

10 IDEA EXCHANGE

NEWSMAKERS IN THE NEWSROOM

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WHY NAUSHAD FORBES

A leading voice in India's corporate sector, Forbes brings clarity and reason to discussions on business-government relations. As co-chairman of Forbes Marshall, an engineering firm, he has implemented 'affirmative action' policies in his company — consistently ranked amongst India's 'Great Places to Work'. He

has a doctorate from Stanford University, where he was also a consulting professor for over 15 years till 2004. As president of the Confederation of Indian Industry (CII) in 2016-17, Forbes worked closely with the government as it put in place two of the biggest reforms — the GST and Bankruptcy Code



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P VAIDYANATHAN IYER: What has been your impression of the political campaigns in this general election?

I think it has been a terribly negative campaign. I don't remember a campaign that has been as negative and vicious as this one. I worry that the content is personal and vicious because they think that's a safer basis to get either elected or re-elected than to deal with issues or take positions on positive messaging.

P VAIDYANATHAN IYER: Job creation has been a big issue. How are we doing on that front?

If you look at job creation in the larger industry, it has been very low... in terms of officially reported job creation. I think there has been more job creation in contract employment, which is very often prompted by large industry. I'll give you an example of a factory of a leading FMCG company. There are several hundred people working in that factory, which has a certain degree of automation. From the time the raw materials come in, to the time you have the finished product, there are 15 or 20 people. But then, when you get to the end of the line, there's this huge hall full of people who are taking the finished product and putting it in boxes. So they're doing the final packaging and then the shipping activity. All those people are contract labourers. The 20 or so people in the factory are employed by the company and the 300 people in the packaging area are not employed by them. They are contract labourers. That doesn't show in manufacturing employment. There is better and better data on contract labour but it's still not by any means robust.

I think there's a fair amount of employment of that kind that's being created. In the official statistics, I think, total employment has been flat, not just over the last five years, but I would say the last 10 years.

P VAIDYANATHAN IYER: But the claim that the economy is creating a large number of jobs, and that we are growing at, say, 6.5 or 7 per cent... Clearly, we are not absorbing many people who are entering the labour force every year.

There's no good, robust job statistics, but if I had to guess, I would say that we are actually creating if not millions of jobs, certainly hundreds of thousands of jobs... How many, I don't know and I'm not sure anyone really knows. But the bulk of those jobs, it seems to me, are in informal services... The problem with these kinds of professions is that they're not really good quality jobs. These are informal jobs without much security and these are jobs that are very dependent on the immediate employer in terms of how well the individual is treated and what kind of dignity they're accorded.

P VAIDYANATHAN IYER: The government blocked the report of the National Sample Survey Office which talked about how jobs in the country have shrunk. It's now being called a draft report. What does this say about respect for institutions, the hallmark of any democracy, in the country?

If you look at the regard that governments has for institutions, especially when governments are in a hurry, when they are clear on what they want to do, they see anything that seems to come in their way as an unnecessary encumbrance. I admire the Prime Minister for his desire to find a place in our history books. I think he came to office with that as part of his ambition. But when we want to do many things, sometimes we see people who block us along the way as unnecessary, to be knocked out of the way.

Somewhere along the way, we learn that institutions are actually the hallmark of democracy. They provide checks and balances, they enable a free society to operate with a set of rules. And even though some things tend to go off track from time to time, a properly functioning institution can bring them back. Take the example of the NSSO survey. As a result of not releasing the survey, the average Indian, who had never heard of the NSSO, suddenly has. So I think it backfires when one attempts to do that because we have institutions like the free press that will then publish the leaked report and the results of the survey. There's a group of people who would normally never read an employment survey but they have read all the articles about it simply because the government tried not to release it. The best way of dealing with it is to actually put the data out there and let people fall over it and argue about it and point holes in it. That's what a noisy democracy should enable.

P VAIDYANATHAN IYER: During the previous government, there was this group of 11-13 people led by Jamshyd Godrej and Deepak Parekh who wrote

'I respect this govt trying to enforce rules... (but) there's a view that industry is somehow suspect'

Co-chairman of Forbes Marshall Naushad Forbes says while jobs are being created, these are in the informal sector, says blocking the NSSO survey data backfired, explains why the RBI cut was necessary, and expresses concern over more powers being granted to tax officials



Naushad Forbes with Executive Editor (National Affairs) P Vaidyanathan Iyer in *The Indian Express* newsroom. *Gajendra Yadav*

open letters. Why is the corporate sector silent on critical issues now, be it the jobs data or Urjit Patel's exit?

I think this government is more sensitive to criticism than previous governments have been. Maybe that's because several ministers are first-time national ministers. And as they get more used to the role, maybe they will develop broader shoulders and thicker skins and be less sensitive. The most vocal are people such as Finance Minister Arun Jaitley, Transport Minister Nitin Gadkari. You can talk with them, argue with them and criticise them, and they will come right back at you and tell you where you are wrong. They are very happy to engage. I think sometimes it takes that perspective, of having served in the government and then having lost power and then serving in the Opposition. Losing power is a lesson in humility like no other. It teaches respect for debate and argument that is very healthy. So maybe we need to see that pattern work its way out.

HARISH DAMODARAN: Your company makes boilers. The best barometer of investments in the economy is the number of boilers and compressors being sold. How has it been?

We get business from people setting up new industrial projects and from existing plants that are trying to become more efficient. The latter has been pretty robust over the last 10 years. The former, in terms of fresh industrial investment, has been pretty flat and low for the last seven years. It was low and depressed for the last two years of the UPA and for the full five years of the current government. Broadly speaking, we have seen industrial investment be flat. So our personal experience ties in perfectly with the macro data on industrial investment, which is that it's low and depressed and that depression has been sustained for the last seven years.

SANDEEP SINGH: Do you see any kind of recovery on the capital expenditure front? Also, the RBI went in for a rate cut recently. It's a time when not only private investment not happening but even the consumption demand is slowing down.

I think the rate cut was necessary. It reflects the widespread understanding that the economy has been slowing. Will it in itself turn things around? I don't think so. I think it was a reflection of this wider concern about where the economy is now. What will turn things around? For some reason, I don't know why, but usually, re-

gardless of how the year has gone, Q4 is quite strong. Everyone is trying to achieve more. All the OEMs (Original Equipment Manufacturers) are trying to ship out more, people want to commission plants etc... We saw less of a pull this last year in Q4 than we have generally seen in Q4s. We're not sure.

SANDEEP SINGH: What is the missing cog in the wheel?

I think there are actually two. One is inclusive growth. Take the FMCG sector — not durables, but fast-moving consumer goods. The FMCG growth for many years through the '90s, through the 2000s, was pretty robust. Whatever the GDP growth was, the estimate was that the FMCG should grow one-and-a-half times to twice that. In the last five or six years, that seems to have turned and the FMCG multiple seems to now be 0.8 or 0.9. So if you look at volume growth over a longer period of time, it's now less than the GDP growth. I haven't seen a really good analysis that asks why but I have a hypothesis. My hypothesis is that in the last few years, our growth has for some reason become less inclusive, and so fewer and fewer people have become first-time buyers of toothpaste and soap and detergent and burgers and chips. As a result, it's showing in the wider FMCG data.

Secondly, I think there's an issue with sentiment among industrialists, in terms of investment. And while I really respect the initiatives of this government to try to get people to comply with all applicable rules and regulations, I think the general tenor of debate has been... there's this sort of view that industry is somehow suspect, and I worry about that, because if you do that, then you will end up depressing investment. The story that I hear is that there

are 150,000 Indian industrialists who have taken up residence in either Singapore or Dubai or London, in the last say five-six years. These are big numbers. It means that you've got thousands and thousands of people who are economically active and want to do something. And if they want to do something, they are going to invest. They will invest where they are, as opposed to where they should be, which is here. And, I think, we haven't figured out the cost of some of this wider sentiment — not the sentiment of how the economy is doing, but the sentiment of how the industry is regarded. So, there is that going on as well. I don't know how much of an impact it has, but speaking anecdotally, I see people investing overseas when they should be investing here.

HARISH DAMODARAN: Do you think the Goods and Services Tax and demonetisation were responsible for the lack of inclusive growth?

I think demonetisation definitely affected consumption. We saw that very dramatically in the first months. But within a year, there was a recovery. So if you look at Q3 or Q4 of 2016-17, and Q1 of 2017-18, you definitely saw demand significantly depressed as a result of demonetisation and later the introduction of GST. But by Q2 of 2017-18, FMCG companies were reporting significant volume growth, quarter-on-quarter, and by Q3 and Q4 of 2017-18 they were reporting significant volume growth similar to two years before demonetisation was done. So I think by the end of 2017-18 and certainly going into 2018-19, FMCG companies had recovered from demonetisation. There was that fall and then recovery in volume growth. So yes, it had an effect, but I think it was transient.

"I worry when people make statements about a majoritarian identity. When people win polls on an inclusive message... everyone will become 'includers'. We underestimate the good sense of our people

ANIL SASI: During UPA-2, the industry had come out in the open to talk about overreach by tax officials. Now, there is anecdotal evidence, that the government is struggling to meet tax targets and there is pressure on the industry to cough up advance taxes.

Honestly, I haven't heard of real and widespread incidents of raids and such goings on as a way of increasing revenues. I think, some of that is politically motivated, but I don't think it's tax terrorism running amok.

Having said that, where I'm concerned is that this government has changed some rules that give greater powers to tax officials than they had earlier on. This was done in the Budget about two years ago. And I don't think enough has been made out of that, because the general comment, when we have spoken about it, has been, 'Yes, yes, but we won't use this'. And my reaction has always been that if you are telling me to trust in the inherent goodness of the taxman, I have a problem. History doesn't tell me that that's what I should do. I think we should worry about changing rules that move us backwards when it comes to issues relating to tax terrorism... But as of now, my sense is that there isn't widespread use of those existing rules.

SUNNY VERMA: The relationship between the government and industry is a tricky one. There is a dilemma on both sides...

The government should be close to industry, it should not be close to individual industrialists. I'm talking about all governments, whether present or previous, or future. There should be a closeness in terms of listening to the industry... And if the government listens to the industry too much, it's not good for the country. It has to hear the industry and then do what's right.

...I think the industry department is actually very open and receptive. The industry minister is very proactive, very keen to get inputs, very keen to pick up ideas. I think that needs to turn into a wider view of industry as being something positive. Yes, you may have some deviants along the way who do the wrong thing. Go after them in every possible way because criminality should be prosecuted. But at the end of the day, don't let that become a basis for making policy that affects everyone else.

SANDEEP SINGH: As part of the Confederation of Indian Industry (CII), do you see an increase in incidents of some industrialists

having more access to the Government of India?

No, I don't think so. You would have to go back to the pre-1991 days to see that kind of phenomenon really playing out, where certain industrialists had a real connect. I don't think that there's this group now in the industry that has an inside track to the government. There may be particular individuals who have relationships that they carry forward, but that's always true. But I don't think they listen to some industrialists and not others.

AMITAVA CHAKRABORTY: The refrain of national security, that look we went and hit Pakistan and the fact that it strikes a chord with a section of the electorate... What does it say about our politics and country?

The whole nationalism claim has been a gamechanger in terms of popularity. We will see what happens in the actual election. I wish such issues were actually beyond the political sphere. My own view is that this government and the previous government have broadly done the right thing when it comes to national security. And to accuse either in either direction, that they are damaging the fabric of the nation or not protecting its interests, is wrong. I don't think I'm the only Indian who doesn't buy that. I think there are many millions of Indians who will think similarly that this debate is actually not a debate.

P VAIDYANATHAN IYER: We discussed the distrust towards the industry. Do you see a lack of trust, of respect towards other sections as well, such as minority communities, Scheduled Castes etc.

I worry when, in a country that is as diverse as ours, you hear people making statements about a more majoritarian identity. I think that is dangerous for us as a country. I would like to hear a much more inclusive identity being pushed by our political leaders. For them to say that we want to be elected by all Indians — from all communities, economic backgrounds, professions. Seeing that narrative of inclusiveness in our political discourse would be a really healthy thing. What will get us there I think will be the results of the election. I think when people start showing that they win elections on the basis of an inclusive message, it will turn very quickly and all of a sudden everyone will become 'includers'. I think we underestimate the good sense of our people.



