



Digital India

October 26, 2015
by Sudarshan Murthy
of Matthews Asia

In September, Prime Minister Narendra Modi visited the U.S. for the second time since he assumed office early in 2014. Leveraging his growing personal rapport with world leaders, the prime minister has been following a vigorous foreign policy that has included more than 25 overseas trips. His key objectives for traveling abroad have been to attract foreign investment, ensure availability of resources and address security considerations.

However, his most recent visit to Silicon Valley had an additional purpose—luring tech talent to support his “Digital India” project which aspires to provide digital infrastructure as an easily available utility for all citizens, and intends to make e-governance a crucial pillar for how the country is governed.

The scale of the project is mindboggling. It aims to provide high-speed Internet across the entire country—no small feat in a country where about 40% of the population has access to proper sanitation. Digital India intends to employ a cradle-to-grave system of digital identity for each citizen. And it involves using mobile phones and bank accounts to enable civic participation. Some progress toward these goals is already taking shape—in less than a year, the number of bank accounts in India has doubled.

The biggest benefit of Digital India is the potential to empower the common person. In the past, India’s leaders would talk about more rules and more inspectors as a formula for reducing corruption. For too long India’s bureaucracy, along with vested interests, co-opted to keep market mechanisms at bay. Here, we find the prime minister’s approach particularly refreshing. Consider the government’s handling of cooking gas subsidies. Previously, the government would provide gas at below-market prices to consumers, which created opportunities for black market transactions. Now, consumers pay market prices to buy cooking gas. The government passes the subsidy amount directly to the bank accounts of consumers leveraging a biometric-based identity program known as Aadhar. The removal of 55 million fictitious consumers saves roughly a couple billion dollars in subsidies each year. Instances such as these where the government works alongside market forces offer us hope that e-governance can make a significant impact.

While some tangible progress has been made, we remain concerned over how feasible the Digital India project is in its current scope. The scale of the challenge and the opposition of vested interests are not to be discounted. But leaders are required to provide high aspirations for their people, and on that count Mr. Modi fulfills.

Sudarshan Murthy, CFA
Research Analyst
Matthews Asia

The subject matter contained herein has been derived from several sources believed to be reliable and accurate at the time of compilation, but no representation or warranty (express or implied) is made as to the accuracy or completeness of any of this information. Matthews International Capital Management, LLC does not accept any liability for losses either direct or consequential caused by the use of this information. Investing in small- and mid-size companies is more risky than investing in large companies as they may be more volatile and less liquid than large companies.

© Matthews Asia