

DR. ELANGO RENGASAMY INTERVIEW

It's been almost 4 months since Narendra Modi came to power. What are your expectations from him?

Coming to the first part of your question, I feel that India should be promoted as a brand. He must create a very conducive atmosphere so that we attract a lot of investments from abroad. When you attract investments from abroad, you create a very right



climate for investors to feel comfortable, which in turn creates a lot of employment opportunities. I read in one of the magazines that one million graduates are coming out of the universities every month, and they need to be employed. So if you can create an atmosphere where entrepreneurs and businesses can do business then most of the problems we are facing will be solved. So right conducive climate should be created for people to come and invest in manufacturing, production and services, particularly in the key sectors.

Secondly, make sure the government machinery is working in a friendly manner while following the rules and regulations so that people feel comfortable doing business.

Thirdly we should have a single window solution for people. For example, when you are getting investors and probable investors visiting India to do business, make sure that all the clearances and licenses and the banking related issues will be solved in a single window. This way you give a good impression of India and attract many people. Also in trying to attract the most talented people to work for companies, universities and other places.

Do you share the optimism of foreign investors and the rest of world in terms of the expectations from Mr. Modi?

Yes. That is a very crucial factor. We have the largest trained manpower in the world and they should be employed or they should become entrepreneurs. For that what is required you must do. Mr. Modi has been elected with a lot of expectations and these must be satisfied. So creating a bright and conducive climate is the topmost priority Mr. Modi should have in his agenda.

State Bank of India is having so many Non performing assets in its balance sheet despite the fact that they have so many stringent measures to check the customer before issuing a loan. Why is this happening? What is your view?

To be very honest, I do not closely follow the Indian banking sector. But what I can tell you is that before

sanctioning loans, make sure that the credit history, the financial soundness, the repayment capability and the business in which they are involved, all these things have to be checked properly. People with criminal records, those people who camouflage themselves, meaning they come to the bank asking for a loan in a different name must be watched out for. If NPLs (non-performing loans) are very high, it means there is some lacunae somewhere. You must identify and remove it because you are dealing with the hard earned money of the depositors and investors. They should be assured that their money is in safe hands and that this money will be utilized for a productive purpose and that they will also get back their principle investments and also get a good return on investment. In a nutshell, if the investors have greater confidence in the system, you will get a lot of investments, which in turn will enable you to lend money to people. By doing so, a lot of employment opportunities will be created, the currency will be stable, imports can be reduced and most of the social problems will be solved. Therefore, for reducing NPA levels, my specific suggestion is to do your homework properly-the project appraisal, the track record of people, their financial soundness, the business model with which they are approaching the banks, must all be carefully analysed. Only after being satisfied with the seriousness of the people who want to do business, you must sanction the loans. You must also monitor them, try to get collateral and make sure the collaterals are not fake or dubious. So if you do all of these things properly, the level of NPAs will drastically reduce.

Sir my next question is regarding the BRICS Banks concept. Do you think it is a geopolitical shift away from American influence in global finance?

It is already happening. The global shift is already happening and is not something that is going to happen. The global economic power in terms of trade and services has already moved towards the east. It is no longer in the west. Most of the European countries and most of the Euro currency area countries are all suffering. Take the case of the PIGS nations- Portugal, Italy, Greece, Spain. They are all suffering and are yet to come back to normalcy even today. The asset quality of their banks is not encouraging. So the global economic power shift has already happened. So this is time for the BRICS economies to grab the scenario and do the right thing so that people living in the BRICS economies have greater opportunities to improve their standard of living. And BRICS bank I am sure will play a pivotal role in improving the standard of living conditions of people living in these economies. It will make a big difference because, well take the case of IMF (International Monetary Fund). IMF's agenda is different. Its agenda is to solve the temporary balance of payment difficulties of member nations. Take the case of World Bank. It talks about reconstruction and development of economies. ADB (Asian Development Bank) also has its own agenda. So, BRICS economies are gaining a lot of strength and momentum now but without capital and funding nothing will move. So this the most appropriate time to establish a bank to help the member nations and I am sure it will make a big difference. I am very happy about the emerging developments in this regard.

My question is about the Indian Business and Professional Council in Dubai, which is a network of businesses between India and Dubai. What are the opportunities that an entrepreneur in India can look at for creating a start-up in Dubai. How will the Indian Business and Professional Council help?

One thing we have to understand is, every country wants people to come to their land and invest money. For generating employment, getting forex reserves, ensuring stability of currency, keeping inflation low, keeping interest rates at moderate levels. This is the top agenda for every country. So UAE is one of the ideal destinations in my opinion to do business. You may not believe it but it hardly takes one hour to start a business there. You can get your shareholder certificate, you can get your trade license in one day, and you can open your bank account in just two hours. So it is very ideal to start a business there.

As for what are all the businesses that people can invest? Dubai's economy is based on the MICE concept (i.e. meetings, information technology, education, entertainment, tourism). So if people have an idea to invest in those areas then the environment is very conducive and they can come and make investments. So when you talk about financial services, capital market, banking and other financial institutions and development banks of which there are many. Tourism has its own allied industries. Tourism, hotels, places of interest and transportation. Everything is there. Education is another big area. Dubai is considered as one of the top investment destinations as far as education is concerned. So if you are planning to start a school particularly in the Abu Dhabi Emirate, this is the most appropriate time, because you have everything. Whatever you need people are ready to provide. There is a great atmosphere there to make investments. Schools, tourism, hotels, banks, property sector, housing, retail are the areas where you can make investments.

In continuation to this question, there are significant cultural differences between the Middle East and India. Will that affect the business environment?

That a good question. My answer is very simple and straightforward. Nobody interferes with your religion, your culture and your belief. In the same way, I do not think we have any right to infringe or encroach upon their culture, their tradition and their beliefs. Do your business. Do not harm anybody. Do not injure your reputation in the name of somebody. Do not create a situation where the other party would incur financial losses. You make money, you repatriate your profits, you repatriate your capital, and nobody is going to ask you anything as long as you do something which does not affect others. So, you must respect other cultures the same way you respect your own culture. UAE is a pluralistic society. It is a melting pot between the east and the west. So whatever activities you do, make sure you follow the law of the land, you adhere to the rules and regulations of the city or country or of the land. Sky is the limit. You can do anything. No one will interfere with you.

The Narendra Modi government announced that they want to provide affordable housing for every family in India by the time India reaches its 75th year of independence. In your presentation you talked about the 2008 financial crisis. So with that in mind, do you think India could get sucked into a property bubble which may not be as big as the one that led to the crisis in 2008 but a bubble nonetheless? Because to achieve their vision the government will obviously have to involve private players and banks also.

I feel that we will not get into any bubble because we follow stricter regulations. We were not hit by the economic shock in 2008. Our regulations are strict like those in Canada. Canada was not affected by credit crisis. Similarly, our system is strong enough to whether any storm. Our system is so resilient, that even if we get any temporary jolts or shocks, we would bounce

back to normalcy and the investors' money would be very safe. I do not foresee any problem as far as the banking sector or investments in India. However, there are a few concerns about which people have to be very careful. Ours is an oil dependent economy. So we import oil because of which our currency faces lot of pressure in international markets. So currency stability must be ensured so that investors gain confidence. Because at the end of the day, people come and invest here for making money for which they expect reasonable returns. So if currency value undergoes lot of fluctuations both in the short run as well as the long run, people will look at you with a suspicious eye. So currency stability should be ensured. Also, gold makes a big difference since we are one of the largest importers of gold. We buy gold and the government pays in terms of dollars because of which our currency faces problems. So these things must be addressed and we must try to discourage increasing imports. So the situation will be very good and the atmosphere will be conducive.

RBI is planning to setup 'too big to fail' banks initially consisting of five big banks. What is your view?

Is it feasible and practical? In your presentation you mentioned that this is a difficult concept to have.

No. What I said was that the concept of 'too big to fail' will not work in the long run because people are very clear that whatever may be your problems as a banker, do not go to the taxpayers asking for a lifeline. If you are too big, so what? You have to manage your own funds, you have to keep your funds in order. Your agenda as a banker is to stimulate economic activities, accepting deposits for the purpose of lending. That is the primary agenda. Just do that. Do not get into activities that would put investors' money at high risk. Do not jeopardize the funds deposited by people. If they lose their money, not only is your credibility lost but also they incur lot of financial losses and it will also send a wrong message to other investors and probable future investors. So I think if the government has identified five banks as 'too big to fail', then certain safeguards have to be ensured and a proper system must be in place. Then definitely it is going to help the system, help the economy and help the banking and financial sector in the long run.