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Kotak Pitches for Immediate Short-term Fiscal Measures

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'Post-May Data may be Worrying' CII president suggests calibrated unlocking and ₹2-lakh-crore credit guarantee scheme for MSMEs and other affected sectors

Kotak Moots Short-Term Fiscal Action, More Jobs

Gaurav Noronha & Deepshikha Sikarwar

New Delhi: Industry body Confederation of Indian Industry president Uday Kotak has pitched for immediate short-term fiscal measures such as cash transfers to protect those worst hit by the second wave of the pandemic, saying data coming out after May, particularly from rural India, could be worrisome. Kotak batted for a calibrated opening, with increased vaccinations, and said the situation should improve by October.

In an interview to ET, Kotak suggested another credit guarantee scheme for micro, small and medium enterprises (MSMEs) and other affected sectors, with a corpus of ₹2 lakh crore.

"There will be pockets of pain which will come out over the next few months. There will be pain, particularly in rural India and unsecured consumer and lower-end SMEs, even microfinance corporates," said the veteran banker, adding that this unexpected situation requires more short-term measures.

Kotak stressed on a more thought-out reopening. "If we open (in a) more calibrated (manner), we think we will minimise the risk of 3.0," he said, referring to the impending third wave of Covid-19. "We will see tentative movement back to normalcy between the end of June and end of September," he said. He said if by September-

ber there is reasonable vaccination and vaccines work on the variant, then "October onwards, we should start feeling a lot better," adding, "Let us not be caught off guard for 3.0 as we open up. Our opening up speed depends on our ability to handle that as well."

STIMULUS FOR SOFTER LANDING

The managing director of Kotak Mahindra Bank said if the government lent fiscal support in this interim period, it would help in a softer landing. He said the government should ensure that the bottom of the pyramid gets direct fiscal

FISCAL BALANCE

RBI is simultaneously going to step in by expanding balance sheet so all additional fisc does not go into market borrowing and start hurting interest rates

UDAY KOTAK
PRESIDENT, CII



support. "Whether it's food, cash transfers, NREGA (Mahatma Gandhi Rural Employment Guarantee Act), or whether MSMEs get another ECLGS (emergency credit line guarantee scheme) package. I recommend that the government may want to consider a package of ECLGS... I would recommend an incremental ₹2 lakh crore package; so, you take it probably to ₹5 lakh crore and give the support to the economy," he said.

In banking, he said lower-end retail would be the most stressed, especially unsecured personal loans with no underlying security.

On rating agencies' reaction to increase in fiscal deficit, Kotak said they would understand the reality at 6.8-7% fiscal deficit and know that it was a temporary measure because of the pandemic.

"Fisc has to step in. The Reserve Bank of India is simultaneously going to step in by expanding its balance sheet so all the additional fisc does not go into market borrowing and start hurting interest rates, and manage this crucial period," he said.

ON VACCINATION

"My frank view is, the ideal policy of vaccination should be one (Central) quota, and the Centre allocating to states and private sector. Instead of three buckets, we may be better off with two buckets," he said, pointing out that the current three-step formula was creating challenges. "I would much rather have a two bucket situation...you have only two categories, there is no confusion, central purchase done, allocated appropriately to states, and private sector doing its bit to vaccinate Indian business and industry faster," he added. He also suggested a panel of experts to guide the government in the next steps.

Covid: Kotak calls for fiscal support, warns against rush to reopen

SANDEEP SINGH
NEW DELHI, MAY 26

TO MITIGATE the impact of the pandemic, the second wave of which has seen an unprecedented loss of lives and livelihood, Uday Kotak, CII president and a leading industry voice, has called for strong fiscal support measures from the government — from income support to individuals to an additional emergency credit line guarantee scheme (ECLGS) for the stressed MSME sector.

Kotak, MD of Kotak Mahindra Bank, also emphasised the “need to be very cautious” about opening up the economy even after June, calling it a “very difficult dilemma” for states, and saying a lot depends on the progress made on the vaccination front.

“I believe the time has come



**‘TIME FOR STATE
TO GET MORE
ACTIVE, STRONGLY
FAVOUR SUPPORT’**

UDAY KOTAK
CEO, KOTAK MAHINDRA BANK

for the state to get more active and I would strongly support fiscal support coming in for protecting livelihood and minimum requirements of individuals and households. I am quite

CONTINUED ON PAGE 2

administrations and individuals face.

Stating that the answer to that is linked to vaccination, he said, “We are probably three to four months away from being fully convinced that a large part of the population is vaccinated or has become Covid-proof.... If we can vaccinate a significant number of the population by September or so, then the question is hanging in (for) the interim period of three months... I think I would do it in a very careful, calibrated manner, rather than rushing in to open up,” said Kotak, adding that the country must be prepared for a third wave of the infection.

On the much more debilitating second wave, Kotak said, “We, as a nation and each one of us, lowered our guard. By January, we declared victory and we started going out, holding meetings, saw gathering of crowds, social activity and whole host of things across the nation. We probably declared victory a little early.”

Incidentally, even as the Centre decided not to announce a nationwide lockdown, the CII took a decision in the first week of May, urging the industry to voluntarily curb non-essential economic activities over the next two weeks.

Kotak said the call was based on feedback from members of the CII across the country. He pointed to the fact that in his company itself, the number of lives lost between April and May was 2.5 to 3 times higher than in the whole of last year.

“On our side, our call was very simple. The employee balance sheet is more important than financial balance sheet... As far as Central and state governments are concerned, it is up to them to have taken a call... and so, it really depends on them how they saw the situation across their different parts,” he said.

(WITH ENDS IN PARENTS)

Kotak calls for support

comfortable if we go and spend from the fisc and expand the position. There is absolutely no issue as I see it and that's what we need to do... Time may have come for the government to be looking at an additional ECLGS scheme, including increasing the size from Rs 3 lakh crore to Rs 4-5 lakh crore,” said Kotak.

On May 13 last year, Union Finance Minister Nirmala Sitharaman had announced Rs 3 lakh crore collateral-free automatic loans for businesses, including MSMEs, at concessional rates.

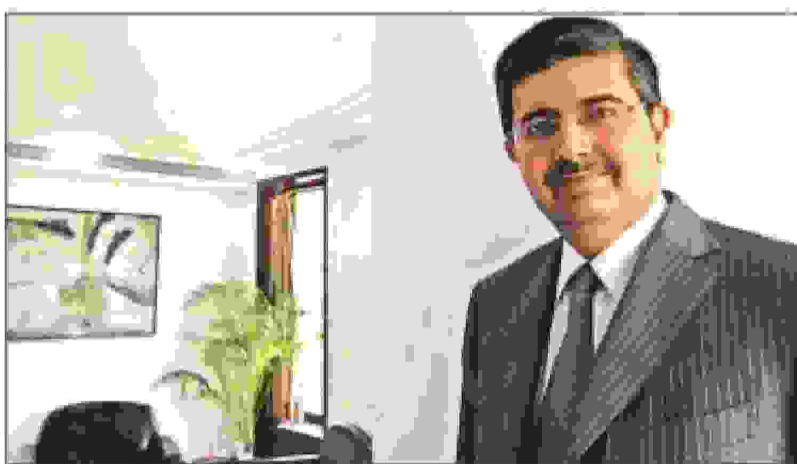
Calling for fiscal support to the lower end of the economy, be it in the form of direct benefit transfer or ECLGS scheme for small and medium businesses, Kotak said, “At CII, we support fiscal support to the lower end of the economy... We need to do what it takes. We will figure out how we manage our books down the road but right now, we have to ensure that the economy remains in reasonable shape in the next six to nine months,” he said.

Even as some state governments consider relaxing lockdowns amid a dip in cases, Kotak said he feels the “need to be very cautious on that front” and that opening up even after June is a “very difficult dilemma” that state

INTERVIEW: CII PRESIDENT AND KOTAK MAHINDRA BANK VC & MD

‘Time for state to get more active; strongly in favour of fiscal support’

CORONAVIRUS CASES have started to taper off and, with that, expectations of opening up of the economy have started rising among people. UDAY KOTAK, CII president and Kotak Mahindra Bank VC & MD, told ANIL SASI and SANDEEP SINGH that the opening up will depend on vaccination. He said if we can vaccinate a larger percentage of people and move our vaccination to around 15 crore a month by August, that rate would start providing the comfort on gradual opening up thereafter. Edited excerpts:



Uday Kotak. Express file

The industry took a call on curbing economic activity, even as the Central government decided against a nationwide lockdown. What made you take that call and how do you see things now?

When I sit back and look, the first wave really did not impact us anywhere near the way that second wave has. We, as a nation and each one of us, lowered our guard and, by January, we declared victory. Secondly, what caught us by surprise was the variant B.1.617, which hit us in March and has lasted till now.

In the early stages (March end- early April), we were also of the view that we must not stop economic activity, but as a few weeks passed and we started seeing problem in Delhi by end of April, that's the time we, at CII, said the situation is getting out of control and we will have to break the chain and curtail economic activity. And, we took a call clearly in national interest for a short period of time.

Now that the cases have started to come down, do you think we can plan to open up?

Cases have come down to 2 lakh a day from 4 lakh cases a few weeks back. Experts are predicting that it will be down to around 50,000 per day by June-end. So, should we open up? I think it is a very difficult dilemma, which states and individuals face. The clear answer is linked to vaccination and we are probably 3-4 months away from being fully convinced that a large part of the population is vaccinated or Covid-proof. States will have to look very carefully because the nation is porous and people can move between states and cities. So, next three months are crucial and, I think, I would do it in a very careful calibrated manner, rather than rushing in to open up.

This time around, I would be well prepared for the third wave and make sure we have enough supplies, even if it means wastage. The cost of human life is much more than potential

wastage of medicines or oxygen or hospital beds.

The critical question is if we can vaccinate a larger percentage of people and move our vaccination to around 15 crore a month by August. At that rate, we will start feeling comfortable about gradual opening up thereafter.

However, we need to keep an eye on two things — a potential third wave and impact of vaccination on variants. I will watch out for these two, but subject to that, this interim period of three months (July, August and September) is a challenge. Till most of June, the current curtailment of activity in some shape or form is more or less likely to be there, but July to September is a tougher call to open or not open.

While you say that we need to be watchful till September, how do you see its economic impact? What should be done to address that?

There is more fear this time around and it will have an impact on consumer behaviour.

It is an area of concern and I believe that the time has come for the state to get more active and I would strongly support a fiscal support for protecting livelihood and minimum requirements of individuals and households. I am quite comfortable if we go and spend from the fisc and expand the position. There are absolutely no issues and that's what we need to do.

There will be an inevitable impact on a lot of businesses and borrowers of financial institutions and there are two parts to it. One is the time may have come for the government to be looking at an additional ECLGS scheme, including increasing the size from Rs 3 lakh crore to Rs 4-5 lakh crore. That is one thing the government may want to consider. Secondly, there has to be some direct transfer for the poorest of the poor, in terms of supporting them on basic livelihood.

We need to do what it takes. We will figure out how we manage our books down the road, but right now we have to ensure that the economy remains in

reasonable shape in the next six to nine months.

Is there room for fisc expansion?

The Budget planning has been quite conservative and there is room in the fisc. We have also seen a higher RBI dividend, and also some benefits of food corporation refunds and other things. I think there is room for the fisc to expand and, I think, the RBI has done the right thing by expanding its asset programme, including the GSAP programme.

I think, we have to be clear that Covid 2.0 has been a significant bump. We need a strong economy, strong financial sector, ensure that global flows continue to come to India and we need to see that impact on consumption demand is also handled. And, that's why fisc is a good answer.

As for the industry, if you look at the last 12 months, business and industry has done better than it could have been thought in April 2020 and, I think, it is time for the businesses to step up on the plate and make sure that they handle these bumps and actually support the economy.

Private sector investments and bank lending has lagged. When do you see investment cycle picking up?

Capacity utilisation in the economy is around 63 per cent and for a serious investment cycle to happen, your capacity utilisation has to be at 75-80 per cent at least. One positive is exports. The global economy has recovered better and therefore on exports side India should do better. There are some parts where investments are happening — healthcare sector. I think people are going to get more confidence in six to nine months. If we can get out of Covid and Covid 3.0 works without a problem and vaccination happens, I think, we will see a relative boom in private investment cycle. My personal view is that 2022-23 is when I believe investment plans will get into serious mode.

Full interview on www.indianexpress.com

Calibrate opening-up of eco with vax, says Kotak

'Govt Needs To Step Up Spending, Widen Credit Cover To ₹5L Cr, Boost Health Infra'

Sidhartha & Mayur Shetty | TNN

Kotak Mahindra Bank vice-chairman and MD Uday Kotak, also the outgoing president of industry body CII, believes that states must calibrate opening up while bolstering health infrastructure and vaccinations. He calls for fiscal support to help small businesses and the corporate sector tide over the fresh financial challenge. Excerpts:

How should states calibrate the opening up? How are companies planning to resume operations?

Our decision-making has to be based on experts, knowledge and science. The factors that will work in three-four months is the level of vaccination. One of the lessons that Covid2.0 has taught us is that even if there is wastage, we must create capacity in hospital beds, oxygen and medication, rather than run helter-skelter as many Indians did. We are three-four months away from a level of confidence where we can take a bold call that we have vaccinated a lot of people. By August, we should be vaccinating around 15 crore doses a month. On opening up, states are going to be in a very challenging position between July and September. It will also depend on how effective the vaccine is against the variants.

What kind of support will businesses require?

Besides a calibrated opening up, we need a review of the vaccination policy. We should have two vaccine quotas — one for the Centre, which should be around 75%, and the remaining for the private sector: The

Centre should allocate equitably to the states, otherwise, states competing with each other is creating some confusion.

What is your prescription to help businesses getting hit financially?

The time has come for the fisc to step up and there is good news on that. The Budget was very conservative on revenues. For instance, there is Rs 50,000 crore more from the RBI. There is room for the government to provide support to those at the bottom of the pyramid who

that the additional market borrowing does not hit the bond markets.

Some lenders have called for a moratorium...

The direct transfers will take care of weaker sectors and government support to MSMEs and extension of ECLGS will protect jobs and make it possible for banks to lend to them. If a stressed borrower does not have fiscal support, the bank can restructure the loan if it recognises the loan as an NPA (non-performing asset) and provi-

STRENGTHEN NCLT, NCLAT BENCHES

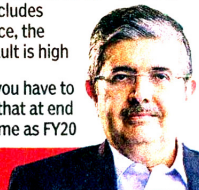
On Moratorium | A back-to-back forbearance from the RBI will turn moratorium and restructuring into 'extend and pretend'. From 2009 to 2016, we have seen the 'extend and pretend' culture weaken the financial system. Let not history repeat itself

Loan Recovery | We need to significantly increase the capacity of NCLT and NCLAT benches. I would like to see India get better at ROTI — return on time invested

Consumer Demand | People are hoarding cash for medical and other emergencies. If you give an unsecured consumer loan to leveraged players, and that includes microfinance, the risk of default is high

GDP Growth | This is a moving target, you have to see each month as it goes. My view is that at end of FY22, size of economy will be the same as FY20

UDAY KOTAK | VC & MD,
KOTAK MAHINDRA BANK



need food and some amount of cash for their livelihood. I would strongly recommend the ECLGS (Emergency Credit Line Guarantee Scheme), which was for Rs 3 lakh crore, should be expanded to Rs 5 lakh crore.

Should government give more in the form of direct benefits as relief package?

This time, we should be bolder as the impact was more on rural areas. The RBI should expand its balance sheet so

des for it. In the last year, banks have raised significant capital, which gives them room to restructure loans, take the provisioning hit and move on. A back-to-back forbearance from the RBI will turn moratorium and restructuring into 'extend and pretend'. From 2009 to 2016, we have seen the 'extend and pretend' culture weaken the financial system. Let not history repeat itself.

For full interview, visit www.toi.in

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'Time for fiscal stimulus to support the economy'

The time has come for the government to offer fiscal stimulus to support the economy and reduce the Covid 2.0 shock, **UDAY KOTAK**, outgoing president of the Confederation of Indian Industry, told Shrimi Choudhary in an interview. 4 ▶



'Time has come for fiscal stimulus to support the economy'

The time has come for the government to offer fiscal stimulus to support the economy and reduce the Covid 2.0 shock, **UDAY KOTAK**, outgoing president of the Confederation of Indian Industry (CII), told **Shrimi Choudhary** in an interview. Edited excerpts:

Is there any specific industry demand being taken up by CII on vaccination?

CII has been working closely with its members for vaccinating their employees and is making steady progress.

We are working with the government and vaccine manufacturers to increase the vaccine available for Indian business and industries.

Do you think the new vaccination policy is working efficiently?

The vaccination process is going to be crucial for our future. The current three-way negotiation and states competing with each other would be very messy.

I am not sure how effective it is to have states compete with the private sector. The current process of vaccination has three categories. One, 50 per cent with the central government and other two are open ended with states and the private sector.

My recommendation would be that we should move it to two parts — 75 per cent and 25 per cent and keep the pricing part as a separate discussion. In the first part, the Centre can procure 75 per cent and allocate to states equitably. The remaining 25 per cent can go directly to the private sector allowing them to work with hospitals and other sites.

What is the impact of the second wave on the economy?

I think there's going to be a Covid 2.0 shock which the economy is getting as we speak.

My estimate of the economy is that by the end of the financial year 2022, the size of the economy will be the same as it was in FY20.

So, if FY20 was 100, we may come to 92 in FY21 with 8 per cent contraction in real gross domestic product (GDP).

By the end of FY22, we should be back at around 100 with a GDP growth of around 8-9 per cent as things stand today.

Is fiscal stimulus needed now?

In order to reduce the shock to the economy, the time has come for the fiscal to step up. I would recommend two parts to fiscal support. One, support the lower end of the society by direct intervention through ways such as direct benefit cash transfer. Second, give fiscal support to the stressed sectors in line with the ₹ 3-lakh crore (₹3 trillion) emergency credit line guarantee norms. The government must consider a broader programme including most stressed sectors and increase the support to ₹5 lakh crore (₹5 trillion). I believe time has come for fiscal stimulus to support the economy.

What is your thought on easing the pandemic-induced lockdown in states.

We need to open up in a calibrated



manner while taking care of vaccination supply and capacity building.

Also, the unlock should be based on science and expertise and not ad hocism.

Projections by experts say that by the end of June, we should be at around 50,000 cases. Two factors are there — progress in the vaccination drive and peak capacity

building in terms of vaccines, oxygen supply, hospital beds, availability of life-saving drugs etc.

So, the effort should be such that the third wave does not come or at least has a milder effect.

But, if it arrives, we should have enough capacity to ensure that challenges that we faced in the second wave don't surface again.

How are you seeing the future of the workplace?

Geography is history. I think the demand for commercial space is certainly lower than before for the same number of employees. So some commercial space will be available and home is going to be the centerpiece of the world. You will find flexibility at the workplace where they can work from anywhere in the world.

What are your thoughts on the government's ambitious Aatmanirbhar Bharat (Self-reliant India) push?

In many ways Covid 2.0 has highlighted that there are parts where we will have some interdependencies. So we can't be completely secluded. Having said that, we will be better in withstanding shocks if we are stronger as a country. We have to be engaged and globally competitive but then at the same time we must get stronger.

We can't shut ourselves from the rest of the world. If self-reliance means getting stronger as people and as a country, it is a good sign.



UDAY KOTAK
President, Confederation of Indian Industry

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More fiscal support imperative: Uday Kotak

SPECIAL CORRESPONDENT
CHENNAI

India's economy urgently needs increased fiscal spending from the government to support businesses that have suffered stress from COVID-related disruptions, as well as households and individuals hit by the pandemic, CII president Uday Kotak said.

"I think the time has come

for the fisc [fiscal authorities] to do a lot more in terms of supporting very specified, well-defined segments of the economy, including individuals and households," Mr. Kotak said in an interview. "The government in its budget planning... has done a very conservative revenue estimate for 21/22 in terms of its targets, so I think they should

do better in many areas."

Arguing that the risks of not increasing fiscal spending were far greater than a possible overshoot of the government's budgeted fiscal deficit target of 6.8%, he said, "At a time like the pandemic, we need to support the economy to at least a base level."

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'July-Sept. period will be key'

CII chief says lot will hinge on States' approach to reopening

SURESH SESHADRI

After recommending stringent curbs on economic activity to contain the 'suffering' from the pandemic, CII president Uday Kotak earlier this month urged companies to take 'voluntary measures' to break the COVID transmission chain by minimising all in-person work. Mr. Kotak, who completes his term at CII's helm on May 31, said the coming months would require careful calibration to revive the economy. Excerpts:



You have earlier stressed that saving lives was far more important. What do you see as the way forward?

■ We are really caught in a cleft. On the one hand, if you look at all the analysts... most of them are saying that with a reasonable lockdown kind of situation, the total positive COVID cases should come down to about 50,000 per day, by end of June. We are then in a situation where we have the ability to have selective opening up in different parts of the country.

But the fact is our internal borders are open. And people can freely move around in any part of the country. And the levels of vaccination are still relatively lower as a percentage of the population. So we are in a catch-22 situation, in which I think each State will have to calibrate carefully in terms of what it needs to do.

My view is both States and individuals will be more cautious this time around in opening up than we have been in the last year. At the same time, I do believe that our vaccination progress, we should catch up by somewhere around the end of September. Therefore the real hiatus for us to manage is this period of three

months... July, August, September.

And those are the calls we need to take carefully for two reasons. If we do the calibration well, we will have a much lower risk of 3.0 [third wave].

Two, we would have vaccinated a lot more people. And we will also have some clarity, how effective the vaccines are at the various levels.

What can the CII do to get a uniform vaccine policy?

■ Frankly, if there is a way by which government can create a joint task force representing both public and private sector, in terms of taking the vaccination strategy forward, I think CII will recommend that strongly.

What can be done to support the economy?

■ Expand the fisc; support the weaker segments of society or stressed sectors. And for the pressure it brings on to the government bond market and higher borrowing... expand the balance sheet of the RBI.

The other aspect is the financial sector. The ECLGS scheme... they should expand it or think about expanding it. They can look at

₹5 lakh crore and let the government give the guarantees to the banks, which can give additional funding to particularly the cyclical category of borrowers who then have a chance of survival.

Then you come to the part where the banks feel that they [borrowers] may have a better chance if they gave a little breathing time, which means restructuring. My view is that there is nothing in the RBI guidelines which stops a bank from restructuring a loan, even if it is declared an NPA.

The transaction between the borrower and the banker can be in terms of what's right for making it easier for the borrower to sustain itself for paying back the bank.

At a time like this, we have to protect India's reputation in the financial sector. And our credibility. We should not have a situation where banks merely extend and protect, but focus more on doing what is right, take the pain on their balance sheet.

We must ensure that the shocks are either taken by the state or by the capital cushions in financial institutions. And I feel capital is the oxygen of the banking sector. And we must have enough oxygen.

{ UDAY KOTAK } PRESIDENT, CII

‘Indian economy needs fiscal support to grow’

Gopika Gopakumar and Shayan Ghosh

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MUMBAI: The Indian economy is at a crucial juncture where the government has to decide when to open up. Covid-19 positive cases have come down, but the question remains whether we have vaccinated enough people and how prepared we are for a third wave, if there is one. The opening-up of the economy will depend on the progress of vaccination, peak capacity of supplies, and the ability to make Indians understand that precaution is essential, the outgoing president of the Confederation of Indian Industry (CII), Uday Kotak, said in an interview with *Mint*. July-September will be the most challenging period for India, he said. Edited excerpts:

Do you think the economy will be resilient at this pace of vaccination?

By the end of FY22, we should get back to an economy of the size that was there at the end of FY20. If we were an economy of size 100 and if we see an 8% contraction, we will get back to 100-mark, which is 8-9% growth, by next year.

Should the Centre roll out fiscal measures so monetary policy does not have to do all the heavy lifting?

The time has come for the fisc to support the economy in two parts. In the lower strata, where it has to be in the form of direct intervention, whether food or other essentials or cash in the bank, and the Mahatma Gandhi National Rural Employment Guarantee Act. The second one is a programme to support stressed sectors in business. It could be an extension of the ₹3-lakh crore ECLGS programme, which has been successful, though not all of it has been used. But I would expand sectors, even the size, and maybe suggest going up to ₹5 trillion.

What are your thoughts on India's vaccination policy?



Uday Kotak, outgoing president of CII. BLOOMBERG

We need a two-segment policy and not a three-segment policy. We should have 75% allocated to the Centre and price can be negotiated and thereafter the vaccines can be equitably allocated to the states. The remaining 25% should be left free for the private sector. This three-way thing of 50% supply to the central government and then the remaining 50% between the states and the private sector is complicating matters.

Could we have planned the vaccination programme better by anticipating the second wave?

You are driving the car. So look at the windshield and not at the rear-view mirror. Let us see how we can make it from here and from what I hear, we should have 15 crore vaccines by August. So, let us get our vaccination pumped and ensure that the government pays a fair price and maximizes production and distribution. That is how we should think of our future.

Do you think RBI should allow another moratorium or extend restructuring for large corporates?

There is nothing stopping a bank from restructuring or giv-

ing any facility to borrowers. All that the bank needs to do it is ensure it has enough capital and set aside provisioning charge for restructuring or moratorium. Continue with financial discipline and take capital charge and provide. Private sector banking has been increasing its capital base over the last 12 months. If banks have enough capital and do what is right for borrowers, let's not mix it up with the third part, which is if I give forbearance to borrowers why do I need forbearance from RBI for the capital charge I need to?

Do smaller banks require more covid forbearance?

Most banks have raised capital and it is not just the large banks. Any bank that needs capital will see that it is available. You know that Yes Bank raised another ₹15,000 crore last year from the markets. Besides us, ICICI Bank, Axis Bank, IDFC First Bank, RBL Bank, and AU Small Finance Bank also raised capital. The answer is to get oxygen and it is available for the financial sector. We should avoid a situation where we extend and pretend. If you are extending, take the provisioning, take the capital charge but let us not pretend that there is no problem.

What are your expectations from RBI's policy?

We need to keep the policy accommodative at least through calendar year 2021. This is a time when monetary policy has to support while fiscal steps up, but you cannot have a situation where the interest rates go up in the short-run both on the short as well as the longer end.

How will the capital market activity be this year?

This year, capital market activity will continue but a lot will depend on how the US behaves and how India works on vaccine and the covid situation. Therefore, I would like to believe that activity would pick up as we go forward, subject to global inflation and interest rates.

'India's covid-hit economy needs fiscal support to grow'

Gopika Gopakumar & Shayan Ghosh

MUMBAI

The Indian economy is at a crucial juncture where the government has to decide when to open up. Covid-19 positive cases have come down, but the question remains whether we have vaccinated enough people and how prepared we are for a third wave, if there is one. The opening-up of the economy will depend on the progress of vaccination, peak capacity of supplies, and the ability to make Indians understand that precaution is essential, the outgoing president of the Confederation of Indian Industry (CII), Uday Kotak, said in an interview with *Mint*. July-September will be the most challenging period for India, he said. Edited excerpts:

Do you think the economy will be resilient at this pace of vaccination?

By the end of FY22, we should get back to an economy of the size that was there at the end of FY20. If we were an economy of size 100 and if we see an 8% contraction, we will get back to 100-mark, which is 8-9% growth, by next year.

Do you think the Centre should announce fiscal measures so that monetary policy does not have to do all the heavy lifting?

The time has come for the fisc to support the economy in two parts. In the lower strata, where it has to be in the form of direct intervention, whether food or other essentials or cash in the bank, and the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA). The second one is a programme to support stressed sectors in business. It could be an extension of the ₹3-trillion ECLGS programme, which has been quite successful, though not all of it has been used. But I would expand the sectors, even the size, and maybe suggest going up to ₹5 trillion.

What are your thoughts on India's vaccination policy?

We need a two-segment policy and not a three-segment policy. We should have 75% allocated to the central gov-



ernment and price can be negotiated and thereafter the vaccines can be equitably allocated to the states. The remaining 25% should be left free for the private sector. This three-way thing of 50% supply to the central government and then the remaining 50% between the states and the private sector is complicating matters.

Could we have planned the vaccination programme better by anticipating the second wave?

You are driving the car. So look at the windshield and not at the rear-view mirror. Let us see how we can make it from here and from what I hear, we should have 15 crore vaccines by August. So, let us get our vaccination pumped and ensure that the government pays a fair price and maximizes production and distribution. That is how we should think of our future. There is a very delicate balance between July, August and September. The vaccinations are still going up and your positivity rate is coming down.

Do you think the RBI should allow another moratorium or extend restructuring for large corporates?

There is nothing stopping a bank from restructuring or giving any facility to borrowers. All that the bank needs to

do is ensure it has enough capital and set aside provisioning charge for restructuring or moratorium. Continue with financial discipline and take capital charge and provide. Private sector banking has been increasing its capital base over the last 12 months. If banks have enough capital and do what is right for borrowers, let's not mix it up with the third part, which is if I give forbearance to borrowers why do I need forbearance from RBI for the capital charge I need to?

Do smaller banks require some more covid forbearance?

Most banks have raised capital and it is not just the large banks. Any bank that needs capital will see that it is available. You know that Yes Bank raised another ₹15,000 crore last year from the markets. Besides us, ICICI Bank, Axis Bank, IDFC First Bank, RBL Bank, and AU Small Finance Bank also raised capital. The answer is to get oxygen and it is available for the financial sector. Non-bank lenders have raised capital as well. One of the biggest things

that covid-19 has surprised us with is the ability of the markets to provide equity capital. We should avoid a situation where we extend and pretend. If you are extending, take the provisioning, take the capital charge but let us not pretend that there is no problem.

CII suggested some changes in RBI's diktat on auditor appointments. What are the challenges in implementing it?

First, India needs to have an Indian auditing and accounting capability. Therefore, strengthening India's capability is important. However, what we need to do is that whenever we have a change in policy, there should be enough time for transition. One of the suggestions we have made at CII is to give fair transition time for this change. Whether it is a global or a local audit firm, I think both have had their challenges in the financial sector and what is clear and critical is to increase capability across auditing firms. More importantly, there should be a value system that is consistent, irrespective of whether it is global or a domestic firm.

How will the capital market activity be this year?

This year, capital market activity will continue but a lot will depend on how the US behaves and how India works on vaccine and the covid situation. Therefore, I would like to believe that activity would pick up as we go forward, subject to global inflation and interest rates.

What are your expectations from RBI's policy next month?

We need to keep the policy accommodative at least through calendar year 2021. This is a time when monetary policy has to support while fiscal steps up, but you cannot have a situation where the interest rates go up in the short-run both on the short as well as the longer end.

We should have 15 cr vaccines by August. So, let us get vaccination pumped and ensure that the government maximizes production.

Uday Kotak
CII president

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PANDEMIC BLUES

**Uday Kotak pitches for
fiscal package to deal
with Covid impact**



Kotak for fiscal package to deal with Covid impact

PRESS TRUST OF INDIA
New Delhi, May 26

AMID THE SECOND wave of COVID-19 pandemic, CII president Uday Kotak on Wednesday “strongly” recommended the government to consider another fiscal package to support the lower end of the society as well as small and medium businesses.

The government could consider increasing the quantum of the credit guarantee scheme for providing collateral-free loans to small businesses from ₹3 lakh crore to ₹5 lakh crore, he told PTI in an interview.

Last year, the government had announced the ₹3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) as part of the Atmanirbhar Bharat package.

Kotak said the COVID 2.0 has turned out to be “very very damaging” and has shaken the country, particularly in April and May.

On the impact of the second wave of the pandemic on the GDP, Kotak said the initial feedback suggests that it was adversely impacting the economy and also the growth.

As against the initial expectations of an 11% growth in the current fiscal on a lower base of the previous fiscal, Kotak said, “It would be fair to say that it is likely to be probably less... it is likely to be less than 10%. We have to watch the situation.”

Amid this background, he



Uday Kotak

said, “I would strongly recommend to the government to consider a fiscal package to support the lower end of the society and small and medium businesses. That can be through direct transfers, including through food and other measures on the one hand, and second schemes to support SMEs could be in the form of an additional package under the ECLGS scheme, which they did last year”.

In 2020, the government announced the “Atmanirbhar Bharat” package to perk up the economy and the overall stimulus was estimated to be worth around ₹27.1 lakh crore, which was more than 13% of the national GDP.

To mitigate the impact of the pandemic, the government and the Reserve Bank of India had come out with a series of packages in a phased manner totalling around ₹30 lakh crore, which is 15% of the GDP.

The Telegraph

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Stimulus request

■ **NEW DELHI:** Amid the second wave of the Covid-19 pandemic, CII president Uday Kotak on Wednesday “strongly” recommended the government to consider another fiscal package to support the lower end of society as well as small and medium businesses. PTI