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Hon'ble Prime Minister of India

Shri Narendra Modi ji

Subject: Some Conceptual thoughts on revival of our country's economy.

At the outset, I congratulate you on your sweeping victory in last 'Lok Sabha Elections'. Your thumping majority and the ability to get things done have also increased the expectations of the people towards the economic agenda.

The world economy is going through a tough time and our economy is no exception to it. In the present economic scenario, it is feared that our economy is going to recession resulting into two major problems one being 'Demand Recession' and second is 'Lower business and Corporate Profits'. My views and suggestions as a common man are presented below:-

I understand 'recession' as a situation in which the 'Economic Activity' gets slowdown. Under this situation, the rotation of money slows down and the money gets stuck up, reducing substantially the economic transactions. It may occur by a combination of cyclical as well as structural bottlenecks.

Though, the revival from recession takes its own time, however the following measures may help to arrest it and/or to reverse it:-

- A. **ENHANCING PURCHASING POWER:** The recession is founded on 'Low Demand'. To revive the demand cycle, the efforts are required in putting more money in the hands of 'Target Groups' whose 'Propensity to Consume' (Ratio of Spending to incremental income) is more. The target group in this case are the lower and middle class people.

- B. **REVIVAL OF BORROWER'S BUSINESS:** Indian banking system, which is considered as backbone of the economy is passing through a very challenging time due to mounting NPA's. The borrower's businesses are facing de-growth in sales as well as profits. Under these situations, the borrowers are not able to service the interest and in many cases even the principal repayment obligations. They have idle capacity and have no interest in expanding their business.

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In the above circumstances, I think that the banks should focus more on the revival of the borrower's business. This should be done in the proper spirit, honestly and with dedication rather than in a casual manner.

- C. **REVIVAL OF EXISTING CAPACITY:** The slowdown of economic activity has the effect of blocking the money in the capital cost of idle capacity, in piling up of inventories and in savings. The priority should be to rescue the businesses from this dilemma by employing aggressively the attempts enumerated in Para (A) and (B) above. In short, the focus should be towards revival of existing capacities rather than making new capacities.

From the above, it is clear that the revival from the recession needs well thought and dedicated decisions rather than impulsive ones. Moreover, a 'Cost benefit analysis' resulting into more benefits than the cost involved should be evaluated.

Hoping for a great Economy of our Country.

Yours Faithfully

CA. Rajendra Goyal