

Building India for the Future

N. Chandrasekaran

(Chairman, Tata Sons Pvt. Ltd.)

**The Seventeenth Nani A. Palkhivala
Memorial Lecture**



Published by
Nani A. Palkhivala Memorial Trust

NANI A. PALKHIVALA MEMORIAL TRUST

We hardly need to introduce you to the life and work of the late Nani A. Palkhivala. He was a legend in his lifetime. An outstanding jurist, an authority on Constitutional and Taxation laws, the late Nani Palkhivala's contribution to these fields and to several others such as economics, diplomacy and philosophy, are of lasting value for the country. He was a passionate democrat and patriot, and above all, he was a great human being.

Friends and admirers of Nani Palkhivala decided to perpetuate his memory through the creation of a public charitable trust to promote and foster the causes and concerns that were close to his heart. Therefore, the Nani A. Palkhivala Memorial Trust was set up in 2004.

The main objects of the Trust are the promotion, support and advancement of the causes that Nani Palkhivala ceaselessly espoused, such as democratic institutions, personal and civil liberties and rights enshrined in the Constitution, a society governed by just, fair and equitable laws and the institutions that oversee them, the primacy of liberal economic thinking for national development and preservation of India's priceless heritage in all its aspects.

The Trust is registered under the Bombay Public Trusts Act, 1950. The Trustees are: Y.H. Malegam (Chairman), F.K. Kavarana, Bansi S. Mehta, Deepak S. Parekh, H. P. Ranina, Soli J. Sorabjee and Miss S.K. Bharucha.

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First Published: February 2020

Published by:

Miss S. K. Bharucha, *Trustee*

Nani A. Palkhivala Memorial Trust

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Printed at:

India Printing Works

India Printing House,

42, G. D. Ambekar Marg,

Wadala, Mumbai – 400 031.

Tel.: 022-2412 2756 / 2755

E-mail : anand@ipworks.in

INTRODUCTION

The Nani A. Palkhivala Memorial Trust was privileged to have Mr. N. Chandrasekaran, Chairman, Tata Sons Private Ltd. deliver the 17th Nani A. Palkhivala Memorial Lecture at the Tata Theatre, NCPA on 16th January 2020, which also marked Nani Palkhivala's birth centenary.

The subject of the lecture, "*Building India for the Future*", is both important and topical in the context of the strong headwinds which the Indian economy is facing at present.

As Mr. Chandrasekaran has pointed out, fundamental changes are taking place in the world. As the advanced world is growing old, the future lies with the younger and more dynamic nations. The working age population in the advanced world is declining while it is growing in the lower middle and low-income countries including India. This presents both a challenge and an opportunity.

While India has its own problems with the continued slowdown in consumption, investment and exports, its major problem remains in the growing number of unemployed and underemployed persons. Mr. Chandrasekaran believes that if we are to realize the promises held out in 2004 in the India Vision 2020 report issued by the Planning Commission and which promises have remained largely unfulfilled, we need the skilling of at least ten million persons every year, the migration of many millions from the villages to the cities and a reserve for the large ageing population we will have by 2035.

Even as he acknowledges that in the last five years, we have achieved some important results in the social sector, he quite rightly points out that social transformation cannot be sustained without economic growth and that in the midst of a prolonged slowdown of the economy, we

cannot look for over-simplistic ideas or quick fixes. What he advocates is a long-term vision and innovative thinking.

In a brilliant lecture which reveals the visionary approach and innovative thinking which helped him propel TCS into a global giant in the I.T. world, he identifies the three key areas which we need to prioritise. These are, the unleashing of the private sector, the provision of modern public goods and what he calls “Bridgital”, that is, the application of a filter to digital interventions to identify technology that can lead to new or more productive jobs.

This is a bold and innovative approach which needs the serious consideration of not only our policy makers but of all those who remain concerned with the long-term development of our economy. In publishing this important lecture and giving it the widest circulation, the Trustees of the Nani A. Palkhivala Memorial Trust hope that it will generate a much-needed public debate on the important issues which Mr. Chandrasekaran has highlighted.

Y.H. Malegam
Chairman

11th March 2020

Nani A. Palkhivala Memorial Trust



NANI A. PALKHIVALA

16th January 1920 - 11th December 2002

Building India for the Future

N. Chandrasekaran*

Everywhere we look, change is upon us.

Countries that once advanced the world are growing older, and their prerogatives are changing. Meanwhile, younger and more dynamic nations filled with promise, and with their own notions of what constitutes advancement and economic progress, are about to take their place.

The share of elderly—people over 65—will rise. Their numbers will form nearly a billion out of a global population of 8.5 billion. On the other hand, the proportion of people of working age will fall for the first time since the 1960s. And almost all the hundreds of millions of new working age people will come from lower-middle and low-income countries such as India, Nigeria, and Kenya. In contrast, upper-income countries and China, traditionally the engines of global growth, will see a decline in their absolute working age population for the first time in history.

That's not all. The years before the global financial crisis were extraordinary times. Capital expenditure grew at a healthy rate in the years just before the crisis. Since

* *The author is Chairman of the Board at Tata Sons, the holding company and promoter of all Tata Group Companies. The text is based on the Seventeenth Nani A. Palkhivala Memorial Lecture delivered under the auspices of Nani A. Palkhivala Memorial Trust on 16th January 2020 in Mumbai.*

then it has seen virtually no growth. [2008-18 average growth was 0.1 per cent against growth of 13 per cent (2005-07) average]. The collapse of the commodity boom, the sharp fall in oil capital expenditure, a reassessment of China's growth expectations, over-leveraged companies, especially in emerging markets, a decreasing reliance on physical products, as well as fear about digital disruptions are some of the reasons why growth has slowed since.

Finally, there is productivity. It grew by an average of 1 per cent before the crisis, and has grown at 0.1 per cent after. Several cyclical factors have all played their part, but so have more structural forces such as an ageing workforce, slowing global trade, and not enough labor reform in important emerging economies. New technology breakthroughs like artificial intelligence, cloud computing, and machine learning could help, but their magnitude and timing, like that of so many technologies, are difficult to predict.

At home, India is going through its own transformations. The demographic dividend we have always spoken about is finally here. Over 700 million Indians are below the age of 30—more than twice the size of the entire population of the United States. As we know, every month, a million more Indians become of working age. The country's GDP per capita stands at \$2,000 right now, but will more than double to nearly \$5000 in a decade. By 2030, India will become the world's third-largest economy. **Yet**, it will not be among the world's richest economies.

In 2004, experts depicted India in 2020 [India Vision 2020 Report (chaired by SP Gupta at the Planning Commission)]. They said that India would be better educated, healthier, and more prosperous then, than at any time in history. They said that the largest number

of new jobs would be created by SMEs, and that if we made the right decisions unemployment could be almost eliminated.¹ Well, we're in 2020 now, and still on this side of the enormous gap that exists between what India could be, and what India presently is. To get to the other side, the economy will need to handle more than a doubling of capital flows and exports, the skilling of at least 10 million people every year, the movement of millions every year from villages to cities, and begin creating a reserve of resources for the large, ageing population that it will have to accommodate by 2035 [The share of the elderly in India—people aged 65 and up—will rise to 10 per cent by 2035 (from below six per cent in 2015). This implies nearly 150 million elderly, more than double its 2015 level].

Our ability to get to the other side depends on whether we can carry our people. This will happen only when we accept that India is underperforming its vast potential.

India has slowed down, and growth expectations are readjusted downward consistently. If this slowdown feels different, that's because it is. Usually, there are one or two reasons behind weakness. The current slowdown has many reasons: Consumption, investment, and exports have all slowed together.

In the midst of a prolonged slowdown, everyone looks for oversimplistic answers. Where does blame lie and what is the quick fix? But things are rarely so simple. The fact is that we are in part working through an unwinding of a legacy approach when it comes to everything from education to NPAs. This takes time to undo. If you ask me, in the past five years we have achieved some important results, particularly in reaching households, think of electrification, bank accounts, healthcare insurance, sanitation, connectivity.

1 India Vision 2020 report

However, you can't sustain social transformation without economic transformation. We cannot get around the basic fact that we need a vibrant environment of job creation to sustain economic upliftment.

Amid all the debate circling around us, I really believe that there are three key areas we need to align on together as a country. Some of them are not necessarily new ideas, but need to be elevated to the highest priority. Others are completely new. The three areas we need to focus on are unleashing the private sector, providing modern public goods and an idea I have been conceptualizing called Bridgital.

First, unleashing the **private sector**. We need to convert the private sector environment into a racetrack from an obstacle course, especially for key sectors such as the banking, power and real estate sectors, as well services sectors such as tourism. While our economy demands an agile financial system, many of our banks are under stress and not fully functioning. Since the start of this decade, the Indian banking system consistently grappled with the issue of non-performing assets (NPAs) due to excess credit offtake of past. In recent years, policymakers have taken a more proactive approach through cleaning up banks' balance sheet, implementing a new Insolvency and Bankruptcy Code (IBC), infusing capital and merging public sector banks to resolve NPAs issues. But we need to speed up this process now. As we are coming out from the NPA cycle, the next step should be addressing the issue of governance of public sector banks and reducing government ownership in them.

Similarly, almost all state electricity distribution companies are under significant financial stress. Privatizing distribution on a city-by-city basis can address

these problems. Direct Benefit Transfers can also be adopted as a means of providing targeted subsidies to specific consumers. In real estate, the revival of stalled housing projects in real estate should be a priority.

Tourism contributes over nine percent to India's GDP and provides eight percent of the country's employment. The sector is also the third largest foreign exchange earner for India. It's a tremendous opportunity, and ripe for takeoff. Besides the job creation potential, prioritizing tourism will also improve the country's connectivity, sanitation and infrastructure links.

Alongside these sector-specific measures, we need to reimagine our economic and business culture. Growth does not necessarily come from pushing hard, but also from removing obstacles. We see it everyday. Take entrepreneurship, for example. If we can remove, or at least, lower the numerous hurdles that local entrepreneurs face, we can capture the country's entrepreneurial ambition. Small and medium sized enterprises face up to thousands of filings annually. This can be dramatically simplified.

Or when it comes to taxes, prolonged tax litigation resolution timelines exerts a heavy drag. Across the judiciary, the bureaucracy, and business, enormous resources are being channeled into inefficient, even wasteful, processes.

Each obstacle on its own is problematic; together they turn basic economic activities into Herculean tasks. They also erode confidence, and lead to a vicious cycle of low trust interactions. When you consider opportunity costs, these numerous obstacles can tilt the scales on whether it is worthwhile to start a business, invest in a new project or take on a new jurisdiction. But conversely, there is a

tremendous growth lift we can realize simply by reducing these obstacles.

This requires a transformation of vision in which we move away from a control culture of micro-management. We need supervision, not suspicion. Today, there is enormous focus on risk management through more control, more rules and more policies. However, this has led to an undesirable equilibrium where it is safer to avoid or delay decisions, and in many cases refer even straight forward decisions to the judiciary. Smart risk management is eminently desirable but multiplying the number of policies isn't going to get us there. Better oversight of the existing rules will.

Growth involves taking risks. Action orientation needs to be recognized, rewarded and protected. We must embrace risk.

Public Goods

The second big area where we need to harness all of our efforts is in the design and delivery of public goods. No economy can become a \$5tn or \$10tn without an educated, vibrant, healthy, working population. When you look across the recent country examples of economic development in our region, much of it comes down to strong social policies. For India, we need to carve out solid foundations in four areas. For simplicity, let's call them SHInE: Sustainability, Health, Inclusion and Education.

What does success look like for India over the next decade? Let me propose some metrics. We cut air pollution by half, and provide universal and equitable access to safe and affordable drinking water. A third of our labor force is comprised of women, up from just over a fifth today. We can eliminate malnutrition, and move towards a coverage ratio equivalent of one doctor per 1,000 people through

strengthening the primary care system and harnessing digital transformation strategies.

Success in education would mean a shift in focus from educational attainment to educational outcomes. The re-imagining of India's education system, from its current industrial focus to one that nurtures digitally native problem-solvers, is based on five principles: digital skills; 21st century skills (creativity, collaboration, problem-solving); apprenticeships; lifelong learning; and entrepreneurial thinking.

Sustainability. Our growth should be coupled with an increasingly efficient/limited resource footprint, whether it is water consumed, energy-used or waste generated. In water for example, global water use is six times greater than it was 100 years ago; it is expected to increase by another 20-50% by 2050. Water scarcity could cost certain global regions up to 6% of GDP and lead to conflicts. The river basins of the Ganges-Brahmaputra and Indus in India are amongst the most vulnerable to these risks. Poor resource management is at the root of the crisis leading to high levels of pollution and scarcity.

Our path forward has to include a mix of disincentivising unsustainable energy use and waste, and incentivising renewables, while funding and supporting sustainable innovation through R&D that will help India to continue growing while becoming more efficient.

On **healthcare**, our roadmap can include:

A focus on primary healthcare: In order for PMJAY to be transformative, it needs to be accompanied by a concerted effort to augment capacity in primary care. We can build innovative models of medical practice, where administrative tasks are taken on by a separate cadre of health administrators instead of doctors, inter-operability and universality of electronic medical records. We have

seen this accomplished in Tata's network of healthcare pilots for primary healthcare: up to 55% year-on-year increase in footfalls, as well as lower cost to serve and upwards of 20-30% savings to healthcare system. I will speak more about this soon.

Inclusion covers so much, so let me be specific here when I look at India's jobs landscape. Under a quarter of women in India engage in paid work. This measure is low in comparison to other countries at similar income levels, and surprisingly, it has fallen in the past decade. Nearly 120 million Indian women—more than double the entire population of South Korea—have at least a secondary education, but do not participate in the workforce. If even half of this group of women entered the workforce, this alone could add Rs 31 trillion (\$440 billion) to India's GDP. What will it take to make this happen? Smart policies focused on childcare provision and parental leave, and promoting attitudinal shifts in society around working women are good places to begin.

Education. While the wide variance in education outcomes across India's states is a concern, it also offers hope that policy design can make a difference. To me, what is critical is to develop skills-based secondary and tertiary education in all of its varied forms – dual approaches where you have both classroom and industry-based learning and internships. There are a number of different models, but we urgently need a practical and applied orientation for India's people. Ultimately, we want our population to be digitally fluent, able to work across industry contexts and have a strong grounding in 21st century skills like problem-solving, collaboration and creativity.

This brings me to my final recommendation. India is facing a decade in which ninety million people will come

of working age between 2020 and 2030—four times that of the US, Brazil and Indonesia combined. We need some *big* ideas when it comes to job creation. The good news is that I think we have one—moving from digital to Bridgital.

Technology can provide an unprecedented solution, if we play our cards right. Thinking Bridgitally is simple: it means applying a filter to digital interventions to identify where technology can lead to new or more productive jobs. In a developing country like India there are many Bridgital opportunities. Unlike advanced economies, which possess mature markets and where innovation is focused on efficiency, India lacks access to markets themselves. Technology-led approaches can create the new markets needed to meet the demands of the underserved. These new markets will bring new local jobs.

Take healthcare, where we need 600,000 more doctors and 2.5 million nurses to provide basic levels of care. They also need to be more equitably distributed than currently—more than 65% of doctors operate in urban areas, where only a third of Indians live. The doctors we *do* have spend a quarter to half of their time on activities that anyone else could accomplish: filling prescriptions, logging appointments, administrative paperwork. With a Bridgital intervention, many pre-diagnosis activities currently undertaken by doctors could be turned into a checklist programmed on to a kiosk, a handheld tablet, or even a smartphone. These could be used by someone without a clinical background, but who has received three to four months' training on the technology. The freed-up doctor time could be used to conduct virtual consultations with patients in underserved rural areas.

The net effect is to create jobs and increase the supply of medical help. As many as one million new jobs for low-skilled workers could be created and a million more made

more productive. Further, over 80 per cent of the gap in doctors India will need by 2030 can be addressed just by freeing up doctor time.

Another sector example is agriculture, the source of livelihood for nearly half of India's workforce. A Bridgital makeover would centre around agriculture extension workers, whose traditional role has been to disseminate new knowledge to farmers. Extension workers' impact could be transformed by digital platforms that offer information and farming insights based on granular data—things farmers currently lack access to, limiting their productivity. Roles would change here too. Extension workers could collect data by testing soil and water. They could help farmers sign on to online marketplaces that offer everything from credit to trucks. Depending on how many of India's 1.6–1.7 million farm holdings adopt agricultural services, augmented extension workers could range between 500,000 to one million in number, and provide a \$30-35 billion annual productivity boost within half a decade.

Simply looking across six sectors—including transportation, healthcare, and the judiciary— this sort of Bridgital reimagining could lead to a positive impact for 30 million jobs.

The Bridgital approach cuts across sectors as well, for instance in supporting the growth of small and medium businesses throughout the country. SMEs need access to a range of business services across finance and taxation, human resources, knowledge and innovation, operations and market linkages, that are, for instance, available to start-ups in a cluster like Bengaluru. Clusters like Bengaluru are needed throughout the country, outside of metro areas. Digital versions of many services are already available—think of digital lending companies that provide SMEs credit without a formal credit score

or collateral, based on their digital transaction footprint. We think of Bridgital clusters as extending and integrating various digital services through a common platform. This 'platform-of-platforms' approach can effectively mock-up Bengaluru's supportive ecosystem and make the entrepreneurship movement truly inclusive, helping it flourish throughout the country.

Closing

If the idea of Bridgital sounds daunting, please keep in mind that it is not out of India's reach. The recent creation of a giant biometric identity scheme covering one billion Indians, linking everything from their tax returns to their mobile phones and bank accounts, is a huge step forward. The government-backed online payments infrastructure is arguably the best in the world. These are both brilliant examples of what India can achieve by deploying technology in a focused way. India has already led the way for the world to reimagine ways of work once, during the transition from hardware to software. The software revolution was just skimming the surface, though. Bridgital can democratize digital for the next billion.

To build a new kind of country and take it into the future, it is often assumed, requires a large budget and new plans. This kind of thinking sends us on hospital- and school-building sprees, while neglecting what has already been made at great cost.

In truth, we already have what it takes to create more and better jobs. We also have the capability to improve and make better use of the existing skill levels of our people, especially once we tailor digital approaches and technologies to our needs.

In turn, this can contribute to a nationwide culture of continuous learning and innovation, based on expectations of trust and transparency. We have to think about how to

make this transition work across all stakeholders—whether it is business, the public sector or the common man. Deliberate action across the pivotal areas of unleashing the private sector, providing modern public goods and Bridgital—combined with a commitment to long-term thinking—will lead to meaningfully higher standards of living across the country. This is what is needed to bring us that much closer to fulfilling the aspirations of a new India.

* *The booklet is issued for public education. The views expressed in the booklet are those of the author.*





NANI A. PALKHIVALA MEMORIAL LECTURES

Date	Subject	Speaker
16.1.2004	Quest for Justice	Fali S. Nariman
12.1.2005	Prerequisites of Freedom	Arun Shourie
16.1.2006	Separation of Powers: The Myth & the Reality	Dr. Bimal Jalan
15.1.2007	Making Globalization work for India	N. R. Narayana Murthy
11.1.2008	Judicial Activism - Boon or Bane?	Soli J. Sorabjee
5.10.2009	The Emerging Challenges to Civil Society	P. Chidambaram
14.1.2010	From Sampurna Swaraj to Sampurna Azadi: The Unfinished Agenda	Prof. C. K. Prahalad
7.2.2011	The Emerging Scenario in Education	Kapil Sibal
14.1.2012	The Tails Side of the Judicial Independence – Judicial Accountability Coin	Justice S.H. Kapadia
29.8.2013	Five Years of Leading the Reserve Bank - Looking Ahead by Looking Back	Dr. Duvvuri Subbarao
16.1.2014	Governance and The Constitution	Harish Salve
1.9.2015	Is Good Governance a Right of a Citizen in Democracy?	Justice N. Santosh Hegde (Retd.)
4.2.2016	Strengthening Free Enterprise in India	Dr. Raghuram G. Rajan
22.8.2017	How can Bank Mergers Lead to Stakeholder Value Creation?	Mrs. Arundhati Bhattacharya
14.12.2017	Law, Economics and the Control of Corruption	Dr. Kaushik Basu
15.12.2018	Guardian Angel of Fundamental Rights	Hon'ble Mr. Justice R. F. Nariman

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