires and billionaires, about Indian companies buying up multinationals abroad, about our clogged airports, about the real estate boom, about new holiday destinations, about soaring CEO compensations, I know that you have benefited from the growth process.

I also know that increasingly you benchmark yourself against global practices. I appreciate the fact that a corporate entity's primary responsibility is to its shareholders and to its employees. Your businesses have to be globally competitive. However, even to win this race, you must work in a harmonious environment, an environment in which all citizens feel equally involved in processes of economic growth; an environment in which each citizen sees hope for a better future for him and for his or her children.

In a modern, democratic society, business must realize its wider social responsibility. The time has come for the better off sections of our society - not just in organized industry but in all walks of life - to understand the need to make our growth process more inclusive; to eschew conspicuous consumption; to save more and waste less; to care for those who are less privileged and less well off; to be role models of probity, moderation and charity.

Indian industry must, therefore, rise to the challenge of making our growth processes both efficient and inclusive. This is our endeavor in Government. It will have to be yours too and I seek your partnership in making a success of this giant national enterprise. If those who are better off do not act in a more socially responsible manner, our growth process may be at risk, our polity may become anarchic and our society may get further divided. We cannot afford these luxuries.

I invite corporate India to be a partner in making ours a more humane and just society. We need a new Partnership for Inclusive Growth based on, as what I would describe as, a Ten-Point Social Charter.

First, have a healthy respect for your workers and invest in their welfare. In their health and their children's education, give them pension and provident fund benefits, and so on. Unless workers feel they are cared for at work, we can never evolve a national consensus in favour of much needed more flexible labour laws aimed at ensuring that our firms remain globally competitive.

Two, corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions. This is not an imported western management notion. It is a part of our cultural heritage. Shri Seshasayeeji quoted Mahatma Gandhi. Mahatma Gandhi called it trusteeship. It is based on the idea that the wealthy have an obligation to society and balance in nature. Responsibilities commensurate with their rights. I am aware that some of our companies are doing creditable work. I compliment them. But we need more such inspiring examples. I appeal through the CII to our industry to come forward in a much more substantial manner and engage extensively in activities which benefit society at large.

Three, industry must be pro-active in offering employment to the less privileged, at all levels of the job ladder. The representation companies give to Scheduled Castes, Scheduled Tribes, other Backward Classes, Minorities and Women, in their workforce and staff must increase. I am, therefore, encouraged by CII's Report on Affirmative Action. I commend your example. I hope it will be widely emulated.

Its recommendations should be implemented by CII members in a time-bound manner. I look forward to credible results at an early date. You must show sensitivity to those who are physically less-abled, in providing a work-place conducive to their employment. You must employ retired members of our gallant Armed Forces who spend their youth defending our nation but retire at a relatively young age.

Four, resist excessive remuneration to promoters and senior executives and discourage conspicuous consumption. In a country with extreme poverty, industry needs to be moderate in the emoluments levels it adopts. Rising income and wealth inequalities, if not matched by a corresponding rise of incomes across the nation, can lead to social unrest. The electronic media carries the lifestyles of the rich and famous into every village and every slum. Media often highlights the vulgar display of their wealth. An area of great concern is the level of ostentatious expenditure on weddings and other family events. Such vulgarity insults the poverty of the less privileged, it is socially wasteful and it plants seeds of resentment in the minds of the have-nots.

Five, invest in people and in their skills. Offer scholarships to promising young people. Fill young people with hope in their future. High rates of growth mean nothing for those who are unable to find employment. We must invest in skill-building and education to make our youth employable. Here too, I appreciate the CII's initiative CII in upgrading ITIs. This is a very good beginning, but there is more to be done. Indian Industry must allocate sufficient resources to skill development, either managing ITIs or setting up a network of Greenfield Skill Development Centres across the country. CII's current efforts need to be multiplied a 1000 times and Indian companies need to allocate resources for this vital work of building the capabilities of India's youth.

Six, desist from non-competitive behaviour. The operation of cartels by groups of companies to keep prices high must end. It is unacceptable to obstruct the forces of competition from having freer play. It is even more distressing in a country where the poor are severely affected by rising commodity prices. Cartels are a crime and go against the grain of an open economy. Even profit maximization should be within the bounds of decency and greed! If a liberalized economy has to succeed, we must give full play to competitive forces and the private sector should show some self-restraint in this regard.

Seven, invest in environment-friendly technologies. India's growth must be enhanced and, yet, our environment and ecology must be protected and safeguarded for our future generations. Industry has an enormous role to play in this regard. Evidence shows that many of our companies are becoming increasingly environment friendly. Our track record in resource use is good, but must improve further. Conservation of natural resources is a national mission. Industry can and must provide leadership on this front. As a country of a billion plus people, with a scarcity of natural resources on a per capita basis, we cannot afford the wasteful lifestyles of the Western world. Conspicuous consumption must be reduced not just because it is socially undesirable at our level of development but also because it is environmentally unsustainable.

Eight, promote enterprise and innovation, within your firms and outside. If our industry has to make the leap to the next stage of development, it must be far more innovative and enterprising. The success story of the last two decades has been the emergence of a large number of first generation enterprise. As industry aims to master increasingly complex technologies and becomes organizationally more complex, it must try to maintain its competitive edge by investing in R&D and innovation and promotion of enterprise. While government can do its bit, the larger burden is on industry.

Nine, fight corruption at all levels. The cancer of corruption is eating into the vitals of our body politic. For every recipient of a bribe there is a benefactor and beneficiary. Corruption need not be the grease that oils the wheels of progress. There are many successful companies today that have refused to yield to this temptation. I commend them. Others must follow. Businessmen who enter politics should erect a Chinese wall between their political activities and their businesses. CII should develop Codes of Conduct for their members with respect to business practices and for control of corruption.

Ten, promote socially responsible media and finance socially responsible

advertising. Through your advertisement budgets and your investments in media you can encourage socially responsible media to grow and to flourish. You can promote socially relevant messages and causes.

These are 10 areas in which industry leadership can go a long way to ensure that our growth process is both inclusive and broad-based. This is not an exhaustive list. You may wish to add to it, and adopt your own Social Charter for inclusive growth. The objective of such a Social Charter would also be to encourage a culture of saving and investment. A culture of caring, sharing and belonging. We must end forever the debate whether our country's march of progress has benefited India and not Bharat. India is Bharat.

The Social Charter I have spoken of is your responsibility to society at large. We in the government have our obligation to you as well. I firmly believe that the creation of wealth is the only way of addressing the formidable challenges of economic transformation that our country faces. And wealth can be created only through enterprise and creativity. We are committed as a government to work with industry for the transformation of our economic and social landscape. We do not believe in an adversarial relationship with industry but in a genuine partnership. We have worked hard to create a business friendly environment, an environment which is conducive to rapid growth.

The results are there for all to see. It is not by accident that the average rate of economic growth has been 9% in the last three years. It is not by chance that the savings rate of the country is 32% of GDP and the rate of investment has touched an all-time peak of 35% of our GDP. It is not by luck that the manufacturing sector is booming. It is not by good fortune that inward FDI is close to twenty billion dollars now. It is not by a miracle that we are today a trillion dollar economy. These are the results of balanced, prudent economic policies; policies which have focused on strengthening every aspect of infrastructure including airports, roads, railways and ports; policies which have reduced our revenue and fiscal deficits; policies which have promoted greater investment, both domestic and foreign; policies which have given a boost to manufacturing and services; policies which are designed to harvest the demographic dividend we are beginning to get from a youthful workforce; policies which have pushed development into our rural and backward areas; policies which have made India a great place to do business.

These are good times for Indian enterprise. Your energy and enterprise are making its mark globally. The world is beginning to look at us with respect, because they see Indian professionals and Indian businessmen competing and winning on the world stage. You have every reason to celebrate this success; to reap its rewards; to live more comfortably. But never forget that we are what we are because of what our Motherland has given us. The time has come for us to ask ourselves what can we give her back. India has made us. We must make Bharat."

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