

Arvind Singhal: The next five years

Arvind Singhal / New Delhi October 21, 2010, 0:10 IST

All of us acknowledge that India is changing and that the pace of change is accelerating. We also know that India (and the Indian economy) will be very different five years from now in more ways than one. In the context of private consumption, how much India would be different in 2015 can be best understood if we look at some of the data relating to where India was just five years ago, i.e. in 2005.

India's GDP in 2005 was about \$785 billion, which has increased to almost \$1,400 billion in 2010 and should cross \$2,000 billion by 2015, implying that Indian economy would have added almost one India of 2005 to its size in the next five years. This spectacular growth, on a relatively high base of almost \$1.4 trillion, translates into unprecedented opportunities and greater challenges than what India has faced in the past. Let us look at 2005 and then try to crystal ball 2015 for a few consumption categories.

In 2005, our domestic market for four-wheelers was just about 1.1 million vehicles. It will cross 2 million in 2010 and touch 4 million by 2015 (including as many as 110,000 in the luxury and premium segments). There were less than 100,000 users of smart-phones in 2005, about 25 million in 2010, and perhaps as many as 225 million in 2015. From a user base of about 8 million laptop users in 2010, there could be as many as 50 million by 2015. There were less than 25 million Internet users in 2005, increasing to about 75 million in 2010, and projected to grow to more than 250 million by 2015. From less than 250 multiplex screens in 2005, to about 800 in 2010, the count could cross 2,000 by 2015. Similar increases in multiples ranging from 2x-10x could happen across many consumer product categories.

The opportunity side, therefore, should be quite obvious and the message for all businesses is really to put less relevance to what happened in their sectors and segments in the last five or ten years, and try to understand what is likely to happen in the next five or ten years. Since the market opportunity is likely to grow in multiples of the current size, most businesses should rework their strategies and rewrite their business plans rather than just continue with incremental additions to their current plans.

It is, however, more important to also give a hard look at the challenges that Indians and Indian businesses will encounter in the coming years. The first and more critical is the physical infrastructure. Doubling of number of cars and two-wheelers on the roads will need a corresponding increase not only in the road network but also in parking spaces, auto repair workshops and fuel vending stations. Adding of almost \$400 billion in additional private consumption by 2015 will require a mind-boggling increment of nearly 1.5 billion square feet of retail space alone (or about 6,000 shopping malls of 250,000 square feet each). E-waste from the installed base of hundreds of millions of electrical and digital devices will run into tens of millions of tonnes, requiring enhancement of waste-management capacity by almost 10 times of what exists today. Steady increase in urbanisation will imply an additional demand for almost 20 million urban dwellings in cities where the infrastructure is already creaking to its limits. Strain on social infrastructure, be it education (primary, secondary, higher, and vocational) or health

care (primary, secondary, and tertiary) or clean drinking water or sanitation will further increase manifold, rather just in simple double-digit percentages.

As in the context of opportunities that entrepreneurs and current businesses have to write their strategies and business plans, in the context of challenges too Indian planners and policy-makers have to reorient their political and economic ideologies to the needs of today and tomorrow, and come up with frameworks and policies that may be a total departure from the past. From a “control” mentality, the governments and bureaucracy have to shift to a “facilitator” mode and put a premium on saving time, rather than saving cost, to bridge the increasing physical and social infrastructure gap. How India handles the next five years may well determine how we will fare in the decades to come.

arvind.singhal@technopak.com