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**ET EXCLUSIVE Q&A**

**ADITYA PURI**  
CEO & MD, HDFC BANK

FDI in retail and insurance will help the economy, but not take India back to days of 8% economic growth rate. Politicians getting their act together will

# Policy Hurdles may Make us Asia's Greece



**They should address fiscal deficit, resolve the coal issue, introduce transparent policies on land acquisition, mining rights ... and bring in accountability**

**ADITYA PURI**  
*On fixing economy*

**MC GOVARDHANARANGAN & ANITA BHOIR**  
MUMBAI

India will miss its best opportunity to fish in troubled international waters and face the spectre of becoming Asia's Greece if coal, fiscal deficit and land acquisition issues are not fixed, said the chief executive of the nation's most valuable bank.

Permitting FDI in retail and insurance would help the economy on the margins, but not take India back to 8% economic growth rate; politicians burying differences and parliamentarians getting their act together will, he said.

"FDI in retail and insurance is not the big-bang reform," Aditya Puri, CEO of HDFC Bank, told ET in an interview before Friday's announcements. "If you tell me one Walmart coming into India will solve your agriculture problems

and issues about cold chain, production, irrigation and distribution, then you must be living in a cuckoo land."

Puri joins the chorus of corporate giants such as Kumar Mangalam Birla and Adi Godrej, who are demanding that politicians address national issues which are dragging the economy down. Leg-

islation has been stalled by the Opposition over the Coalgate scandal. "They should address the fiscal deficit problem, resolve the coal issue, introduce transparent and clear policies on land acquisition, mining rights and other environmental issues, and bring in accountability of the government and public sector," Puri said.

Sounding a note of caution, he said, "If you continue living like this, we will have problems like Greece...If you carry on like this, you are headed towards disaster."

"The whole world has problems they don't know how to fix. By God's grace, we know how to fix the problem, we're just not doing it."

**FULL  
INTERVIEW**  
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# Address Basics & Things will Fall in Place: Puri

Govt should bring in transparent policies & accountability, says HDFC Bank chief

## Monday Musings

### Q&A

When the world is looking for big bang reforms from the government of India, there is one man who says just address the basics and everything else will fall in place. He is not enthused by foreign direct investment in retail or insurance. His worries are fiscal deficit, lack of simple and straight forward procedures in government like his plain-vanilla banking that has delivered a dream 51 quarters of 30% profit growth. In an interview with ET's **MC Govardhana Rangan** and **Anita Bhoir, Aditya Puri**, the chief executive of HDFC Bank, says that there's still hope left.

Edited excerpts:

#### **Are you also angry with the state of affairs like most CEOs are?**

It is not about the question of being angry or not angry. Everybody has a job to do. My own view is each one beating the other person is not leading to any solution. I am just coming back from an investors' conference in Singapore. All investors are saying that China is in trouble. Brazil and Korea are also not doing well. Europe and the United States are in trouble anyway. We are the bright spot if we can do something.

#### **What needs to be done?**

It is very easy for everybody to say that somebody else should sort it out. However, it has to be a concerted effort. There is no point in the government beating up industrialists, and industrialists criticising the government. This is a great opportunity, and it would be sad if we let it go as there is a lot of money waiting to flow into India.

#### **What, according to you, are the five most important things the government should do?**

According to me, the government should address the fiscal deficit problem, solve the coal issue, introduce transparent and clear policies on land acquisition, mining rights and other environmental issues and bring in accountability of the government and the public sector. The government has to make a beginning. It is not a very difficult task.

#### **So, the first mantra is to eliminate subsidies?**

I am very much against non-merit subsidy. You are subsidising LPG and diesel – who are you subsidising it for? It grows exponentially. The poor are getting the least subsidy and the richest are getting the maximum. If you are saying 75% of the subsidy is not reaching the right people, how can this be a political problem? Whatever you do will be an improvement. Accountability has to be there.

#### **The efforts on foreign direct investment...**

FDI in retail and insurance is not the big bang reform. If you tell me that one Walmart coming into India will solve your agriculture problems and issues about cold chain, production, irrigation and distribution, then you must be living in cloud-cuckoo land.

#### **Has India lost the opportunity to find its space in the global economy?**

It is sad. We have not lost the opportunity as long as we do it before this budget. During the budget, again political considerations creep in.

#### **Some believe the heightened focus on corruption is affecting decision making at the government level?**

Who says that's happening? If that's the case, then I will shut the bank tomorrow. There is no difference between a bank and a country. The rules are in place. Tomorrow, if I take money out, do you think nobody will know. Everyday we sanction loans as per procedure and if you are following the procedure, there is nothing to fear. There is a system for everything. If there are exceptions, then you approve it by the inter-ministerial group. Whoever approves has to be accountable for the decision.

#### **These numerous probes on corruption are seen disturbing the administration and that is also pointed out as a reason for the slowdown in growth?**

If you take the required steps, then growth rate will not be affected. Are you saying the growth rate is down due to corruption? That is entirely an unadulterated

bullshit. Growth rate was there because the world was growing at that time. Around 2-3% increase came from global growth and the balance was because you were following proper policies here. It had nothing to do with corruption. Corruption can never fuel growth rate. Tax evasion costs around 1-1.5% of GDP. You introduce GST, you will add 1-1.5% to GDP. Structurally, India's growth story is still intact. There is no reason for despair.

#### **Do we have to settle for a sub-5% growth?**

The problem with growth is that you cannot understand what the impact will be. If these problems are solved, structurally we are still headed for 6% to 6.5% growth. Issues today are serious enough. We as a country should understand that if we do not solve them, we are headed towards a problem.

If you have a rating downgrade and growth less than 5.5%, we are headed towards a problem. We are a poor country. We need the growth to increase our per capita income. If you have all these problems, whoever comes in the next election will not be able to solve it. On the negative side, nobody will be able to manage. So let's not take this lightly. If there is anybody who thinks without appropriate action we can achieve 5% growth, it is wrong.

