

INTERVIEW WITH CII PRESIDENT AND TATA STEEL CEO & MD

'Private investment back at pre-pandemic levels ... but consumption is fragile'

TV NARENDRAN, president of the Confederation of Indian Industry (CII) and the CEO & MD of Tata Steel, is of the view that the economy should be able to navigate the third Covid wave "without much damage" and that private investments are showing signs of picking up. In an interview with SUNNY VERMA and ANIL SASI, he, however, underscored the need to support consumption as incomes of many households have shrunk post pandemic. Edited excerpts:



TV Narendran Credit: company

How different is this Covid wave from previous ones?

If you look at the wave itself, what we are seeing is that it's spreading faster, but the impact is milder ... so that's as far as the wave is concerned. As far as industry is concerned, even between wave one and wave two, industry was much better prepared for wave two in terms of Covid protocols.

In wave one and even in wave two, most people were not vaccinated. At least now, many of us in industry have all our employees, their families, the contract workers, most are vaccinated. I also feel that with each wave, there is now far better coordination between government at the Centre and states, between government and industry. Hopefully, the economic impact of this wave would not be significant, just like wave two had a huge humanitarian impact in terms of number of lives lost, but the economic impact of wave two was less than the economic impact of wave one. So I hope wave three will not have the loss of lives that we saw in wave two, and neither will it have the economic impact that a wave one had.

The PM and FM have been meeting industry ahead of the Budget. What are your suggestions on economic policy?

One, we have said that it's important to continue the focus on government investment, particularly in infrastructure — because it's a big demand multiplier and a driver of cost competitiveness, because many sectors benefit when the government spends on infrastructure and because it creates activity in construction. And if

you're spending on rural infrastructure, it spreads economic activity across the country.

Secondly, it helps competitiveness. The second part of our submission has been to continue to work on the cost and ease of doing business. We also suggested that there is a need to develop something called a cost of doing business index, CII can help develop that, which will help us compare the states on the factors.

Then there is also a need to help the consumption side, because it's a bit fragile as many households have seen incomes shrink because of the pandemic... have seen job losses, and many households have seen expenditure increases because of their spending on health. So we've said they need to be supported.

At the bottom level, you have MGNREGA scheme, etc, which will help, but focus on health infrastructure. Out-of-pocket expenses that households have to pay is pretty much one of the highest in the world. In India, it's, I think, about 48 per cent of the expenses out of pocket expenses, whereas in the rest of the world it's much lower than that. And our own expenditure on health at 1.3 per cent of GDP is low compared to what it should be...

We've also said that India needs to plan for becoming more and more technology intensive. So there needs to be a technology commission, which brings industry, government and academia together, because many things that we want to do over the next few decades will need a lot of technology intensity, whether it's semiconductors, hydrogen, or carbon

capture and storage, usage, whatever, you know, so anything, there's a lot of work to be done...

The recovery seems uneven, where the bigger players doing well while MSMEs are struggling.

At a larger level, rising inequality is an issue, not just in India but globally. I think a lot of the push-back against world trade is driven by this, there is a feeling that globalisation has helped some and left a vast majority worse off.

So, one is for us to ensure that a lot of the government expenditure is focussed on what helps the lower socio economic strata. So if you invest in infrastructure, we are also creating jobs in construction across the country. Then you need to have social security schemes. You need to invest in the health infrastructure because that is where a lot of people's household budgets go out of line. How do you insulate the common man from these kinds of shocks which they cannot bear? I think Ayushman Bharat scheme is a good one in some sense as it provides some insurance. We have more insurance schemes more facilities available on health and education to the common man and that's where the government has a role to play.

Private sector will play a role, but we will again cater to a different segment of society. I think CSR cannot be a substitute for government role in many of these areas. Consumption cannot be driven only by the rich. It has to be driven by the broader part of the pyramid, so they need to be supported. Similarly for MSMEs. So while the large companies may do well, in a more formal economy, we need to have the support system or the MSME sector so that to help them.

But size alone is not a sign of richness of prosperity. There are so many world class MSMEs in India. If you look at it in countries like Germany, Italy, Korea, etc, there are some MSMEs who are very dominant in the segments that they operated, very technology intensive, very customer intensive, very quality focused. We also need to create that ecosystem of world class MSMEs in India.

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