

‘Improve consumption, reduce income inequality for sustainable growth’

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Panellists at Mint India Investment Summit 2024 say that while numbers suggest robust GDP growth is likely in FY25, improving consumption and addressing income inequalities remain major challenges for India



From Left to Right: Alokesh Bhattacharya, Deputy Managing Editor, Mint; Saurabh Mukherjea, Founder & CIO, Marcellus Investment Managers; Rajiv Dhar, Executive Director, National Investment and Infrastructure Fund; Devina Mehra, Chairperson and Managing Director, First Global; Abhishek Poddar, India Country Head, Macquarie Group & MD, Macquarie Asset Management Real Assets; and Mehul Pandya, Managing Director & Group CEO, CareEdge

MUMBAI : New Delhi: India's GDP is projected to grow at over 7% during the next fiscal year (FY25), driven by the government's capital expenditure push and the robust growth witnessed across various macroeconomic indicators. But improving consumption, especially in rural areas, and addressing the pervasive income inequality remain significant challenges for the world's fastest-growing major economy, said panellists at the Mint India Investment Summit 2024 on Friday.

Participating in a discussion titled 'Rise of the Indian Spring', the panellists were bullish about India's growth prospects.

"What we feel is that for FY24, we will be staying (at) around 7.6% (GDP growth) or slightly upwards of that. And with

that kind of backdrop, we could be thinking in terms of around 7% or 8% for FY25," said Mehul Pandya, managing director and group CEO of credit rating agency CareEdge.

That said, rural demand has been hit by a deficient monsoon and is impacting overall growth, especially in terms of corporate capex cycle, he said.

Pandya explained that if these aspects are taken care of, and if the prognosis of a fairly normal monsoon in FY25 comes to pass, it would help rural demand. Consequently, the 7% GDP growth estimate for FY25 could potentially be better, he said. "We are confident about the trajectory, which shall remain upwards," he emphasized.

The Reserve Bank of India (RBI) has projected a 7% real GDP growth for FY25, up from its previous projection of 6.6%. RBI governor Shaktikanta Das had earlier this month said the Indian economy's GDP growth in FY24 could be "very close" to 8%.

Chipping into the conversation about the Indian economy, particularly in terms of the challenges it faces, Devina Mehra, chairperson and managing director of wealth management firm First Global, said that as income inequality is increasing in the country, consumption is becoming a major concern area, with the bulk of the growth coming from government capex.

"There was that inequality report recently, which of course showed that 65% of the wealth in the country is with the top 10%. About 20 years ago, it was 40% (40% wealth with top 10%). At that time, the next 40% also had 40% of the country's wealth. So now, it is like the top 10% has 65% and the next 40% has something like 22%, and the bottom 50% has something like 13%," Mehra said.

"The top line is that the headlines look very good, but if you phase it out, there are the areas you need to work on as a country, and I hope we do work on it and have sustainable growth," she emphasized.

However, amid the challenges, there are a lot of opportunities for investors in an economy like India, which has been registering robust economic growth, was the consensus among the panellists.

"We find several interesting investment opportunities in India. One is infrastructure. We are also getting very interested in de-carbonisation. Third is manufacturing," said Abhishek Poddar, India country head, Macquarie Group, and managing director, Macquarie Asset Management Real Assets.

Saurabh Mukherjea, founder and chief investment officer of Marcellus Investment Managers, highlighted three megatrends India is currently witnessing: the growing profitability of SMEs in the last three years, high economic growth in peninsular India, and the paradigm of urban women having more money in their accounts than men.

"Small businesses are earning bumper profits. We haven't seen this before in India for a long time... The second transition is in coastal India. Peninsular India has seen economic growth take off. So many of the states in southern India, many of the cities in southern India, are seeing their GDP growth doubling every six to seven years," Mukherjea said. "These are the fastest-growing cities and the fastest-growing regions in the world."

Adding to the conversation was Rajiv Dhar, executive director of the National Investment and Infrastructure Fund (NIIF), who said that India is on the right track on the fiscal and regulatory policies front, especially with regards to clean infrastructure.

"On the infrastructure side, the future is bright because the regulatory framework, specifically with regards to some of the large segments of infrastructure, whether it is roads, or transportation, or energy, is quite established. There are good business models where international investors have seen a good track record with their investment and investment returns," said Dhar.

Further highlighting the emerging opportunities in India, Dhar said, "I think there's huge scope with regards to transforming companies to decarbonise... I think there are four emerging markets within India which are coming up. These are energy transition, industrial de-carbonisation, sustainable living, and climate technologies."

Overall, while the panellists agreed that the opportunities facing India's economy were immense, stakeholders in the country's growth needed to make collective efforts to ensure that the country stays on course to achieve the growth it envisions.