

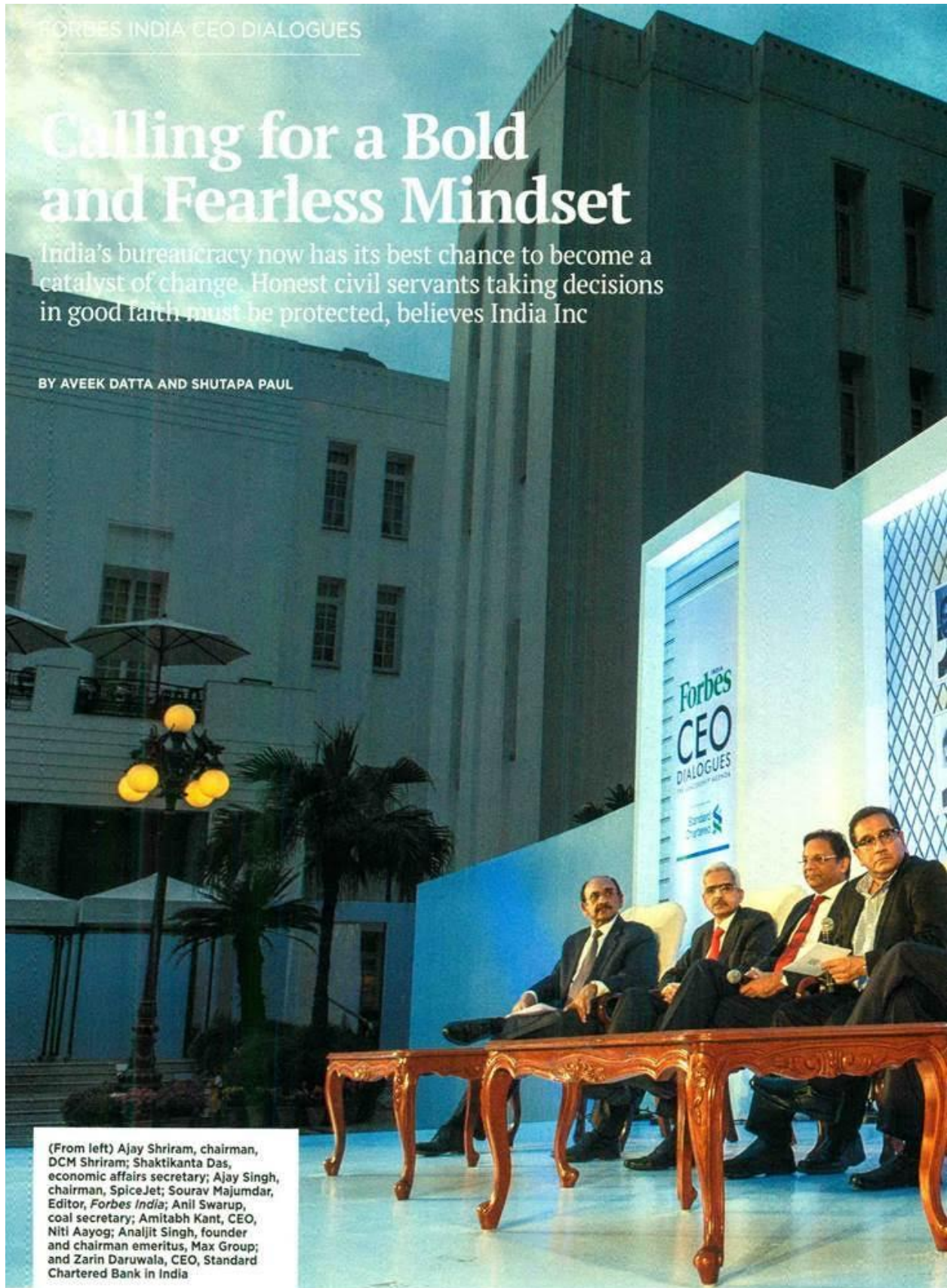
FORBES INDIA CEO DIALOGUES

Calling for a Bold and Fearless Mindset

India's bureaucracy now has its best chance to become a catalyst of change. Honest civil servants taking decisions in good faith must be protected, believes India Inc

BY AVEEK DATTA AND SHUTAPA PAUL

(From left) Ajay Shriram, chairman, DCM Shriram; Shaktikanta Das, economic affairs secretary; Ajay Singh, chairman, SpiceJet; Sourav Majumdar, Editor, *Forbes India*; Anil Swarup, coal secretary; Amitabh Kant, CEO, Niti Aayog; Aniljit Singh, founder and chairman emeritus, Max Group; and Zarin Daruwala, CEO, Standard Chartered Bank in India





If the Indian economy has to grow at a rate of 10 percent, certain risks need to be taken and government officials taking decisions with good intentions must not face harassment. This was among the key messages from the latest edition of the Forbes India CEO Dialogues held in New Delhi on March 17, where senior bureaucrats of the Indian government and captains of industry discussed the theme '25 years on, has the Indian economy liberalised enough?'

The panel discussion, moderated by *Forbes India* Editor Sourav Majumdar, included Amitabh Kant, CEO, Niti Aayog; Anil Swarup, coal secretary; Shaktikanta Das, economic affairs secretary; Analjit Singh, founder and chairman emeritus, Max Group; Ajay Singh, chairman, SpiceJet; Ajay Shriram, chairman, DCM Shriram; and Zarin Daruwala, CEO, Standard Chartered Bank in India. They articulated the deep-rooted changes necessary in crucial sectors that can result in a higher growth rate.

The panelists were unanimous in their belief that reforms initiated by the government, targeted at ease of doing business and achieving maximum governance with minimum government, would go a long way in propelling economic growth. But they hoped that the pace of

"THERE HASN'T BEEN ADEQUATE TRAINING FOR THE ADMINISTRATION TO PREPARE FOR NEW-WORLD GOVERNANCE."

implementing these new policies would be accelerated. Edited excerpts:

SOURAV MAJUMDAR: India is a \$2 trillion economy, with robust foreign exchange reserves of \$350 billion. The economic situation in 1991 was starkly different. What has India achieved through this journey of economic liberalisation, spanning over 25 years, and what more can be done to propel growth?

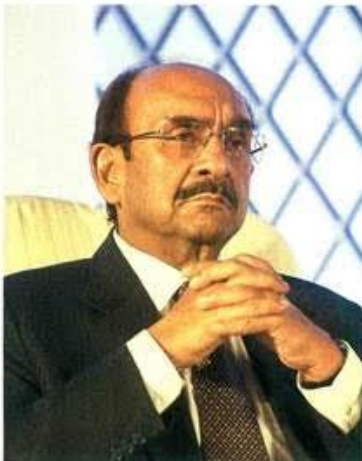
AJAY SHRIRAM: We were facing an economic crisis 25 years ago. Our foreign exchange reserves were enough to last barely two weeks. In this context, the team of then Prime Minister PV Narasimha Rao and Finance Minister Manmohan Singh initiated a dramatic shift in the way business is done in the country. Industrial policy reforms were brought about; the Licence Raj disappeared; the industry was allowed to manufacture according to its capacity and capability rather than being restricted by government mandate; trade policy reforms were introduced; import duties were reduced; prices of several goods were decontrolled and market competition increased dramatically.

But even at present, the prices of some products like fertilisers and even Monsanto seeds [royalty payable on them] are being controlled. This is unfortunate for a country like India where we want to move towards greater economic liberalisation on one hand, but are still getting into these issues of controls [on the

other]. Overall, the change which has happened over the last 25 years is in a positive direction. Per capita income and education levels have improved, and poverty has come down.

ANALJIT SINGH: I see the current times through the analogy of a traffic signal, which has red, amber and green lights. So, 25 to 30 years ago we were stuck at a red light, where we were waiting at an intersection, but weren't uneasy because there was no option to move forward. But when the light turns amber, before it turns green, impatience kicks in. What is happening currently is that there is an 'amber tape', which has replaced red tape because the whole regulatory mechanism has changed.

Over the last decade, there has been deregulation in several sectors, including insurance, banking, aviation, and telecom. This never happened 25 years ago. So how does the regulatory framework work in a new environment where we are dealing with economic realities like foreign direct investment [FDI], capital inflows and outflows? My view is that there hasn't been adequate training for the whole administration that runs this country to gear up and prepare for the new-world governance model. My question is how are we going to manage the



Ajay Shriram, chairman, DCM Shriram



Analjit Singh, founder and chairman emeritus, Max Group



Ajay Singh, chairman, SpiceJet

number of people we have? The denominator-numerator effect [the ratio of the country's population to its resources] will always see us slipping back. How are we gearing up to understand these demands of the new world as citizens?

AJAY SINGH: When these changes [in 1991] were brought about, we were in college and hadn't seen much of the old India as some of my other colleagues did. In 1990, we had only one airline, Air India; only one television channel, Doordarshan; only one telecom company, BSNL; and that's the way life was. One would spend as much as Rs 16,000 for a one-way ticket from Delhi to Bengaluru. Clearly, things changed dramatically once private airlines were allowed to start services. Jet Airways, Daman Airways, and a bunch of other airlines started services [in the country]. Some were good, some not so good while some died along the way. But the aviation landscape in this country changed forever. The same air ticket which cost Rs 16,000 in 1990, costs Rs 4,000 on an average today.

What we need now is a complete change in mindset. What we did in 1991 and some of the steps we have taken through the years have been great. But today, we need to learn to become leaders and that isn't an easy transition to make for those in the

government, in the private sector, and citizens in general. Some of the issues that we are facing today in the civil aviation sector are about how to change the mindset and take advantage of opportunities that we have before us today, so that we can become a global leader in aviation.

ZARIN DARUWALA: In 1990, we had only one television channel; today, we have over 500 channels. We had five car models then; we have over 165 now. Today, there are over 500 shopping malls in the country versus none at that time. There were no mobile phones and virtually no internet penetration then; today, over 65 percent of rural households have mobile phones and there are 375 million people with access to the internet. From a consumer's point of view, these are mind-boggling statistics. Coming to banking, I joined ICICI in 1989 when it was a development financial institution. Today there's virtually nothing like a developmental financial institution. The sector has opened up with 10 private banks, and subsequently two more in 2003. At that time, there was nothing like ATMs; today life without ATMs is unimaginable. We have 2 lakh ATMs, 22 million credit cards and 644 million debit cards in the country. That's the kind of penetration that banking has made. Even the whole regime of foreign institutional investment and FDI in banking was liberalised. In the pre-liberalisation era, there were no other

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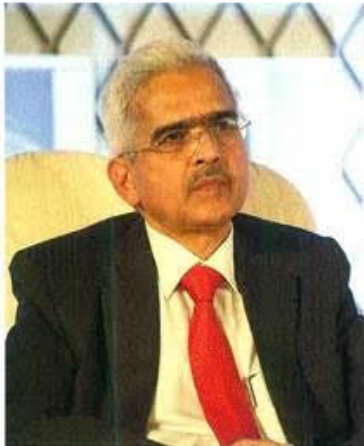
mutual funds apart from the Unit Trust of India, whereas the mutual funds sector has grown 10 times in the last 25 years in terms of the corpus of funds under management. The insurance sector has been opened up, the banking industry is moving towards Basel III and the recent Jan Dhan Yojana has been an enormous success. Initially, bankers were not sure how this would pan out.

Going forward, I think we as bankers would like to see further reforms on dealing with bankruptcy, including a banker's ability to move quickly and get things resolved. In the US, if an account goes bad, recovery is typically 80 percent, whereas in India, it is less than 30 percent.

MAJUMDAR: Mr Kant, as someone who has been at the forefront of several reform initiatives being brought in by the government, which are all about change of mindset, how do you see India's economic growth agenda playing out?

AMITABH KANT: There has been a distinct change in mindset. India has become a far easier and simpler place to do business in. But I think we need to sustain this, both at the Centre and state level; we need to push harder. A lot of this is work in progress, like the Bankruptcy Law that is being talked about. I personally

PHOTOGRAPH: AMIT VERMA



Shaktikanta Das, economic affairs secretary

feel that India should be hungrier for growth. We are growing at about 7 percent; our per capita income is around \$1,000-1,500. If India continues to grow at 7 percent, its per capita income will be \$4,000 by 2032. But if we grow at 10 percent, our per capita income will be close to \$7,000. So the difference between 7 percent and 10 percent growth is enormous. It will lift a huge number of people above the poverty line. India has a billion mobile phones. Therefore, the ability to use technology to make a quantum jump is enormous.

I see positive changes at the top layers of bureaucracy, but these need to permeate much faster. If only 12 states of India grew at a rate of 12 percent or higher, India will achieve its 10 percent growth target. Bureaucracy has the chance to become the key catalyst of change for India, and it will not get this opportunity again. Therefore, we must go all out for radical reforms.

MAJUMDAR: Mr Das, do you think the political class and bureaucracy are ready for this change in mindset by dismantling systems that have developed over many decades?

SHAKTIKANTA DAS: I think bureaucracy has adapted itself quite significantly, and when we talk of

bureaucracy, it is not what we see in Delhi alone. Today when I visit districts, I see young collectors full of enthusiasm and innovative ideas to bring forth change, transform the environment around them in the best manner that they can. So a lot of local administrative innovations are taking place. Almost all states now have automated processes and the administrative machinery is working much faster.

Having said that, reforms will have to be implemented much faster. For instance, in the insurance space, we took 10 years to amend the Insurance Act. We can't afford that kind of delay. We need to move faster. We need to move much faster on implementing GST [Goods and Services Tax], and the new Bankruptcy Law. A lot of other initiatives in the area of reforms have been announced and we will continue to push that.

MAJUMDAR: Mr Swarup, what is your assessment of the pace at which economic reforms have been implemented in India?

ANIL SWARUP: Almost everyone agrees that a lot has been done since 1991. To me, the problem that we face today is not in terms of large reforms. To me, the problem is at the operational level; of what is actually happening on the ground. For that, though in some cases we do require legislative reforms, I don't think the law is an impediment. Look at how the power sector is being turned around.

“IF ONLY 12 STATES GREW AT A RATE OF 12 PERCENT OR HIGHER, INDIA WILL ACHIEVE ITS 10 PERCENT GROWTH TARGET.”



Amitabh Kant, CEO, Niti Aayog

There's a lesson there. Today there is a crisis in the steel, shipping and cement sectors. The difference between these sectors and coal and power is that in the latter, a comprehensive view was taken and a strategy worked out, which is being implemented on the ground. So what we have to do is identify the issues very clearly and with a clear understanding of how an objective will be achieved, by whom and by when.

MAJUMDAR: Some sectors have developed rapidly in India, while some others have not progressed to the extent that they should have. What are the reasons for this?

SHRIRAM: Leadership is a major factor that leads to achieving results. We have seen some ministries move very effectively and rapidly. Also, there are certain ministries where implementation of reforms is easier and some where it is relatively more difficult. The approach to bringing in world-class technology and practices to bring about change has also been different in different sectors.

SINGH: Decisions at the government level need to be taken fearlessly. There is some great talent in the government, but some of them are worried about taking decisions because there are

so many people ready to question them even if they are taken with the best intentions. We need to find a legal and concrete way of protecting officials, if integrity is in place. We still see a lot of fear in government regarding taking decisions.

MAJUMDAR: When we speak of driving deep-rooted changes, how do we address the issue of protecting honest civil servants doing their jobs?

KANT: There are some people who are driven by the change that they want to bring to the country. We didn't join the civil service for the salary it paid, but to make a change to India. In the last 18 months or so, we have pushed forth 17 Cabinet notes on FDI. Each one of them got cleared. FDI in India is up by 48 percent, when globally it is down by 16 percent. We need single-minded passion and devotion across each office of the state governments of India because much of the action has now shifted to the states. Officers need to be protected because when they take thousands of decisions in good faith, there is bound to be pecuniary advantage to someone or the other. The present law is warped and it totally works to the disadvantage of well-intentioned, good civil servants. If India has to grow at 9 to 10 percent, certain risks have to be taken, which requires civil servants to take a lot of bold decisions. During the tenure of previous governments, a few committed and honest civil servants were impacted. The prime minister and finance minister have gone on record to say that civil servants will be protected.

SWARUP: There is this fear of the 'four Cs'. The CBI [Central Bureau of Investigation], CVC [Central Vigilance Commission], CAG [Comptroller and Auditor General] and the courts. Every time a bureaucrat takes a decision, there is a lurking fear in the back of his mind that there may be some adverse fallout that he will

have to face. The industry should stand by honest bureaucrats and publicly support them. It is high time that each one of us has the courage to protect an honest and efficient person, if it is needed.

MAJUMDAR: How is India doing in terms of fostering an enabling environment for the development of new-age entrepreneurship?

KANT: There is a unique ecosystem that is being put in place. Young Indian entrepreneurs like those who run Flipkart and Snapdeal are taking on global giants like Amazon. Across the board, the startup movement is spreading from the digital world to manufacturing, agriculture and social sectors. I think the challenge really is to make it spread from tier I metros to tier II and III cities. This requires creation of an entire ecosystem and the Start-up India action plan is taking care of that. We are enabling startups to register their companies in a single day through a mobile app, and we are allowing for easy exits because some startups may fail.

More importantly, we need to restructure our education system. And that is what we are trying to do by providing tinkering labs, 3D computers, and robots in colleges so that it leads to the creation of



Anil Swarup, coal secretary

several small incubation centres.

This is just the beginning of a big revolution. India's ecommerce sector is currently valued at \$16 billion. By 2020, this would have crossed \$100 billion and by 2025, it will be close to \$400 billion. To my mind, the traditional, physical structures that sectors like banking and retail relied upon will give way to digital setups.

MAJUMDAR: What is your wish-list of changes in India over the next decade?

SHRIRAM: Job creation has to be looked at in a focussed way. Let's identify five sectors where the potential for job creation is high and give them additional focus and thrust. The rural and agriculture sectors need to be given special impetus. The centre-state relationship within the government, especially when it comes to implementation of policies, needs to improve. The quality of education and access to health care needs to improve.

SINGH: I would like to set a growth target of 10 percent for the next 20 years and work backwards to assess how we are going to achieve that. In the aviation sector, domestic airlines have the capability to challenge global leaders like Emirates or Etihad. And our Delhi, Mumbai and Bengaluru airports can challenge the likes of the ones in places like Abu Dhabi. We have a historic opportunity to achieve this and have to work to make it possible.

ANALJIT SINGH: I look for better alignment between political parties who need to come together to look for national-level solutions for the country. Otherwise, all the developments we are talking about will be compromised.

DARUWALA: We have to look at inclusive growth and skilling of our workforce. 