

'Protect lives and jobs, spend on healthcare'

THE pandemic has brought the world's economies crashing down, and India's is no different. According to Uday Kotak, Managing Director, Kotak Mahindra Bank & CII President, India will need to set its immediate focus on saving lives and jobs, even as it ramps up spending on healthcare and education. Prabhu Chawla, Editorial Director of The New Indian Express, and author and political economy analyst Shankar Aiyar sat down for a chat with the banker on Saturday as part of TNIE's Express Expressions, a series of live web casts with people who matter. Excerpts:

Are you satisfied with the way governments have reacted?

The first thing is protecting lives and livelihoods. How do

we ensure that we protect lives from the virus and at the same time, protect lives from the loss of livelihood. At this point of time, whether it's governments, whether it is citizens, we must do whatever it takes to protect both lives and livelihoods. It is a delicate tightrope walking.

Second, one of the challenges India is facing is that we have amongst the lowest healthcare spend as a percentage of GDP. Our spend is 1.3 per cent. The US spends 14 per cent. Germany spends 10 per cent. China, which is four times our size, spends three per cent.

So, medium-term spend on healthcare should be India's number one priority, and this crisis must get us in that direction.



Do you think the pandemic will change this trend?

We need to ensure a policy framework which is creating the right incentives for getting the outcomes we want. There are areas like public health which requires the state to step in and spend, come what may. We think about defense spending for protecting ourselves against our enemies geographically. Think about the virus. It's a far more dangerous enemy. So, health care and spending towards that re-

quires to be raised to the level of defense in terms of our prioritization.

Is the financial sector strong enough to serve the interest of small enterprises?

It has been fragile for a while and the pandemic is another shock. If you take the overall banking sector, ₹100 lakh crore is the total loan book of the banking sector and the banking sector capital against that is ₹11-12 lakh crore. Even if there is a 4-5 per cent loss ratio because of (the pandemic) it wipes out 40 per cent. There is going to be significant need for capital in the banking sector.

Is it time to come out with a new budget?

Even today, no one knows what

the full impact of the virus is going to be. What do you estimate and budget in a pandemic, which is a moving and mutating target? We have to manage the fact that our fiscal deficit will be higher.

How do we raise money to fund the fight?

The borrowing program the government has announced is part of it. And the monetisation of the deficit will be another. In the short term, we must be ready to spend whatever it takes. In the medium term, we should spend on healthcare and education. If it means expanding fiscal deficit we should be ready to expand fiscal deficit. But keeping in mind financial stability, because you don't want a run on the country.