

INTERVIEW WITH NEW CII PRESIDENT UDAY KOTAK

'Last thing we want at the time of a health crisis is to do something that creates a financial crisis'

THE CORONAVIRUS pandemic has brought economic activity across the country to a near halt. Having taken over as the president of industry body Confederation of Indian Industry (CII) last week, UDAY KOTAK, MD, Kotak Mahindra Bank told SANDEEP SINGH and P VAIDYANATHAN IYER that he believes that India needs to be competitive and engaged with the world and government intervention is only justified in cases of unfair competition. He also said that there is an opportunity to rebalance rural and urban and that the state needs to work towards the aspect of providing a social security net to not only migrants but also businesses across the board. Edited excerpts:

The government has, over the last three years, increased customs duties across sectors. After three decades of liberalisation, does domestic industry still need protection? And what signal does it send to the outside world?

The CII supports the Prime Minister's concept of Atmanirbhar Bharat and believes it is consistent with a competitive India and not a protectionist India. A truly self-reliant and self-confident India is important, but with that we believe India needs to be competitive and engaged with the world. If there is any area where there is need for intervention, it is justified only where there is unfair competition. But other than that, with reasonable levels of tariffs, India needs to ensure that it is building a truly Atmanirbhar Bharat and competitive India.

How do you see the urban to rural migration of workers?

COVID has exposed this issue of urban to rural migration. When workers come to cities, they live in poor conditions in slums or chawls, have poor job security and now are hit by a virus which exposes them more than us. So, the health crisis, quality of living crisis and lack of security of job have made them take a decision that they are better-off in villages even if their apparent income is lower. In this context, I think it is a great opportunity to rebalance rural and urban. This is time to create digital ability and redefine the role of rural — rural infra, rural health, rural digital.

Our initial feedback suggests migrants may stay back for a few months, but may eventually have to return to the urban centres for work ... they don't really have a choice.

Of course, I am just saying that not all will have that choice. I am saying that even if 30-40 per cent of the people decide to come back, there will be shortage of

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UDAY KOTAK
MANAGING DIRECTOR
KOTAK MAHINDRA BANK

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people in the cities. We have got so used to assuming that there is this low cost, cheap labour available on our terms for hire and fire. And this is where the states will have to come in and put money into rural India opportunity and create the enabling provision that makes it possible for the migrants to look at the option more seriously. At CII, we will endeavour to work with our members to ensure that some sort of code is put in place so that it is a fair play treatment for the migrants when they come back and we will need the support of the state when we get there.

At some level, we will need to create a social security net along with the state and inevitably it is a beginning of a directional move where the state has the obligation to protect every citizen.

If a business finds 80-90 per cent of its revenue going away, how can it protect jobs? That is where the state comes in and the state must give social security net. The aspect of social security is not only with the migrant but for businesses across the board.

Would you then recommend the government to open up its purse a little more?

We believe that the government will have to open up its purse, but tighten somewhere else. It is important that the government's resources are used properly because these are difficult choices. We are not a reserve currency country and our fiscal deficit is al-

ready at 12 per cent (Centre and states combined) and we have to keep in mind that there are financial stability issues. So how do we balance these different conflicting heated issues at the same time but preserve the concept of an India which functions.

Risk aversion by banks continues to pose the biggest obstacle to bank lending, more so in circumstances when defaults are most likely. What can the government and RBI do to give confidence or prod them to lend and take risk?

Banks want to lend to businesses which they believe are businesses that can repay their money. In those category of businesses, the demand for money is relatively low, but whoever wants it we are delighted to give because we have confidence we will get our money back. Another set of business is one whose fundamental financial condition before COVID has been poor. COVID has hurt them further. Bankers obviously want to be cautious in lending to these businesses in order to protect the financial system itself.

Banks are not risk averse. But if they are being prudent and not lending where there is a risk of their money not coming back, they are doing it ultimately and fundamentally to ensure protection of depositors. The last thing we want at the time of a health crisis is to do something that creates a financial crisis and lose the trust of depositors in the financial system. A stable financial system is based on only one thing — trust of the depositors with his money. If that gets eroded, there will be another crisis and we must not allow that to happen.

What do you think about the lockdown? Has it given time to the healthcare sector to ramp up or has it hurt the livelihood of millions of migrants?

Let's go back to March 24 and assume that we as a country decided — no lockdown. Knowing the status of our healthcare system and level of alertness that was there prior to March 24 about what COVID could do, today we have 6,000 deaths, are we saying we would have less than 6,000 deaths or 60,000 or 600,000. Who knows. But the fact of the matter is that we have 6,000 deaths and as a ratio of the population that number is low.

So when we are looking at the lockdown, we have to ask what if we did not do it, what could have been and that's the correct way. What if younger people went to work but came home where there would be older people. At least, I hope we are in a better state of preparedness from healthcare point of view than we were before.