

Executive Summary

Breaking new ground by deploying solutions for rapid, sustainable and resource-efficient growth

Future of India The Winning Leap



Executive summary

The Winning Leap

Noun; *Breaking new ground by deploying solutions for rapid, sustainable, and resource-efficient growth; a play-to-win approach by young and growing nations seeking a radically different development path; a phrase denoting small steps by millions of people that can culminate in a giant leap forward for their nation; a phrase that citizens, entrepreneurs, business leaders, investors and government leaders associate with a ‘once-in-a-lifetime opportunity’ to lift millions into prosperity; an approach that industry leaders can use to build new capabilities for profitable growth; a state of mind focused on possibilities while recognising roadblocks in solving a wide set of challenges facing a nation*

In its seventh decade of independence, India stands on the cusp of major change: a transformation that could lead to unprecedented economic growth paired with radical improvements in the nation’s Human Development Index (HDI). Over the past two decades, India’s gross domestic product (GDP) has risen by more than US\$1tr, in the process bringing millions of citizens into a new cohort we call the emerging middle class. We set out to understand what it would take for India to increase its GDP by 9% per year to become a US\$10tr economy over the coming two decades.

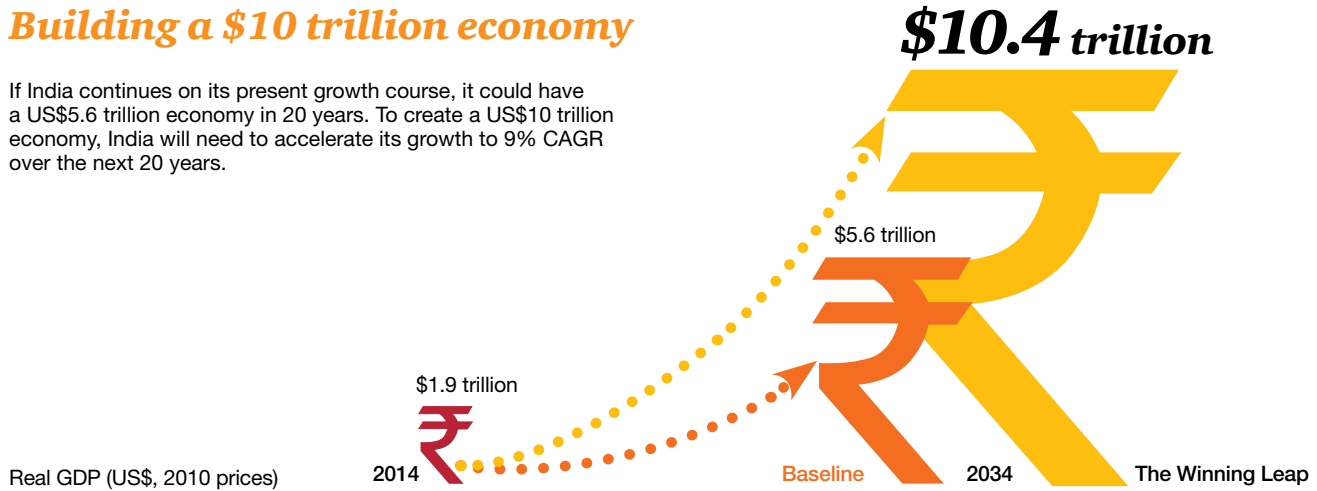
Anything less than US\$10tr would not secure India’s future. The nation needs to create 10-12m jobs every year in the coming decades to provide quality of life for its growing population. Young Indians, particularly members of the emerging middle and the middle class—a billion strong by 2034—have rising aspirations. They are also more empowered to demand change, thanks to ever-greater access to the internet and mobile connectivity. The recent electoral mandate for development is a more immediate signal of Indians’ desire for growth and for the benefits of growth to be extended to all members of society.

A 9% GDP growth rate with a per capita income rising from US\$1,500 to just under US\$7,000 per year will boost quality of life for more than 1.25bn citizens. This would be the largest national development effort any democracy has ever attempted. Reaching this goal will call for a concerted effort—from businesses, entrepreneurs, investors, and government leaders. It will also require new solutions we collectively term the Winning Leap. Our research focuses on the role that corporations and entrepreneurs must play in helping to deliver this growth while building new capabilities.

The national ambition

Building a \$10 trillion economy

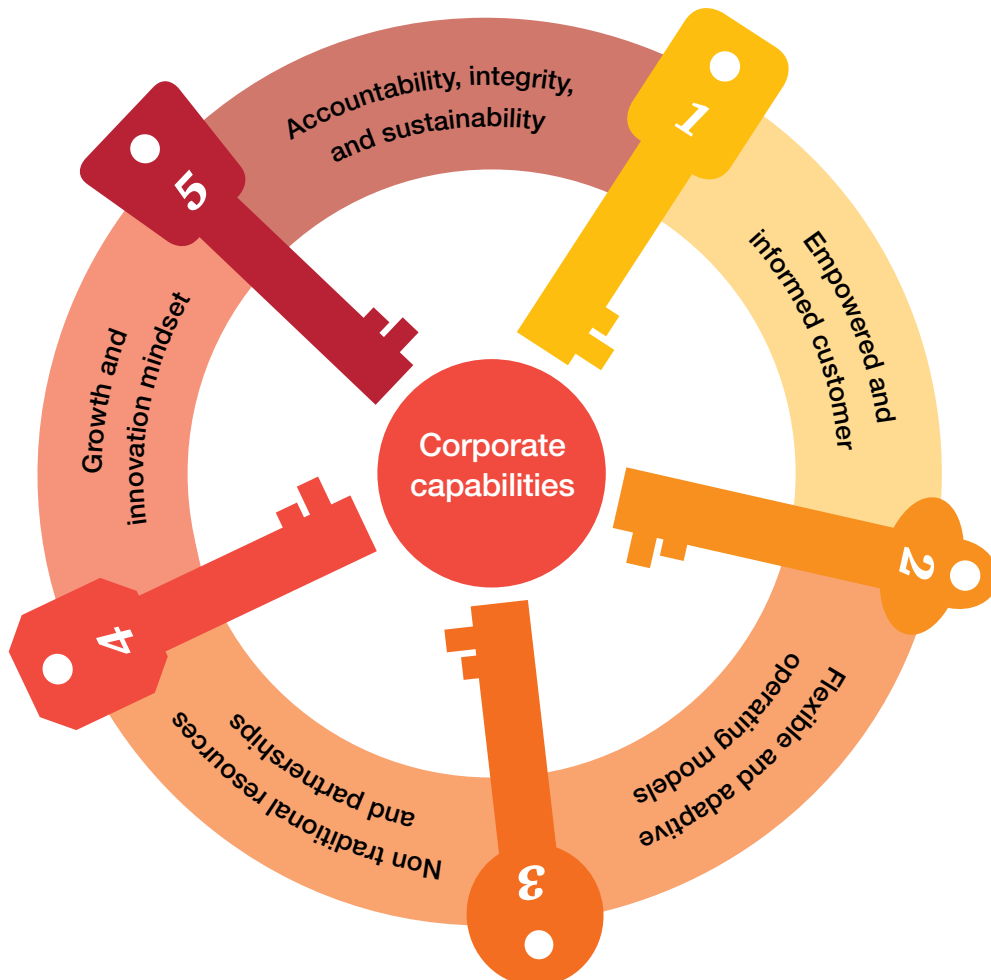
If India continues on its present growth course, it could have a US\$5.6 trillion economy in 20 years. To create a US\$10 trillion economy, India will need to accelerate its growth to 9% CAGR over the next 20 years.



Creating new capabilities

Five key themes for the corporate sector

To lead the Winning Leap, companies will have to address five key themes requiring new capabilities



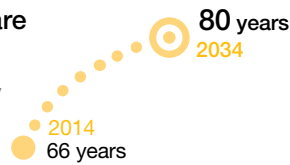
Solving problems across sectors

Achieving the Winning Leap means finding solutions to some of India's most persistent problems. As the country transforms, these must become vectors of growth not weights slowing the country's rise.



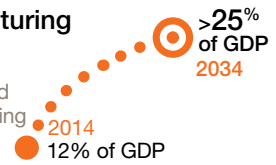
Healthcare

Raising life expectancy



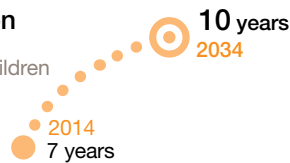
Manufacturing

Increasing value-added manufacturing



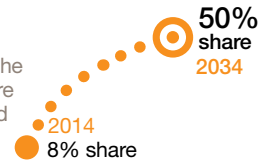
Education

Keeping children in school



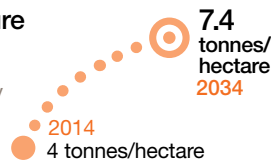
Retail

Increasing the market share of organised retail



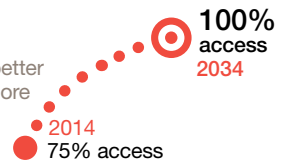
Agriculture

Improving productivity



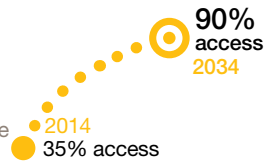
Power

More and better power to more people



Financial services

Providing banking to more people



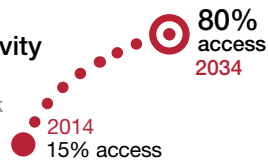
Urbanisation

Modernising urban areas



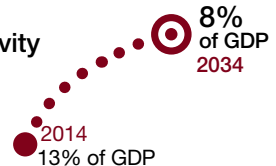
Digital connectivity

Broadening the network



Physical connectivity

Reduce logistics cost



Taking the right sub-leaps



Fierce Catch-up

Using traditional approaches or technologies—to surmount challenges—at an accelerated pace

Significant Leap

Adopting new or different approaches and technologies that may have been developed elsewhere but that would also work in India

Leapfrog

Skip a generation or create an entirely new method of business model or technology



We also highlight the critical role that the government will have to play to support this goal, by creating national platforms and an enabling environment.

Our research methodology comprised interviews with about 80 leaders in India and abroad, workshops with sector leaders, insights from academic and economic specialists, and an online survey completed by more than 1,500 PwC employees. The message we heard was unambiguous: to surmount its challenges and secure its future, India needs to focus on creating new solutions that will radically improve its economic and human-development performance.

We began with an analysis of other countries that have embarked on a similarly ambitious growth journey, including exemplars from middle-income countries in Asia and Latin America. China, for example, has shown remarkable economic growth, albeit under political and social circumstances that are very different from those that characterise India. South Korea has vastly improved its HDI since 1983. And

since 2007, Brazil has been unleashing the power of its private sector to accelerate its growth. In India, we found double-digit growth stories in key states that provide internal examples of what the nation itself is capable of.

Challenges as opportunities

To realise the Winning Leap vision, India needs to view its many economic and social challenges as opportunities for growth and renewal. With this perspective in mind, we investigated performance in ten sectors that, together, constitute more than 70% of India's GDP. Each sector faces challenges whose resolution will require new solutions that are scalable, resource efficient, and environmentally sustainable. For example, the education sector will have to deliver high-quality, formal education to 7m additional children every year over the next two decades. Yet with current education investments estimated at just 3% of India's GDP, achieving this target won't be easy using traditional strategies. India's healthcare sector offers another case in point. To serve a growing

population, the sector will need 100,000 additional doctors and 300,000 additional nurses every year through 2034. But this sector, too, faces an investment challenge. Additional sectors we examined—agriculture, retail, utilities, manufacturing, financial services, urban infrastructure—all confront a similar challenge. Each has to grow, despite resource constraints. Managing this imperative will require significant new investment and innovative approaches.

Complicating things further, all of these sectors are interconnected: a setback in one spawns setbacks in others; improvement in one enables improvements in others. As just one example, higher-quality education and healthcare result in healthier, more skilled workers who can help drive growth and innovation in India’s manufacturing sector.

In addition, we examined performance in what we call enabling sectors: India’s digital and physical connectivity. For each sector examined, we defined a key metric—a “vector of growth”—with which to assess growth performance. (See previous page.) We arrived at targets for these vectors by looking at countries at a similar stage of growth and by consulting sector experts. With sectors that support and enable growth in other sectors, like digital connectivity, we took a more aggressive approach, imagining India reaching world class status by 2034.

Vectors represent targets that must be achieved for the corresponding sector to help drive overall rapid growth in India. Moreover, each vector has quantitative as well as qualitative submetrics. To illustrate, while increasing average years of

schooling matters, spending more time in school won’t mean much unless the quality of the education also improves. And that means strengthening curricula, driving innovation in the use of learning channels, and improving teacher training.

A closer look at the Winning Leap solution

As we investigated these vectors, we saw that linear growth in each will not be enough to enable the growth envisioned for India. Given the complexity and scale of the challenges facing India, the resources required, and the urgency of demands for change coming from Indian citizens, sector players must deploy solutions that deliver nonlinear growth. Our analysis of sector growth suggested three categories of solutions. (See Figure A.)

Figure A: Categories of Winning Leap solutions

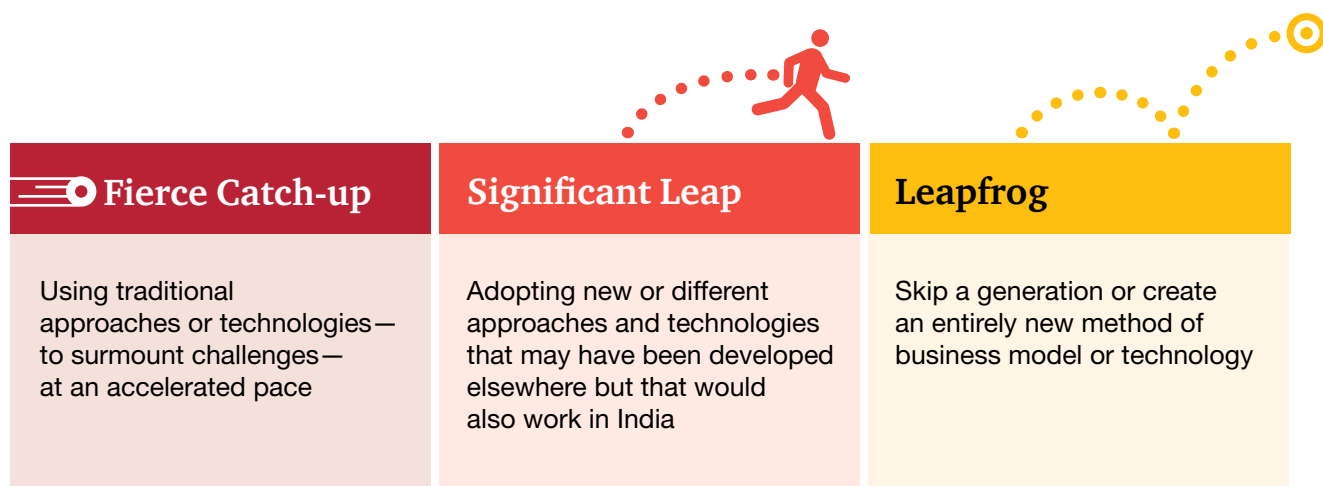
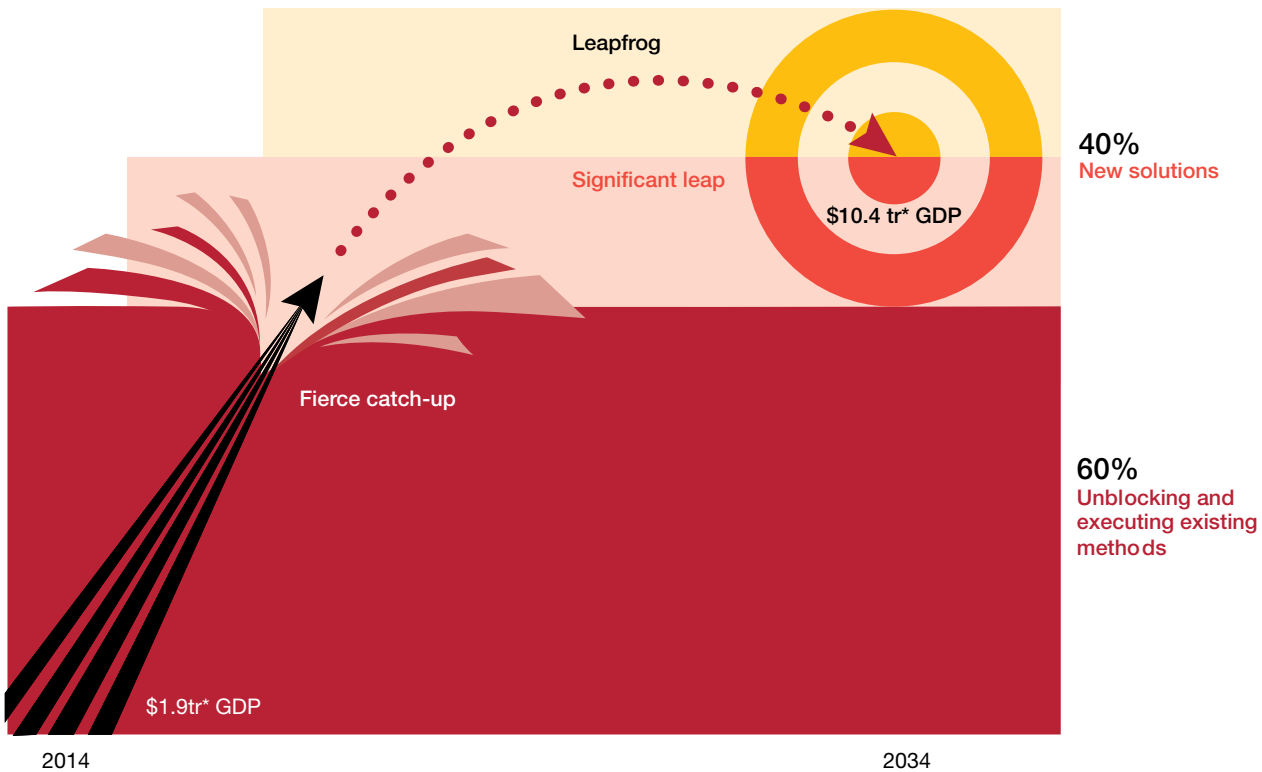


Figure B: How new approaches could contribute to India's economy



Source: PwC analysis

Each sector of the Indian economy will need to execute solutions drawn from all three categories if India is to build its GDP to US\$10tr in 2034 and improve its HDI in an environmentally sustainable manner.

Take the vector life expectancy at birth as an example. To increase life expectancy from today's 66 years to 80 years in 2034, our analysis shows that a traditional approach would require the addition of 3.6m new hospital beds over the coming two decades. A Winning Leap approach will take a decidedly different tack, whereby healthcare-sector players scale more operationally efficient business models (Fierce Catch-up), encourage preventive healthcare and home care (Significant Leap),

and adopt mobile health techniques and technologies (Leapfrog). Combining these strategies could reduce the number of additional hospital beds needed by 1.2m while still boosting life expectancy to 80 years in 2034. That reduction in the number of new beds could translate into savings of more than US\$90bn in capital expenditure on healthcare delivery infrastructure.

Other sectors can benefit similarly. For instance, a Winning Leap approach that increases average years of schooling from 7 to 10 in 2034 could save the education sector US\$170bn in cumulative investments. And a Winning Leap approach providing 24/7 access to power for all citizens while

We are sitting at 1.2 billion, going on to 1.5 billion in population. While this is a huge challenge it is also a large opportunity. It will stretch our finite resources to the limit unless there are some breakthroughs in technology.

Ajay Kumar Misra
Tata Global Beverages

increasing power delivery three-fold can be achieved through approaches that save US\$200bn in capital expenditures.

Our analysis suggests that up to 40% of India's US\$10tr economy in 2034 could be derived from new solutions. (See Figure B.) Such solutions could be successfully implemented with 25-30% less resources than those required by traditional solutions. Therefore,

Winning Leap solutions not only drive rapid growth in a resource-efficient manner but also are environmentally sustainable. The Winning Leap is more than just a new approach; it's a "play to win" mind-set for sector leaders and the country.

These and other analyses are explored closely in Chapters 1 and 2 of this report.





The private sector's role in achieving the Winning Leap

India's private sector—established corporations and entrepreneurial companies alike—can play a key role in developing and deploying Winning Leap solutions. Why? The private sector is more nimble than the government and social sectors in terms of its ability to craft new business models and strategies and leverage new technologies. Given their experience with globalisation, these companies are well positioned to learn from and experiment with best practices developed by their global peers. International companies looking to participate in high-growth markets are equally well equipped to develop relevant solutions.

This growth journey will also require public-private partnering in its broadest sense. To support progress in a number of sectors, the government will need to continue building national platforms such as improved roads, ports, and physical connectivity as well as better digital infrastructure.

If India can achieve a 9% per year growth trajectory, its economy would become the world's third-largest in 2034, after the US and China. This achievement would create world-class companies originating in India that develop capabilities essential for other high-growth markets as well. These companies could successfully serve India's already large and growing domestic market while also competing on the global stage. We anticipate that at least ten

Indian companies will find a place among the global top 100 by size and scale if the nation can achieve its US\$10tr GDP aspiration. These industry champions will not only demonstrate unprecedented growth themselves but also build new capabilities essential for ongoing innovation of new products, services, and business models.

To foster the emergence of such world-class Indian companies, India's private sector will have to invest more in research and development (R&D), particularly for solutions to challenges facing emerging markets, where India has already established a leadership position. Indeed, our economic model shows that India's Winning Leap will require an increase in R&D spending from 0.8% of GDP to 2.4% in 2034.

Five themes for the corporate sector

All too many Indian companies still don't realise the changes highlighted in our research. For those that are aware, many are not responding swiftly enough. To achieve the scale of transformation required for India's Winning Leap, businesses in as much as 40% of the nation's economy will have to execute new solutions and build new capabilities. To accomplish this, companies must focus on excelling at five interconnected themes. (See Figure C.)

These five themes are explored in detail in Chapter 3, including how they interrelate and which capabilities and technologies will prove most crucial for each.

Figure C: Five key themes for the corporate sector

Serving informed and empowered customers



As information grows (in both access and volume) and Indian consumers and businesses are more able to apply this information in their decision making, they become more empowered. And with their increased empowerment, they'll demand ever more value from the products and services they buy—including greater quality and convenience. Companies will need to rethink their business models and competitive strategies to profitably serve these customers.

Creating flexible and adaptive operating models



To reach these more demanding customers, Indian companies must build new kinds of operating models, such as asset-light models; experiment with unconventional sales and distribution channels; and leverage technology in new ways.

Drawing on nontraditional resources and partnerships



To acquire or build capabilities needed to drive growth, Indian companies can import knowledge and technologies through models such as licensing and forge partnerships with the government and social-sector organisations.

Adopting a growth and innovation mind-set



Indian companies must weave a commitment to growth into their corporate DNA by fostering companywide awareness of consumers' needs, investing enough in R&D, and unlocking entrenched organisational structures and attitudes that are inhospitable to new solutions, new business models, and new approaches.

Focusing on accountability, integrity, and sustainability



To drive rapid growth, Indian companies will need to align their top management and board to make everyone accountable for growth, embed integrity into their organisational culture, and uphold sustainability and social impact as core values of the organisation.

Entrepreneurs' role in the Winning Leap

Like large, established corporations in India, entrepreneurial companies in India can play a critical role in developing and deploying Winning Leap solutions. Indeed, the large Indian companies of tomorrow will emerge from the entrepreneurial sector of today. A groundswell of entrepreneurial energy in India has sparked recent, well-publicised successes in the e-commerce sector alone, and our research suggests the potential for similarly entrepreneurial growth in virtually all of India's sectors.

Our research has also focused on the interplay between corporations and entrepreneurs—in particular, how corporations can help by linking new ventures to their supply chain and by mentoring and coaching entrepreneurs on best business practices. In addition to being especially nimble in terms of driving innovation, entrepreneurial businesses have a huge potential to create the new jobs needed by the Indian economy. Our findings and analyses related to entrepreneurs' role in the Winning Leap are discussed in detail in Chapter 4.




The importance of ease of doing business

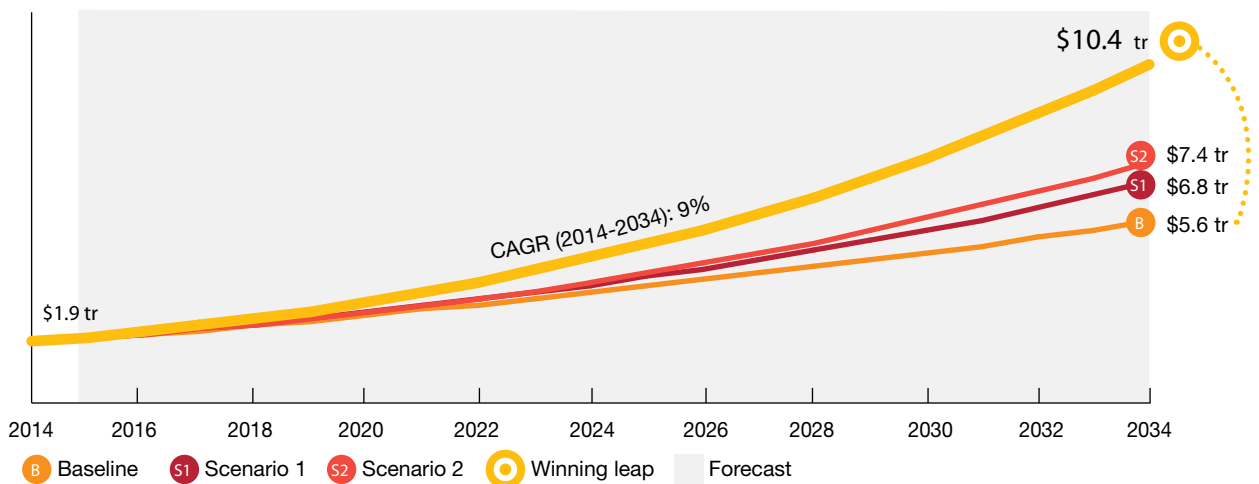
India's private-sector players can deliver Winning Leap solutions only if regulations and government policies make it easy to do business in India. In 2013, India ranked 134 out of 189 economies in the World Bank's Ease of Doing Business index. Our analysis and discussion with experts in this field suggest that there is some low-hanging fruit that could be harvested to improve this ranking—in areas like ease in starting a company and in paying taxes. Progress on these and other fronts could improve India's rank in this index by more than 50 in just a few years. Other improvements will require more complex policy and mind-set changes. An additional benefit of improving ease of doing business in India could take the form of greater confidence in India on the part of multinational companies, which would translate into larger flows of foreign direct investment and know-how into India, two essential ingredients for growth and innovation. The topic of ease of doing business is examined in closer detail in Chapter 5.



Three economic-growth scenarios

With data and modeling from Oxford Economics, we've defined three possible economic growth scenarios for India, each hinging on different strategies and achievements that could come from corporations, entrepreneurs, and the government and each reflecting a different focus for investment:

Scenario 1	Scenario 2 	Scenario 3 
 <p>Pushing old ways faster outlines a focus on investment in education, health, and other dimensions related to human capital. Our analysis suggests that in this scenario, India's GDP could see a 6.6% compound annual growth rate (CAGR) between now and 2034.</p>	<p>Turbocharging investment outlines the impact of rapid and significant investment in physical infrastructure and envisions a 7 trillion CAGR for GDP leading up to 2034.</p>	<p>The Winning Leap includes investment in both human and physical capital (as in the previous two scenarios) but also focuses on investment in R&D and innovation and envisions a 9.0% CAGR for GDP between now and 2034. This scenario forecasts the most aggressive growth and is the only scenario that will generate the 240m new jobs that India's growing population needs over the next 20 years.</p>



Source: Oxford Economics

We have also highlighted the challenges and roadblocks to achieving the identified growth in GDP. For instance, for Scenario 1, India will need to capitalise on its demographic dividend while also mitigating the risk of mass unemployment among its youth, which could be amplified by unaddressed health and education problems. In Scenario 2, water scarcity and energy security could jeopardise investments in physical infrastructure. And in Scenario 3, continued weakness in India's intellectual-property protection

system could hurt investments in R&D and innovation. These scenarios are explored more closely in Chapter 6.

How to use this report

The central purpose of this report is to drive action. We hope that the frameworks, analyses, and ideas for action laid out in this document will help catalyse corporate leaders, entrepreneurs, investors, and government officials to take actions aimed at contributing to India's Winning Leap:

Corporations



If you're a senior executive at a corporation, you may find Chapters 2, 3, and 4 of particular interest. These and other chapters can help you spark dialogue on how your company can spur its own growth, craft Winning Leap solutions that benefit India overall, and set the stage for elevating your company to world-class status. See pages: 32, 64 and 80

Entrepreneurs



If you're an entrepreneur, you may want to pay especially close attention to Chapter 4 as well as Chapters 2 and 3. We recommend using these and other chapters to brainstorm ideas for partnering with large, established corporations (such as being mentored by a large corporation), for scaling your company, and for stepping up creation of new jobs. See pages: 32, 64 and 80

Investors



If you are an investor, Chapters 2 and 6 may be of particular interest, because they explore sector opportunities, the different growth options facing India, and the approximate size of the investment opportunity. International companies seeking to enter India, acquire Indian companies, or invest in other ways in India's growth story will find this content equally useful. See pages: 32 and 100

Government



If you're a government leader, Chapters 2, 5, and 6 may be of particular interest to you. These and other chapters can help you and your colleagues explore ideas for improving ease of doing business in India (for example, by working with an industry council focused on this goal) and collaborating with businesses to identify short- and medium-term actions that the government could take to elevate India's ranking in the Ease of Doing Business index. See pages: 32, 88 and 100

These concepts are covered in greater detail in Chapter 7 (page 128).

By using this report, you can initiate new conversations that lead to long-term capability building and profitable growth for your organisation or institution. In doing so, you will be joining business leaders, entrepreneurs, investors, and government officials who participated in our study—all of whom were energised by the possibility of India's rapid growth and spread of prosperity that our report outlines.

The international leaders who took part in our study were especially passionate in their opinion that while the Winning Leap is critical for India, it's equally important for other growing economies. It is our hope that business and governmental leaders in other such economies will draw lessons from India's experience and make strides toward their own Winning Leap.



For more information

Steering Committee

Deepak Kapoor

Chairman and Territory Senior Partner
PwC India

Juan Pujadas

Vice Chairman-Global Advisory Services
PwC International Limited

Blair Sheppard

Global Strategy and Leadership Development
Leader
PwC International Limited

Bharti Gupta Ramola

Markets and Industries Leader
PwC India

Neil Wilson

Chief Operating Officer
PwC India

Shashank Tripathi

Strategy Consulting Leader
PwC India

Special Thanks to

Swati Prasad

Sarah Hunter

John Kerr

Lauren Keller Johnson

Catherine Cuddihee

Design Team

Odgis + Company

Nidhi Jain

Pallavi Dhingra

Project Lead Partner

Shashank Tripathi

Strategy Consulting Leader
PwC India
shashank.tripathi@in.pwc.com
+91 981 96 78900

Core Team

Arup Mazumdar

Principal Consultant, Strategy Consulting
PwC India
arup.mazumdar@in.pwc.com
+91 993 05 88938

Suman Jagdev

Associate Director, Emerging Market CoE Lead
PwC India
suman.jagdev@in.pwc.com
+91 982 00 06396

William MacMillan

Manager
PwC Advisory LLC
william.j.macmillan@us.pwc.com
+1 267 761 8463

Gagan Oberoi

Aditi Kedia

Raunak Bavishi

Mayank Sankar Nayak

Katyani Gupta

On Media Enquiries

Nandini Chatterjee

nandini.chatterjee@in.pwc.com
+91 9805 08 447

Rahul Virkar

Mamata Borthakur

About PwC

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in Assurance, Tax and Advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

In India, PwC has offices in these cities: Ahmedabad, Bangalore, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai and Pune. For more information about PwC India's service offerings, visit www.pwc.in

PwC refers to the PwC network and / or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

You can connect with us on:



facebook.com/PwCIndia



twitter.com/PwC_IN



linkedin.com/company/pwc-india



youtube.com/pwc

pwc.in/thewinningleap

Data Classification: DC0

This publication does not constitute professional advice. The information in this publication has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this publication represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2014 PricewaterhouseCoopers Private Limited. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.