

# Need to spend at least 5% of GDP on healthcare: New CII President

Uday Kotak wants new focus on healthcare to be led by private sector

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New Delhi, June 7

Uday Kotak, billionaire banker and Managing Director, CEO and promoter of Kotak Mahindra Bank, has assumed the presidency of the Confederation of Indian Industry (CII) at a challenging time as the Indian economy is being reopened after over two months of Covid-19 lockdown. He spoke to *BusinessLine* on how India can return to its trend growth rates and effectively deal with the virus-induced economic shocks. Excerpts:

**What can India do now to return to trend growth rates that we saw in 2002-08?**

The answer lies in the 10-point agenda that we at CII have come up with. It has been well thought through. These 10 points include immediate protection of lives and liveli-

hoods; prioritisation of healthcare and education; Mother Nature and proper balance between fiscal deficit and financial stability; focusing on bringing private investments back and pushing for net exports besides ensuring good governance of companies.

**Which of the 10 points should gain primacy?**

In the short term, it should be protecting lives and livelihoods. Medium term, it should be prioritising healthcare and education and rural-urban rebalance.

**Talking of healthcare, what should our aim be on healthcare spend?**

We should look to spend at least 5 per cent of our GDP on healthcare. We are at 1.3 per cent now. We may say we can't immediately do 5 per cent, but we must gradually move

up. My view is that this is the time to bring private investments and entrepreneurial spirit back. State has done its bit. It has made a significant amount of investment. The focus on healthcare should be private sector-led now.

**In the backdrop of the Covid-19 induced economic shock, should we let go our aspiration of becoming a \$5-trillion economy?**

I will give the analogy of a cricket test match. We are in year 2020 and 2025 is when we want to reach \$5-trillion mark and this is five years away. Think about our current situation as Day 1 of a test match and we are batting at an after-lunch session. We had

a very horrible morning session — pitch was bad, weather was very bad and it was difficult to play and we have lost some wickets. It's a five-day test match. Would I give up the hope of the test match so early or tell my batsmen to dig in and focus on the ball and stay on the wicket so that we can make up as we go further ahead in the match? The overclouded conditions and pitch may settle down. So why pre-judge so early as to let go of our aspiration?

**Now that the emphasis is on Atmanirbhar Bharat, is there a case for increasing effective rate of protection across the board to give a better deal to domestic industry?**

No, certainly not. Our view of Atmanirbhar Bharat is a confident Bharat and a competitive Bharat that will engage with the world. Only time it makes sense to look at raising customs duties is when an exporter to India is playing an unfair game backed by the State of that country. We should not allow Indian industry to be destroyed by unfair

competition. If there is fair competition with reasonable tariffs, then India should be atmanirbhar and competitive and engage with the world.

**So what should our immediate priorities be on the economic front?**

We need to tackle the short-term challenge of coping with Covid here and now. After that we have to make our priority investments right. If we make it right — this is the time we must resist the temptation of lobbies and interest groups who will want immediate gratification saying that we will take medium strategic calls. Take the example of the airline industry. Should we be using State money to protect player number 5 or should we be using that money for healthcare? If there is enough competition in the sector and 4-5 players are going to be sustainable, is it good use of State money to bail out the fifth or sixth player versus medium-term priority of health? These are the trade-offs we have to make.

**What can we do better on the public sector side, given that our disinvestment efforts have only floundered?**

My view is that revenues are only going to be a challenge; it's not going to be easy getting revenues. We should not look at sharp growth in revenues. There will be an increase in deficit which we are seeing. At 11.5 per cent of GDP, there is bloating of deficit at front end. My point is 2-3 years later the money we have spent in making this deficit today must make India a significantly and structurally better place for longer term growth. This is where investments need to grow even if we increase deficits.

**What can be done to re-energise divestments?**

There is never a perfect time to get the right price. If I am the State, one thing I would worry about is that my money at risk is not only the equity value of State-owned enterprises, it's also my liability to ensure that all those debt in those com-

panies are taken care of. As a 100 per cent government owned entity, I cannot default on that debt. I would much rather divest at whatever fair price I can get rather than carry the huge burden of debt liabilities that will otherwise hit the government fisc as Air India is demonstrating. The government announcement that they will go out of non-strategic businesses is a correct decision.

**What can we do on the infrastructure sector?**

The first thing we can do is to clean up all the infrastructure projects lying closed. Special situation and distress funds must actively buy them and clean up the sector before we go to the new opportunities. Cleaning up of the sector from the baggage of the past is the first step towards moving towards infrastructure growth. Special situation funds are getting active.

I am quite hopeful about cleaning of the existing mess in infrastructure in the next 6-9 months.

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UDAY KOTAK,  
CII President

