



The Economic Club of New York

117th Year
775th Meeting

Mrs. Nirmala Sitharaman
Finance Minister of India

October 21, 2024

In-Person/Hybrid Event

Moderator: Arvind Krishna
Chair and CEO, IBM
Vice Chair, ECNY

Introduction

Chair Robert K. Steel

Good afternoon everyone, and welcome to the 775th meeting of The Economic Club of New York. My name is Bob Steel, and I'm the Chairman of our Club and the Vice Chairman of Perella Weinberg Partners. I'm honored to be with you all today and thank you very much for joining us. We're quite excited about this program.

As you all know, The Economic Club of New York stands as the nation's leading nonpartisan platform for discussion of economic, social, and political matters. And for more than a century, the Club has hosted over 1,000 preeminent guest speakers contributing to the long tradition of excellence.

We're excited to continue that tradition today with a conversation featuring Nirmala Sitharaman, the Finance Minister of India. I want to welcome also two special guests who are joining us today – India's Ambassador to the United States, Vinay Kwatra, and the General Consul of India here in New York, the Honorable Binaya Pradhan. I also want to take a moment to also acknowledge our good friend, Al Mason, the Founder of Fintech Power Corporation, who was very involved in organizing this lunch today and to making sure that it could happen. Al, we're most appreciative to you. And it's because of your hard work that we're all here today to have this special opportunity.

I also want to take a moment to welcome the students who are joining us virtually from the University of Pittsburgh, the Graduate Center of CUNY, Baruch College, and also members of the 2024 Class of ECNY Fellows. This group of diverse, next-gen, business thought leaders is our largest ever. If you know someone who you think might be a good fit for our program, applications for the 2025 Fellows are now available online at our Club's website.

So now let me move into the highlight of today and the official introductions. Miss Minister, we're very appreciative that you are here. For background, she's held this position since 2019. Prior to her role as the Finance Minister, Minister Sitharaman served as Minister of State for Finance and Corporate Affairs and as Minister of Commerce and Industry, where she played a pivotal role in shaping India's trade negotiations and economic reforms. From 2017 to 2019, she also served as the country's Minister of Defense.

Since she was first elected to Parliament in 2014, the Minister has been instrumental in steering India's financial and trade policies. She has also represented India at some of the major global convenings such as G20 and WTO, there addressing from an Indian perspective global issues of trade, climate change, and financial stability. Her leadership was especially instrumental during India's G20 Presidency and throughout the unprecedented economic challenges of Covid. This period saw her spearheading critical

reforms in taxation, banking, and economic governance. We're very delighted and honored that she's made time to visit with us today on her trip to the United States.

Today, she will be, the Minister will be in conversation with our Club Vice Chair Arvind Krishna. Arvind, as many of you know, is the Chair and CEO of the IBM Corporation, and we're honored to have him here today. Just as a reminder, this conversation is on the record. There are media in the room and joining virtually, so we will end promptly at 1 p.m. So now let us invite both of them to the stage. They'll have a conversation and then if we have time, Arvind will invite questions from the audience. Thank you very, very much.

Conversation with Mrs. Nirmala Sitharaman

VICE CHAIR ARVIND KRISHNA: So, Madam Minister, first, thank you very much for agreeing to spend this hour with us in the room. I think we cannot help but start by acknowledging the remarkable progress and the remarkable pace that India has made on its economy. If I hear, Prime Minister, number five in global GDP and enroute to number three soon, three, four, five years, something. So maybe if it's appropriate, we can start there and just have your commentary on this massive progress that has been made over the last ten years, or over the last five years.

MRS. NIRMALA SITHARAMAN: Over the last ten years, I would say, but particularly after the COVID. The emphasis has been to make sure there is a enough bustle in the economy. We wanted to achieve financial inclusion since the last ten years, meaning since 2014 when the Prime Minister took office. This is his third term, post-2024 June elections.

So the financial inclusion step which was so digitally driven has given us the lead advantage in the recovery also post-2020. The recovery was largely on the back of public finance, meaning public-funded capital expenditure, building infrastructure, making sure that money goes down directly, immediately after COVID to make sure the large, much-awaited infrastructure programs are undertaken and completed in time.

So the money, public money going for capital expenditure has been a great fountainhead of the multiplier effect which you want in an economy. The multiplier it was, which helped us to sustain growth since after COVID. But sustained growth since after COVID only on public (audio went out) on capital goods? No, it's also because since 2014, as though he knew that, you know, you may have a contingency, like the COVID, there was a massive drive to bring every Indian to hold a bank account.

And that was given with an identity which is digitally made available so you have a billion bank accounts, a billion identities through Aadhaar, which is a digitally-driven

biometric, authenticated identity for every person, Indian, who is living in India. And thirdly, because you were able to identify him, authenticate his existence, and that there's no duplication, you were able to extend credit facility to him, however small or big.

Because of this financial inclusion, digitally-driven financial inclusion, and making sure that no Indian is left out without financial access, we were able to take the relief given during COVID through digital direct benefit transfers without having to post checks to people, without having to tell them wait for the day when I can reach you. It was spot-on. With one button, everybody received the relief that they needed during COVID. So this digital thing didn't stop with financial alone. It was used for medical treatments. It was also during vaccination time during COVID. Identity of who received which dose, and this is the first dose or the second was possible.

Innumerable ways in which the digital access has helped Indians to, for themselves to access the global market. We also created an open network for digital commerce. Again publicly funded. It was an open access platform through which any Indian producing small things anywhere in the corner of the country can use this platform and access the global market.

So the long and short of what I want to tell you is for the multiplier, government

spending money, through capital expenditure, and for the small man, having given the access through digital network, he was able to buy and sell using this platform, suddenly to the global market rather than his village market alone. All this, simultaneously handled through digitizing the Indian economy, has allowed us to formalize the economy, bring more people onto the formal transactions which were earlier outside of the GDP calculation. Today, all of them have come on board.

VICE CHAIR ARVIND KRISHNA: Madam Minister, that's quite an accomplishment India has made. And I know that the Prime Minister and the government and you often talk, but that is something maybe even other nations in the global south should try and emulate, and India has even offered up some of its IP and some of those methodologies for others to copy.

But I can't let this go without also giving a lot of credit. India also created the universal payment interface, UPI. And it was a government-driven effort albeit the participants are citizens and private institutions. And from what I read, the volume through that now exceeds that of any other country. Is that also fair part of...

MRS. NIRMALA SITHARAMAN: Absolutely. In that, whilst you've captured what we've sort of reached today, I want to tell you that the transition from using plastic cards, either as debit cards or credit cards, has been so rapid. There was a time in 2014, although

many didn't have the advantage or access to the cards, there were still cards available so that you can transact.

Then we moved over to the ATM. Then we moved over to just the debit card and ATM. From that to the POS machines which were used, the point-of-sale electronic machine, which we used. Rapidly from that, today you don't need the card. You don't need the POS machine. The vendor doesn't have to be linked with anything. The transaction is possible with a QR code.

Now, the QR code is not an elite principle for India. In fact, it is the opposite of it. It is the QR code which has brought in Fintech to come up with innovative ways of seeing how best we can even further simplify the process. The smallest vendor of vegetables or seasonal fruits right outside of the farmyard uses QR code to the most elite branded shop in one of the high streets in Mumbai or in Delhi, which uses QR code.

So QR code has democratized the whole process of buying and selling in such a way that technology is as though a very child's play kind of a tool, that everybody uses it. That's because the government invested in the infrastructure, digital infrastructure. That's because the digital infrastructure doesn't cater to only smartphones. It caters to all kinds of phones. Again, offline transactions are also possible even for those difficult areas which may not have internet connectivity at the efficient levels. So all these

simultaneously being done by the government gave the lubricant that is so required to transform and keep moving along with technology and be on the top of it.

VICE CHAIR ARVIND KRISHNA: So the Minister may not say it, but I will tell you from personal experience, ten and twenty years ago, cash used to play a significant part in the economy. And the middle steps the Minister talked about certainly helped all of the plastic in the middle, but when they moved to these QR codes and the UPI, it really made electronic transactions much, much more possible, which also removed a lot of the cash that was in prior years essential for the economy. By the way, there's a lot of cost to managing cash as some of the bankers in the room might know. And so that also went away along with the ability to counterfeit notes and all that. So all of that decreases and helps the formal economy.

MRS. NIRMALA SITHARAMAN: Absolutely. And if I may add, it brings some great transparency to the whole process. One, it gets people to come on to the formal economy, onboard onto the formal economy. Two, the cash which was flowing under the table has been now all eliminated. You're either on the top of it or you're not transacting at all. And after all, how long can an individual live without transacting? So this process of formalization has helped India to come out as a country which is open and transparent.

And like I said earlier, once in some other session, the FATF, the Financial Action Against Terror Funding, which is a global body, which doesn't want black money, which doesn't want any kind of fraudulent money going into terror or drug funding, has rated India as one of the top-most countries. Only four countries have been given the rank. That you'll not be expected to produce periodic reports – once in a period of four years, you may give a re-submission of what you're doing.

That level of transparency has been made possible because of this digitization. And people have welcomed it, small and big people do see the point that their creditworthiness is today seen with the footprints of their transaction. And therefore, an account aggregator, who is also, that's also a step which we took post-COVID, account aggregators will pass through between a willing, accepting customer who wants bank facility to put his details on and the bank funds him or her.

So on voluntary basis, when somebody approaches the account aggregator, the credit that is available from the foreign banks is now flowing through without him or her having to run through banks, from pillar to post, or even to choose the bank, which gives him a better service. So the account aggregator is one of the spill-offs in this digitization era, which has brought credit to even the smallest of, you know, MSMEs who are in far-flung areas and so on. So transparency, greater access to credit, being absolutely accountable for every transaction.

VICE CHAIR ARVIND KRISHNA: It's wonderful to hear that. I want to move a little bit into demographics and the age of the population. So, as we know, there's a lack of skills in many, many parts of the world. Many parts of the world are now suffering from declining populations. India is lucky, at least from what I read. We have half the population under the age of 30, maybe under the age of 25. There's a huge number of people coming into the working population. How is India planning to take advantage of this demographic dividend to sort of become a bigger and a more participating player in the global economy?

MRS. NIRMALA SITHARAMAN: Yes, that's right, 45% of our population is under the age of 30. And the mean age we are talking about is 28. And most of them do enter a formal higher education center of sorts, whether it is the technology-based institutions at the local level or university for higher education and so on. So the biggest challenge that we had is the employability level or the skill set which is so required.

And I'm sure Arvind will recognize that many of them coming out of universities have the qualification or the certificate from the university but employers think there is a gap between the degree that he has and the employability that is expected of them. For being employed, they need something more. And it is that gap that the government of India is trying to now fill so that every graduate who comes out will be ready for employment.

So from the final year of that course he completes, or immediately coming out of it, we give them skilling, and you'll be interested to know that in the last one and a half, two years, we have placed a lot of emphasis on artificial intelligence. You're a pioneer in this field. You've been working 30 years in it. And I know you also set up quite a lot of centers, which are now becoming centers of learning for it. India government has announced three centers of excellence for artificial intelligence. And besides that, we are also identifying institutions which have the capability to do R&D on it.

Now the Indian youth, therefore, are being given the first exposure – much before they get into jobs – first exposure into artificial intelligence. Be sure of how you're going to play it out for your benefit when your employer takes you onboard. So the emphasis given to artificial intelligence, or training in let us say Industrial Revolution 4.0's requirement, internet of things. Do you know how to handle deep data? How are you going to get ChatGPT-like products? So are you going to be in a position to do such coding which will help you, and so on?

So that is the attention that we've given in the current budget too. We've come up with four different kinds of schemes. One for internship for getting exposure in the Top 500 companies. Government will pay the salary or the allowance that you give for an intern, as different from a person who is in some kind of stipend-based employment. So twelve months he will be in the Top 500 companies getting an internship and exposure.

Other than that, we are also revving up 1,000 technological small institutions which are found in the districts, which are you know, the federal government, the provincial government, and under the provincial government you have district administrations. In the district administrations, 1,000 ITIs, technological institutions are being upgraded to handle AI and related skilling. So with all the investment and the right equipment, youth in the districts don't have to go too far. They will learn it from their own districts ITIs. The emphasis on skilling, skilling for a future technology, skilling for employability are going to make Indian youth ready for the market.

VICE CHAIR ARVIND KRISHNA: So, Minister, if I could maybe make a couple of examples. I know everybody will expect that there's a lot of employees available in the big cities – Bombay, Delhi, Chennai, Bangalore – these are common and everybody knows you can get a lot of people. But now there are very large companies, successful in the global front, like Zoho, by Sridhar Vembu, and that is much more in the hinterlands of Tamil Nadu, right? And his employees are all local. They're not coming from the big cities. So those are examples that are very real, and these are companies grabbing billions of dollars of revenue just by the way. So these are not tiny companies.

But it's not just digital skills for IT natives. You also manage to get a lot of skills done. I know in some of the districts that are very close to you, like there is manufacturing going on now with Apple and Foxconn. If I remember, 10 to 20% of iPhones are now getting

made in India. And those are not exactly unskilled jobs. And there's a big effort by the government to promote those plants and factories also. Is that fair?

MRS. NIRMALA SITHARAMAN: That's true. That's true. And even as I would answer that question with an affirmation and also saying there is skilling up also happening because government has also come up with a production-linked incentive. And the production-linked incentive scheme, giving an outlay of 1.976 lakh crores for it, and the investments which have already come for that production-linked incentive-driven scheme is about 1.36 lakh crores. So there is response to the scheme that we've brought in.

And the fact that, I like to bring in this element of inclusion as a point, because we are in the United States. One of the important points of discussion for the election campaign here seems to be gender equal representation for all segments and so on. The fact that many of these producers are coming in for skilling up and we have the arbitrage, label arbitrage available in India, the majority of these people who get into these electronic production are young girls. Young girls in big numbers. Alright, now these investors are taking young girls in big number, and that's fine. No. We are not letting it go that way.

Government, in the budget, has given provision so that huge residential apartments can be built for these girls to stay. Because they come from the rural areas, work in these

semi-urban areas, but they don't have a place to stay. Many of these companies also struggle to provide accommodations.

So to enable, with policy, we are funding building of such accommodations. So real estate today, which receives a lot of investment, has got in its portfolio affordable houses for middle class as a scheme so investment can go there. Affordable accommodation for large employers of women, for instance, for building accommodation for them. You can go there. And investments, again, for developing large new townships. One of the things about AI, the center of excellence we are building, is to look at specialized, sustainable cities of the future. So investment, again, for sustainable cities of the future.

VICE CHAIR ARVIND KRISHNA: Yes. Thank you, Minister. Look, I know from past conversations with the Minister, this is really both a formal and a passion of the ministers. And especially on educating women all over the country, whether it's in the portions of the northeast where the formal economy has always had trouble reaching. Whether it's down in the extreme south, whether it's in the hinterlands, whether it's in all the areas that people think traditionally as not being very developed, all of these things the Minister just talked about have, I think, really, really helped. And you make it a personal point to go out there and visit these places and encourage everybody to invest in them as well.

MRS. NIRMALA SITHARAMAN: That's true. Since you opened that up, I'll take a minute on that. There was this visit to two states which are clumped together as part of the eight states of the northeast. I visited Nagaland, and I visited Sikkim. Both are far-flung Himalayan area. Sikkim is into the Himalayan snow-clad mountains bordering with China and so on. And Nagaland is not so much in the snow-clad area. It's closer to the, let's say semi-tropical southeast Myanmaran countries.

In both places, access is a big challenge even today. Our government has spent a lot of time and energy bringing connectivity to these regions and they are much better off today. They have an airport. They have a railway station. They have wonderful roads going through them. You still have some of the pockets or habitations which have to be reached with the roadways rather than roads.

But even in such a place where I had gone and spent 48 hours staying there to understand how it was, the number of women who have started startups, absolutely innovative way of making value addition for the products which emerge from there, access global markets. The day I had gone, sometime probably September of last year, early October of last year, in Nagaland there was a woman-run, non-governmental organization making upholstery and fabric, all beautifully designed and everything, and very speedily getting packed up. And I said, are you rushing it to some market? She said, yes, I'm rushing to the Christmas market in United States of America. It's all going

there for Christmas. The goodies that she had packed all made in local, handmade stuff.

And similar was the case when I went to Sikkim. I had gone there just before the monsoon. The number of naturally-produced, organically-grown, that state is the first state in India, which is an organic, declared organic state, the kinds of things that they made out of the fresh fruits and the vegetables and bamboo shoot-like things, which are a rarity in the global market. They packed it all up and they were ready to send. And there is an airport. Indian government has now linked every such, let's say vegetable or perishable fruits, vegetables, flowers, growing centers have an aircraft picking these things up for the international market. They straight come to Amsterdam, drop the stuff, or London to drop the stuff. They are linked today.

So that the advantage of natural produce growing in Himalayan states and those enterprising areas such as the northeast, which otherwise is difficult to access, today directly linking to the global market. So physical connectivity as much as virtual connectivity, digital connectivity has brought change in the life of people like never before.

VICE CHAIR ARVIND KRISHNA: I think this is a story that is not very well understood in terms of individuals being able to participate in the global economy, not just the larger

corporations and the larger player, which is very different than, I think, most other countries. So, Minister, changing track a little bit towards environment and sustainability, India has made a number of bold commitments towards net zero. Is there a conflict between economic growth and net zero? And what is the government planning to do to help towards these goals to net zero?

MRS. NIRMALA SITHARAMAN: We certainly have given very ambitious goals when Prime Minister addressed in Scotland, the COP29, I think. The number I'm not sure of, but in Scotland, the last one which Prime Minister attended. There was a formulation which we call panchamrit. Amrit is nectar. Pancha is five. So five nectar principle of how we are going to go forward in achieving net zero – 2070 is when we have given ourselves a goal of net zero.

It might sound as we are too far away, but India is also probably only a third of the global per capita emission, which happens from India. We've got a legacy of, let's say thermal power plants, which we are trying to slowly get out of the way and move to solar. In solar, we have achieved deadlines and also targets which we set for ourselves well before the time that we had given ourselves. You know in Paris we had given a certain commitment, COP21. But we achieved that much before the deadline that we gave ourselves.

And we like to underline this point. Despite the \$100 billion which was offered on the global table, that every year you will get \$100 billion – not just India, every country – \$100 billion for transitioning towards greener sources of energy – that \$100 billion hasn't come 'til today. But India didn't wait for it. We achieved the goals well in advance of the time with our own resources.

And today we have one of the biggest solar plant, not one, in every possible state there are solar plants set up. There is also a hybrid solar and wind happening. There is a hydrogen mission through which we are looking at green hydrogen, green ammonia. There is a greater drive towards the higher chemistry, the advanced chemistry, so that we'll have batteries and storage capacity created for this green energy which is coming up. Public funding of mobility, you will see electric vehicles, buses, public transport running with electric green energy, are all being funded through our funds, public funds.

So the emphasis that we give, pump storage, we have actually achieved the critical point in nuclear energy that we had established over the years. But today we have a modular nuclear energy generation, formulation, which is very typically Indian. So we are not even looking at getting technology from elsewhere. We can have smaller nuclear energy plants across the country and therefore have less dependence on fossil fuel.

So there's multi-various activities in order that we become more dependent on the renewables rather than the fossil fuel. But, of course, the challenge for us is the transitional cost. What is that transitional energy? How much is it going to cost? Can we afford it? Natural gas was once touted as one of the biggest blessings for transition. But today, it's unaffordable. And I have 1.4 billion people whose energy requirements will have to be met at an affordable kind of way.

VICE CHAIR ARVIND KRISHNA: So thank you, Minister, for those explanations. By the way, for people in the room or in the broadcast who haven't looked at it, they should read up on India's solar deployments. I think it's amazing. By the way, the 40 years the Minister talks about, let us remember in 2010 when Paris was being discussed, 2050 was also 40 years away. So it's not as far away as people think along these transition lines. And the green hydrogen and blue hydrogen and ammonia projects are quite real because we know the engineering companies have been funded to go build these plants. So this is not future-speak. This is happening now.

So, just for the room, in about five to ten minutes we will open it up to the room for questions. So just giving you all a bit of a heads-up. We can't not discuss geopolitics. So with all of the geopolitics in the world, and there's at least three areas of conflict, potential conflict that are happening, how is India? Is it a threat? Is it an opportunity as you look at India's both role to benefit, whether economically? Or how does it deal with

all of these geopolitics that are there in the world right now?

MRS. NIRMALA SITHARAMAN: Well, geopolitics, particularly for India, which I'll begin by saying our geo-position of India, meaning where you're located as a country, has its own unique challenges. We have very strong neighbors and equally we are exposed to a large sea, to Arabian Sea and Bay of Bengal, but the Indian Ocean. And the Indian Ocean has always been the passage commonly available for all countries to have freedom of movement and goods and everything else.

But therefore, our challenges are also, the exposure that we have in the south to the seas, through the seas to forces which do come into our waters, as much as we have our land border territory countries with whom we have several questions and challenges. Whether it's Pakistan, who is constantly at odds with India, and whether it is China, who are also our neighbors.

So there are, our position itself raises challenges for us. It's not something which is of our making. We are located in a neighborhood where there are challenges and they continue to be a challenge through the 70 years or even before. And I don't see them abating that soon. They may not be aggravated but they are challenges, nevertheless. That is because of my geo-positioning, the area where I'm located.

The problems otherwise coming from the geopolitical developments do cause a concern for me because insurance costs have gone up. Shipping lines don't know the route that they want to take. The shortest, efficient routes are not any longer without threat. And above of all, we have food, fertilizer, and fuel, all three being challenged globally because of supply chain problems.

Now, India is producing its own food, no problem. But it requires fertilizers, and that is, because of the war in Russia and Ukraine, we do have a problem. We'll have to source it from wherever else we can get it from. And as regards fuel, you know that I've already said we import quite a lot of crude, but our dependence is coming down, and we are depending on fossil fuels now.

But with all this, it's not as if it's only challenges. We have great opportunity as well. And government of India is now devising various different ways in which we are able to look at friendshoring, if I can borrow the expression used by Secretary Yellen. She was in India when she expressed that there should be friendshoring, and India should be the first friend in that route, I would think. She had spoken about friendshoring, but I'm adding this bit of India should be the first one.

So if friendshoring is something which we'll have to work on, there are investments, investments coming out of China because the world today wants to de-risk itself from

having put all their eggs in one basket. They want to see it coming out and spreading in different...and I would think there's no other better country than India. Not because of shared values, democracy. Yes, all that is there. It's been there for 70 years.

But why would you want it today? You would want it today because of the very same practice that we spoke about, demographic dividend, skilled manpower, English-speaking, common-law abiding. And above all, completely open to ideas coming from different parts of the world. We have kept ourselves always accessible. We don't have an iron wall or a screen that you find it difficult to pierce through. Criticize it any number of times you want, critique it the way you want, freedom of speech is abundant in India. The media is free in India. You may have any number of people saying, no, no, this is not right, that's not right. But the fact that they're saying that this is not right and this is not right, without having to go to prison for it, speaks volumes about India's democracy and freedom of speech.

So I would think this friendshoring should actually work. I have seen just two days ago how near-shoring has worked for Mexico, but there is a world outside. You can't always produce here for yourselves. It has to be produced there for the rest of the world so that your exporters benefit.

VICE CHAIR ARVIND KRISHNA: A couple of questions about your primary role. If you

look at the next three to five years, what challenges and opportunities either worry you or excite you the most in terms of the economic path that you have laid out for India?

MRS. NIRMALA SITHARAMAN: We've laid out this path because we are confident that the people of India are receiving the policies that have been laid out in the last ten years, and that's why Prime Minister Modi has been elected for a third term. And in the history of India's recent past, you've never had a party or a government coming back to power the second and the third time consecutively.

We've come back consecutively for the third time under the same leadership. And that speaks volumes about how people of India see this government as the one which has got the energy, commitment, and dedication to take India forward to the destination that we've already marked saying we need to be a developed country by 2047. And if that's the way in which we are going forward, I expect that we'll be able to provide certain policy certainties, tax certainties, predictability in governance, transparency in administration.

For a country like India in 2014 when Prime Minister Modi took charge, it was known for its red tape, known for the corruption, rampant corruption. Today, you won't hear a whisper of any of that. There's red carpet in the place of red tape. And businesses are invited and given that kind of respect that you need to change the country with the help

of the businesses and so on. So that is the opportunity that I see, that we'll build a greater transparent and accessible India.

But the challenges that I see are, because of the uncertainties in the global supply chain and the linking with global value chains, the constant clamor for opening up ore, opening up speedily, and making sure that businesses are given that opportunity. But even with that said, I would think fund flows will be a challenge.

Where the fund goes, for what consideration is something which I cannot predict. They don't go by, you know, the normal calculations of a textbook saying, alright, if your environment is better, you're giving better returns for money invested and your rate of interest is this, you maintain your inflation, this way funds will come. No. With all that, funds don't come as much as you think. There are, beyond the call of textbook economics, other factors which influence, which are imponderables for me. So those are the challenges that I need to work and constantly engage with global leaders to understand it.

VICE CHAIR ARVIND KRISHNA: Thank you, Minister. Look, I can say from our experience, the ease of doing business, the transparency of dealing with the government has increased dramatically over the last five to seven years. It began during Prime Minister Modi's first term, carried on, and I can speak to it definitely with personal

knowledge that everything the Minister just talked about is quite, quite actual.

Alright, just to put some numbers, India is around, if I remember, the beginning of the year, \$3.8 trillion in GDP. It's also close to hitting the magical number that many developmental economists talk about of \$3,000 per capita GDP. It has set a clear target of, I think, around \$6 trillion, which should make it the third biggest in the next four years, also enroute to these much higher aspirations for 2047, which the Minister sort of referred to in all this.

So, Madam Minister, maybe the final question before we go to the room, if you look at, at some point you will be leaving a legacy, what kind of legacy do you want to think about that you would have left in these many years that you have been the Finance Minister?

MRS. NIRMALA SITHARAMAN: You know, if I was born somewhere in the West, it would be easy for me to answer this. Born in _____ to Indian culture, I would only say history will have to speak about it, and maybe not me.

VICE CHAIR ARVIND KRISHNA: I think that's fair. Well, I think when we look at the growth rates and you look at those numbers, an extra \$2 trillion. I remember when I was a child growing up in India, the economy used to be measured in hundreds of billions.

And India was a sub-thousand (?) for decades in terms of GDP. I think when I hear these places about getting people outside the Tier One cities, to use that term, being able to participate in the economy and getting both the skills, the accesses, I do think that there is maybe something that is going to get written down beyond just the number itself in terms of a legacy. It began by using the world, inclusion, and that is a real word here. It's not, it's financial inclusion, it's geography inclusion, it's skill inclusion, gender inclusion. There's a lot of it which overall helps, I think, towards what we've been seeing.

So, anybody from the room. There's people with mikes. Maybe right in the back...

QUESTION: My name is Rohit, and I run a company, Bistro Credit. I met quite a few people, including Mr. ___, and the Minister also. And one of the things that we have been trying to do in India is that we run a large SME credit platform. And two years back we got everything rated here and now we have access to a lot of insurance money coming in even from Japan and other places. And we have been trying to replicate that in India also. I met with the IRDAI Chair also and the CEOs of some of the largest insurance companies in India. And they have shown a lot of interest, but we haven't been able to find a framework.

So I've met quite a few Finance Ministry officials. And I'm very passionate about it

because I can see the impact of it, how we can create a big impact among SMEs because the digital infrastructure in India is so good, the underlying digital infrastructure. But the access to credit is still a challenge, and depending just on banks is not the right way. So I think we're trying to find a way. We have talked to almost everyone, Finance Ministry, NITI Aayog, RBI, you know, SIDBI. But I think there has been a challenge.

And in the meanwhile, we have replicated that whole model in UAE and Saudi over the last one and a half years extremely successfully by having my workforce sitting in India and doing all the work for them. So we would like to see a way out, you know, how we can contribute back to India and also create something which is, I would say, extremely relevant. And also for us to go and become a \$5 trillion or a \$7 trillion economy, you know, the SMEs are going to play a bigger and a bigger role.

VICE CHAIR ARVIND KRISHNA: Look, I mean, I think Ambassador as well as Ajay are here. I'd recommend maybe you also have a conversation with them.

MRS. NIRMALA SITHARAMAN: He's had a conversation with them, and he's invited to have more of it.

(Comment - Inaudible - not on microphone)

MRS. NIRMALA SITHARAMAN: That's not correct, if I may add. I'm sorry to say this. But there is a framework available and that is why I said digital commerce and digital credit giving is not confined just to the banks. The NBFCs are there under the banks. The small finance companies are there under the NBFCs. They are regionally present. They're networked with the banks. They get the credit from the banks to further extend credit to people who are in some of the remotest corners of the country. With all this, we also have account aggregators who are faceless entities who are digitally-run, who link the borrower to the bank, to any bank. And account aggregators are today doing big business as pass-through for small ticket lending. It is happening.

And also further, in the budget this time, we have announced a collateral-free lending for SMEs. And that collateral-free lending means not just for working capital, but even for plant and machinery. If they want to borrow money from the bank, they don't need to give any collateral or security. And that happens directly from any bank to this SME.

There are quite a few things which are happening, and I will very welcome your initiative, your ideas, your thoughts, which say you are implementing in UAE, sitting in India or sitting elsewhere. You're welcome to do that in India. But there are efforts which are going on. I'd certainly love to hear more and see what you want to do to add to this momentum.

VICE CHAIR ARVIND KRISHNA: Thank you, Minister.

QUESTION: Hello, it's truly an honor to hear you, this wonderful conversation today. I'm Dr. Raj Bhayani, Secretary of the National Indian Association in America. We represent 100,000 Indian doctors in the country. So we are very excited to hear this new initiative by Prime Minister, Heal in India, after the success of Make in India. So we want to hear some thoughts about what is this Heal in India, and a lot of Indian doctors are retiring. They would love to contribute to this program in a meaningful way which we can partner together.

MRS. NIRMALA SITHARAMAN: Thank you for that thought that you would like to have a lot of Indian doctors participate in this program. Heal in India is more like, because we have doctors, we have institutional arrangements, we have private hospitals. We also have a lot of paramedics who are very well trained. We have great bank of nurses who are going around the world that are also available in India.

So with this kind of ecosystem for treatments, it is the right place, we would think, and cost effective way. People can come to India and have the treatments made, service to them. And also, in fact, it is given as a service export, you're seeing treatment offered to people who are coming from other countries. Because also the specialization in ___ and also the way in which preventive healthcare is offered by traditional medicine in India,

whether it is Ayurveda, Unani, other Tibetan medicines, all of which are available. Siddha, which is available in the south. All of them are based on herbs and these are also very certified ways in which you're providing healthcare for people.

So Heal in India is a comprehensive picture of how India can be the place where treatment, affordable treatment for complicated situations, and that which requires surgery and post-surgery care will all be provided. So this is a slightly grander picture of both the traditional medicine and modern medicine working together and giving them the scientifically provided treatment, which is so required, as decided by the patient and their doctors. So with technology being available, many of the consultants who are abroad for their patients are available online when the treatments are being offered in India. So technology is fused with the medical practices. And in any case, India is the pharmacy to the world. We produce vaccines which are FDA approved, medicines, generic drugs which are FDA approved and so on.

VICE CHAIR ARVIND KRISHNA: So looking at the clock, this is going to be the last question.

QUESTION: Minister, thank you very much. Excellent. My name is Dinyar Devitre. Although you mentioned that corruption is under control in India, when I speak to my businessmen friends in India they say to me that corruption has never been higher. And

that surprised me as I'm sure it surprised you when I say this. But in your position as Finance Minister, would you have an idea or at least a guesstimate as to what is the leakage in revenue, which is sort of unaccounted for in the formal economy?

MRS. NIRMALA SITHARAMAN: Well, on that point I think there is a mix-up. The mix-up is corruption where you're paying something to get a decision done in your favor is never a revenue for the government. So I can't even make an estimate of saying this much went in kickbacks to some company and therefore that should have come to me. I can't make an estimate of that.

That said, corruption is like never before...no, I defer. The Union government, tell me in the ten years – and you would concede to me that in India the media is very vociferous – tell me in the ten years, even a whisper of allegation against Prime Minister Modi and his government, whisper. I challenge this to anybody. I'll put it as a challenge across this room. Tell me even one instance of any one corruption charge against this government. And this is the federal government.

But there are elected governments in different states and provinces. And there are elected governments below them as the cities and municipalities. I'm not saying they are corrupt. But if you heard there was somewhere, in one of these areas, where the Union government is not in direct control, that cannot be conflated to say that, oh,

there's never seen before kind of corruption now happening. No, that's not right. India is lots more corruption-free.

And that's why I quoted FATF. FATF is not going to rate you high if your corruption element is so high and if the money unaccounted is going to accounts which are not in the pale of, you know, regulators. FATF is not going to tell you that you're doing well. So I'm sorry. No.

VICE CHAIR ARVIND KRISHNA: Well said, Minister. (Applause)

CHAIR ROBERT K. STEEL: Well, thank you for that conversation and also the answers definitively that you provided. You both were wonderful to give us your time today. Let me take just a moment to look ahead and tell you what's coming at us for the Club. Tomorrow, we have a luncheon featuring Charlie Cook, the Founder of The Cook Political Report. Certainly timely. And next week, on October 26h, we're having Wyc Grousbeck, the Governor of the Boston Celtics.

In November, please join us for a post-election on the 12th for a webinar discussion led by Larry Summers and Glenn Hubbard, where they'll frame a lot of the different things we should expect for the new administration. And on November 18th, we'll have General Bryan Fenton, Commander of the U.S. Special Operations Command. And on the 21st, we'll lead into a capstone event. We're having Ken Griffin, the CEO of Citadel, speak to

all of us then. So please do stay in touch with the website where we keep all of the information posted. And we encourage you to come join us and also to bring your guests. We also, we might remind you, we launched our first-ever podcast last year, and we're excited to announce that Season Two is now Live. So be sure to tune into The Forum, which is the name of our podcast, hosted by Becky Quick, featuring prominent guests such as Jamie Dimon, Larry Summers, and many, many more.

Let me also conclude by saying thanks to all of the members of the Centennial Society joining us today. The contributions of this group of 377 of our members continue to provide the financial backbone to our Club. So thank you all for joining us. Thanks again, Minister, for coming to be with us today. We're very honored that you were here, and you did an amazing job to describe your perspective and all of the exciting things that are going on in your country. Congratulations to you. Arvind, thank you. You did us all proud. Enjoy your lunch.