



World Economic Forum: India needs to manage diverse risks

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NEW DELHI: India is in a sweet spot but needs to manage diverse risks and deliver on its potential if it is to grow at a sustainable double-digit rate, maintained an expert panel of the World Economic Forum .

The panel, which included Bharti group chief Sunil Bharti Mittal, managing director of Asian Development Bank Rajat Nag, Harvard professor Gita Gopinath and CII president Hari Bhartia, asserted that India growth story looked good as of now.

The panellists pointed to some of the risks faced by the economy such as capital inflows, inflation, inadequate skills among the youth and certain social sector schemes that could derail fiscal consolidation.

Professor Gopinath also made a point about the opaqueness in India's monetary policy and said more transparency was needed in communication. "My own reading how the monetary policy is driven or how food inflation affects monetary policy is not very clear," she said. "What's needed is more clear communication from the RBI that 10% inflation is not good and we do not want it and where would we like it to be," she added.

The Harvard professor underlined the need for the country to aggressively pursue fiscal consolidation and cautioned against the rising capital flows saying that the time to act may have come.

"When it rains, it pours. Owing to couple of factors such as high growth, high returns in India and low returns in the developed countries it looks like India will continue to attract flows, " She said adding that imposing a tax on the lines of Brazil will not work since it was a blunt instrument. Instead, she said what really mattered is the quality of flows, hinting at selective curbs.

She also cautioned against the government going forward with food security bill without deregulating diesel and kerosene prices or reforming the public distribution system full of leakage.

(ET)

