*India at 75 and at 100 - The Journey Ahead**

by Mr. K. V. Kamath
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Ms. Ruby Pavri:
Let us all now give a very hearty welcome to Mr. Kamath for his conversation with Ms. Shereen Bhan on "India at 75 and at 100, The Journey Ahead".

Mr. Kamath:
Thank you, Bharat. I just want to say a few words. I did not have the privilege of knowing Lalit personally, but I can say one thing that reading all the tributes, he was a gentle person, a learned person, and he had a unique ability to get things done. That is what several people have mentioned. It is a rare combination to be humble, to be gentle, to be learned and to have the spirit of getting things done. So, I also acknowledge all that he did before I actually got into the banking business and into the development process that we are seeing all around us.

All my good wishes! Thank you for looking after this Foundation, along with the Trustees, for all these years. You have been doing a great human service by getting the message out from the various people who have preceded me in delivering this lecture, starting with Mr. Vaghul on spirituality. I think today, we will end with India going to 100, with Shereen catalysing the process. Thank you.

Ms. Shereen Bhan:
Well, thank you very much Mr. Kamath! Good evening, ladies and gentlemen! What an absolute privilege and pleasure it is to be here to join you all for the concluding series of this 30-year journey, in memory of Sri Lalit Doshi. I feel particularly privileged to be having this conversation with someone whom I have respected, admired and spoken to over the past two decades.

Just to take forward what we heard there from Mr. Doshi, about Mr. Kamath, of course, as we have heard many times over, he has been the perennial India bull. He has been a champion of the India story. But, I got to witness that personally. In the early 2000s, we started a program in association with the ICICI Bank on CNBC TV18. It was called the "Emerging India Awards". The idea was really to create a community and a platform for India's emerging entrepreneurs, for India's SMEs (Small and Medium Enterprises).

**Annual (Thirtieth) Lalit Doshi Memorial Lecture/Event arranged by Lalit Doshi Memorial Foundation at Mumbai on 12th December 2024.*

And I remember way back, I think it was 2005 or 2006, Mr. Kamath said, 'India is not enough. We need to take these stories global.' And we decided to take the Emerging India Awards, which, by the way, then became India's largest SME property. It has even made it into the Limca Book of Records. And we took the Emerging India Awards to London to start with, and too many other international destinations, because he firmly believed that India's time had arrived, and it was a story to be told globally.

So I completely agree with you on his ability to take bold decisions and to be ahead of the curve. I know he is also a big believer in technology, and again, something that he has championed through the course of his career. He has also been a champion of gender parity and diversity, and for that, I am truly grateful. Mr. Kamath, if you could tap into the brainpower present here in this room, starting, of course, with you on the stage, but also the luminaries here in the audience—Mr. Deepak Parekh, Mr. Uday Kotak, Mr. Ganguly, Mr. Nambiar, Mr. Mahindra, and Dr. Anish Shah—we would have the most appropriate and impactful blueprint for India at 100 and what a fitting tribute to Mr. Lalit Doshi, to have all of these luminaries here in the audience to conclude this 30-year journey.

But without further ado, Mr. Kamath, let me start by talking to you a little bit about the past, because, as they say, you need to have a glimpse into the past to be able to connect the dots in the future. As we look at where we stand today, what have been the most seminal, the most transformative changes that have brought us to this past that you believe we will need to amplify and build on as we look at India at 100?

Mr. Kamath:
Clearly, the year 1991 is where I would say the ball set in motion with the opening up of the economy. It took Indian entrepreneurs probably 8 to 10 years to come to terms with it. And then certain other things happened.

Interest rates in around 2000, for government bonds were at around 11.5% to 12%. So, if you wanted a home loan, you probably had to borrow it at 15 %; a car loan was at 18 %, and a motorcycle loan at 24 %. We could not have gone ahead with those rates.

At that point in time, the government took action. Mr. Vijay Kelkar was the

Finance Secretary, and within a year, actually, rates came down in line with the bond rate. The 10-year government bond came down to around 6 or 6.5%. Then suddenly, everything got into motion. Mortgage rates dropped to around 8 to 8.5%, car loans to 10 to 10.5%, and motorcycle loans were available at around 14%. I think that set in motion one cycle.

The second cycle is that the drop in interest rates also helped corporates to clean up their balance sheets and the banks to lend a helping hand. Along with certain key steps taken by the Reserve Bank, I remember Dr. Jalan, who was the Governor at the time; he brought in the idea of credit restructuring. He had a dialogue with all of us, the bank CEOs, and introduced the idea that credits could be restructured. If they could not be restructured, then let them die, as it were. But most of the companies could be restructured. So, you had a restructured book and an NPA (Non-Performing Assets) book.

The drop in interest rates and the newfound competitiveness, the effect of opening up of the economy were evident from 2000 onwards. When you saw growth rates propel along with certain other policies. So, that opening up then led 2000 to 2008 period.

In 2008-2009, I would say that the next phase began when infrastructure came into play. A lot has been said about infrastructure, but we also need to factor in that it was a learning process for everyone, including the rapid policy changes and then the policy reversal. As a lender, as an entrepreneur, and as a consumer, we were all caught in this whirlpool. I will not go into the details, but we can map the number of policy changes that took place for a variety of reasons. So, we had to face that challenge. But those challenges were addressed starting in 2014, and a new momentum came in.

I break this into phases: the opening up in the early 1990s, then 2000 to 2008-2009 as a period of rapid growth, then followed by a slight stalling of the economy as it were, and then it took-off again thereafter.

During this period, two or three things happened. Just to put this into perspective: technology changed. If you look at the banking business, the induction of technology took place in late 1996. After that, it remained more or less stable, but then we had cloud computing, and now we have open source.

The technology movement is on-going. Along with that, we had corporate India embracing technology.

To me, the most exciting part of this journey has been post 2018-2019, the start of what I call 'Digital India'. Currently, we have probably around 150,000 digital start-ups, which will be a major part of India's progress from 75 to 100. We will talk about catalysing that process later, but to me, that is where technology is taking us. We will become a 'Digital Society', and we will see major transformation. Operators have already transformed, the layman has transformed. Today, a person who could not use a phone is now using an App.

Digital India will drive the future. So, there are these three or four phases. And of course, with all this, you have what I call 'Intelligent AI,' which we can discuss further if you catalyze the process.

Ms. Shereen Bhan:
I will try and catalyse the process. And let me start with what you actually began your comments with, which is interest rates, Sir. And, I am not going to ask you about where you see interest rates headed in the near term, whether you see the MPC (Monetary Policy Committee) cutting rates in February or not. But what I wanted to start by asking you, as we look at India at 75 and at 100, is the way that we look at inflation, the way that we look at the framework to deal with inflation. I know that you have had your own opinion on this in the past, but the way that the MPC has functioned, and what you believe the need of the hour is, as we look ahead, what would you like to put on the table?

Mr. Kamath:
Firstly, I think we have to acknowledge the work done by the Monetary Policy Authorities in the country. Holding things steady over what I would call a turbulent five years—the last five years—was an impossible task and they made it possible. And you come out of that with a very healthy economy, corporates which are in a great shape and individuals who are in a better position to pay, and so on. So, they have done an admirable job, and I think they have done the right thing at the right moment.

So, I do not think they could have done anything differently. You are asking me to look forward. Yes, I will not look forward, because again, that is a call that the regulator has to take.

Ms. Shereen Bhan:
I am not asking you to look at February, Sir. I am asking you to look more at long-term.

Mr. Kamath:
Okay, let me give you data on that, and I will stick to that as an objective for India at 100. Let us take a growth cycle and compare two countries. We will take Japan and China. Japan, when it started its transformation in 1970, had an inflation rate of 8%, an interest rate of 8%, and the Yen was 350 to the dollar. In 1992, 22 years later, we are talking about inflation being 1%, interest rates at 1%, and the yen was 90 to the dollar.

So you see the ability of a growth cycle to take a country to a different path, not just in terms of GDP (Gross Domestic Product), but also in terms of inflation, interest rates and exchange rates. We are much stronger currently.

Now, let us look at China very quickly. I will take the period from 2000 to 2015. In 2008, inflation was 8%, interest rates were 8%, and the exchange rate was around 7.5% or so, to the dollar. By 2015, at the exit point (because a lot of things happened after that), the exchange rate was 6.5% to the Yen to the dollar, and the interest rates had come down to 2%, with inflation also at 2%.

So when I look at India 25 years from now, I see the rupee being stronger than it is today; significantly stronger and interest rates and inflation moving towards what I would call the normal or ideal level. Let us say a band of 4%. But I think it will be at the lower end of that band, nearer 2% than 4%, closer to the middle of the band.

So, I think if you look at the past, consider what is in our favour, and the way we are driving momentum, I see an extremely changing environment. And if I use those two yardsticks, we would be where Japan and China were in terms of all these parameters.

Ms. Shereen Bhan:
But, in terms of the policy prescriptions to be able to get to that kind of benign inflation of 2% as well as an interest rate close to that, what are the policy prescriptions that you believe we need to work on today, both from the Central Bank as well as what is being done in North Block? I mean, what will be the imperatives to drive us to that point?

Mr. Kamath:
There is a single imperative: "Drive Growth". Whatever is required to drive the growth has to be done, and I do not necessarily think it is about moving interest rates too much. Indeed, any interest rate where the borrower has to pay in double digits is not going to get you that growth.

So, interest rates will have to be kept below a certain level. We have seen this in the 2000-2008 periods. Interest rates had to be bearable during that time. The layperson had to pay between 8% to 9% for a mortgage, and 10% to 11% for a car loan. That is when things started happening. Industry, too, had to deal with interest rates between 9% and 11% for things to move. But the moment you go beyond 10%, you face a challenge.

So, I am sure that is what is being kept in mind. And we have had that right through COVID and thereafter. I think this kind of environment is what I believe will continue to happen.

Ms. Shereen Bhan:
Well, let me start by talking to you about the prescription and the roadmap as far as the financial services sector is concerned, because that is a sector that you know best. And let me start by talking to you about the role that you believe Indian banks will play as we move forward. What do you foresee for the future of the banking sector?

Do you believe we have too few banks? Do you believe we need more banks? Do you think there should be more competition? Should the Reserve Bank be giving more licenses out? What is your view as we look at the next 25 years?

Mr. Kamath:
See, the way I look at it is very simple. Again, I use a global example to explain what will happen. The banking sector and the financial sector, if you look at it in our context, you have banks, NBFCs (Non-Banking Financial Company); FinTech players who want to be banks or players in the system, intermediaries in the system, and then you have the capital market.

I would think that in the next few years, we will see the capital markets start to propel at a faster rate than the other sectors. The reason is that the types of savings flowing into the capital markets are happening at a faster rate today.

Yes, there are expansions in insurance and other areas, but the type of instruments the capital markets can bring to the table is the key. For example, we look at long-term instruments that are appropriate for corporate India. The banking sector, on the other hand, tries to provide long-term money by term transformation. You take your average maturity of one year, and then try to transform it into eight or nine years. That is inefficient.

The capital markets, however, can provide that maturity because there is a demand for it on the other side. That makes the system more efficient. So this will happen over time; it will not happen overnight. The retail sector will primarily be catered to by the banks. Banks will still be the deposit-taking institutions. I think in the middle, you will have the NBFCs and FinTechs, who will likely integrate technology at a faster rate than banks. So, banks will have to catch up, and that is good for everyone because it will increase competition.

Ultimately, from my perspective, as far as the banking sector is concerned, you will have banks that will bulk up. If you look globally, including in countries like China, after 15 years of experience, you will need large banks for an economy that is growing from $4 trillion to $8 trillion. I look at India in the same way, moving to an $8 trillion economy in the next five to six years. To support this, you will need very large banks. The size of banks we have today will have to expand dramatically.

The good news is that Indian banks are now running an ROE (Return on Equity) of upwards of 15%, so they are almost like a perpetual cycle engine, which does not need external funding. The question would have been: yes, they need to bulk up, but where is the capital? The capital need is very large, but I see Indian banks generating 15% to 20% ROE. That is good enough to grow at a healthy rate and meet the size needed to bulk up because every five years at a 20% growth rate, they will virtually double.

Ms. Shereen Bhan:
So, on the question of bulking up, do you also see consolidation as being a possible road to bulking up and getting that world-sized bank that we have been aspiring for?

Mr. Kamath:
I would think that it just happens by itself. Nobody needs to actively drive it or

say that this is the way to go. It happens naturally. Business leaders understand what the next imperative is, and they will take that step. I am sure at that time, policymakers will also recognize that this is for the good of the country and will support it, either through organic growth or through a process of mergers. Bulking up will happen.

Ms. Shereen Bhan:
You are speaking about regulation, and regulation keeping pace with innovation. Specifically, as far as the banking sector is concerned, two questions as we look at the next 25 years:

1. Do you believe that regulation should allow a FinTech, for instance, to be able to get a banking license? I mean, the founders of Zerodha, in their conversation with me, said that they want to be a bank. If they could apply for a banking license, they would do it tomorrow.' Do you believe that should be something we consider as we go forward?
2. Allowing corporates into the banking sector. This has been much debated, much talked about, and much asked for as well. Do you believe the time has come to perhaps consider that possibility?

Mr. Kamath:
We need to understand this whole question from the perspective of the regulator. A regulator's primary purpose on the banking front is the safety of deposits. So, when the regulator feels that there is comfort in FinTech or D-tech coming in and becoming a bank, and taking deposits for which, ultimately, the Reserve Bank or the regulator is going to be responsible, at that point of time, they will allow this to happen. So, clearly, it is a transitionary process. As that confidence builds up, that change will happen.

Ms. Shereen Bhan:
What does your gut tell you? I mean, if you were to take that call today, I think, on the back of what you are seeing?

Mr. Kamath:
I think, very frankly, it needs a little more time, because I am seeing signs of rash behaviour. I mean to be very frank about it, on the part of digitally driven enterprises, which I think the regulator has had to manage with great care.

If you look at it as a banker, if a regulator says that, on say retail unsecured

lending, I have to increase risk weights by 25 basis points, or if another regulator says that 90-95% of F&O (Future & Options) transactions are where people are losing money, and maybe 60 entities on the other side have made money, and that this funding has come from somewhere within the financial system. These are not just amber flags; they are red flags all over the place. The regulator has to be careful. In the context of corporates I think, that is a different view. The things I have mentioned will be relevant, but also, is there going to be, what I would call, 'Lending to self'? So I think the regulator has to be comfortable with these things before proceeding. But to me, the first step is bulking up existing players.

Ms. Shereen Bhan:
Is there a room for privatization of banks over the next 25 years? Do you believe that there is political will or political capital, even though we have got the legislation in place? Do you believe that there is a political way to fill the gap?

Mr. Kamath:
What I will say is, if public sector banks are going to run an ROE of 15% to 20%, they should try. So why should we need to privatize them? If you give them more freedom, but make sure that your ROE is 15% to 20%, to me, that is the Holy Grail.

Ms. Shereen Bhan:
That is as far as banking and financial services are concerned. Let me now move to the next engine of growth, which is manufacturing. And a lot is being said at this point in time about this possibly being India's breakout moment, or breakthrough moment, as far as manufacturing is concerned. While we have made some progress, we are still nowhere close to that aspirational number of 20-25% of manufacturing share to GDP. Mr. Kotak present here, in a conversation with me a couple of weeks ago, was very clear that the time has come for India to open up its manufacturing sector. In that same conversation, Sajjan Jindal said that no, we cannot. Indian manufacturing is still pretty much in its infancy. It is in its pre-teens. It is not even at its teenage stage. So, if you look at the next 25 years, what should the manufacturing policy be, as far as India is concerned, to propel growth and drive investment?

Mr. Kamath:
I will put manufacturing in an approach with a slightly different perspective.

When does manufacturing thrive? Manufacturing will thrive when there is demand for products. When is that demand for products? It is when the consumer has money in his or her pocket. So, think about whatever is required to put that money into the pocket as the first step. And thereafter it is the question of should manufacturing be done? Domestic companies are growing at a faster rate or opening up the whole area. So, if I look back, we talked about the year 2000 and what global momentum we saw. It was money in the pocket of the person, so they could afford to buy, supported by judicious lending at that period of time. So, that created the cycle of demand, and then the manufacturing sector started to drive at a faster rate. That has to happen.

So, what will drive it today? To me, that is the relevant question. To me, it will be driven primarily by investments in infrastructure. There is a lot of infrastructure to layout. That is the Amrit Kaal period. In the next 25 years, we have enough to do. That will drive the momentum in terms of putting money into the pockets of people, and that will create aspirations to have certain things, which will drive the manufacturing sector at that point in time. Whether the manufacturing sector domestically can meet aspirations and demand, or it has to be opened up, we should look at it at that point in time.

Today, I think our entrepreneurs are well capable of scaling up. But if there is something new, yes, we should allow competition to come in. Just to put it in context on that point, there is always this point out there about why is investment not happening? It is very simple. When I started my career, I did my first loan for a Synthetic Iron Oxide project. Today's winner was a Synthetic Iron Oxide Project. So, in those days, the implementation of a project was four to five years' time requirement. You had several steps, to import the equipment; it was 2 to 3 years. Doing a balancing project or a modernization project was two to three years. So, it takes about five years to implement a project. Today, a project is implemented in two and a half years maximum, and marginal capacity increases through various things in less than a year.

So, companies are able to create capacity just in time. They do not need to create capacity much ahead of time and that is why we do not see outlets at the pace that we were used to in the past. So, to me, corporate India is a very efficient machine today, and they will grow, but at some point in time, if we need to bring in certain things, like technology or whatever reason, we will have to open up at that point.

Ms. Shereen Bhan:
You brought up the issue about consumptive capacity and the consumptive power as far as the consumer is concerned. So let us address this issue even in the context of private Cap-ex (Capital Expenditure) and what we have seen, commentary coming in, specifically from the Chief Economic Adviser, for instance, saying that corporate India has never had it as good as it does today, both in terms of a strong balance sheet as well as the kind of profitability that they are seeing. The concern though is wage growth, in the view of the government, and I believe they have done a study with FICCI; the wage growth has not kept pace with inflation. So when we talk about consumptive capacity, consumptive power, what you believe is the need of the hour over the next 25 years. We have toyed about the idea for universal basic income, whether that is possibly the road to take. We have got various schemes being put out by various state governments at this point in time. Whether that is fiscally prudent or not, is the question. I mean, what do we do in terms of discretionary capacity, in terms of consumptive power as we move along? What is it that you would like to put on the table?

Mr. Kamath:
The first point that you made is organized labour and maybe unorganized labour. I think they have to get an appropriate wage, which keeps pace with inflation. How do the Corporates do that? Corporate does that, or will have to do that on a continuing basis, through squeezing out efficiencies. I think the first squeeze out of efficiencies that I have seen in my 55-year career was in post-COVID, the sort of improvement in profitability that happened because companies were able to produce, say, 100 units now with 75% of its labour force, because they had no option, because people had gone back to their village and had not come back. So, you brought in automation, you changed certain processes, and that productivity increases to go through and continue, and that will allow you to improve the wage of your worker. So, that is the first step; others all follow. But if you are going to work with your workforce always underpaid, that is a zero-sum game. That is not going to work out. To me, that is the first solution—all others follow.

Ms. Shereen Bhan:
But do you believe that this is a problem that at this point in time requires it to be re-addressed?

Mr. Kamath:
I have not analysed it. I am out of touch in a way. But the solution is, you earn more, you pay more, and they are already earning a good deal, very simple. I think when you say already earning; the state of the balance sheet of corporate in the year 2019-2020 and 2022-2023 is completely different. They were all completely deleveraged. The top 500 companies in the country hardly needed debt, which means that they generated profits. They have repaid their debt and are running in a very healthy manner today. I think the next thing is to make sure that your employees get their due.

Ms. Shereen Bhan:
Well, that is the message that you are sending out to corporate India, and I think that is the message the government is attempting to send out as well. But Mr. Kamath, I also want to address this issue about creating a social safety net, or a social security net, as far as not just the bottom of the pyramid is concerned, but also looking beyond that. And I bring this to you in the context of what we are seeing with various state governments rolling out many schemes, largely focused towards women at this point in time. But do you believe that there needs to be a federal scheme that the government should consider, looking at this point in time to address, adding that consumptive capacity? Do you believe the universal basic income is something that should be considered for instance?

Mr. Kamath:
Sure. I think basic consumption, what you said, you said consumptive capacity. I think a liveable wage is a must. There is no question about that, in whatever form. But to me, for the mass of Indians, what is required is the ability to convert savings into investments. They have the ability to save, but that is not, or was not, getting converted into investments. Slowly, I think that process has started, and that should accelerate where probably you can look at that investment going into his retirement, enabling him to retire in a secured manner. There are steps being taken. It is too short a time to discuss those, but I am sure it will happen.

First, there is education required, that is a product which you can invest in. It needs to be easy, and looking up what you put into that investment should be as easy as opening WhatsApp and reading a message. Then the mind-sets will start changing. You can even do this experiment with your household help. You try to explain to them what saving is, and show them how easy it is. Actually they can now have an App where they can see their mutual fund balance. The

younger person will say, 'I want to open an SIP'. Those are the things, I think, which will be game changers.

Ms. Shereen Bhan:
Do you believe that there is a structural shift now, as far as deposit mobilization is concerned? Is this generation of bankers going to have to fight very hard to get deposits?

Mr. Kamath:
Yes, it is not a question of fight. It is a question of appropriate deployment. So ultimately, money, if it is not somewhere trapped in the system, will come back into the banks. So, the instrument, a saving instrument may be different, but from there, money will flow back into the banks unless it gets trapped somewhere. In my mind, the bankers will always have to be in terms of getting more efficient by giving new things to the customer and that they will do. Not a problem.

Ms. Shereen Bhan:
You talked about WhatsApp, Sir, and WhatsApp is ubiquitous with technology in India. So, let me ask you about what you see as the next phase, the next wave as far as the Digital India mission is concerned. We have seen what UPI (Unified Payment Interface) has been able to do as far as transactions are concerned. What UPI has done in terms of allowing micro transactions and unlocking that economic value, what do you see as the next wave on the Digital India front? What would you like prioritized over the next 25 years?

Mr. Kamath:
I think we are working in several, what I would call universes in terms of technology. People who are just getting on the technology bandwagon, as it were. And I would say that a lot of banks are still there. They are still just getting on the technology bandwagon. The reason why I am saying this is that they are using technology from the '90s. Thankfully, they are not using mainframes, but they are doing the next thing, which is late '90s technology. After several things have happened, so that is by-passed. But as it is happening now, you have got AI (Artificial Intelligence), and everybody talks about AI. But no, we need to take it in steps. You need to get up the technology curve and then look at how quickly I can do something else. But that is where competition is going to happen now. You named people who want to get to be a bank, or if they bring in

the sort of technology which the customer is going to scream for and say, "I want it," and I think regulators will have to look up and say, "We need to look at this too." See, what has happened in the last 5 years, the regulator has been very open about allowing technology. They allowed new things in a Sandbox, which I never imagined they would allow. These were bold steps. I compliment the regulator for these steps, and I am sure the regulators will continue with this. So we will have an interesting time in terms of older institutions, not necessarily in the financial services business, trying to play catch up with the new things that are coming in, even as they are to replace what they have, something new is already there. And again, everybody talks about AI, but nobody has yet started talking about what happens when AI gets to be intelligent. Today's AI that we are using is not intelligent. It cannot make a decision. It can probably analyze things, do things, but if it were to, let us say, when I say intelligent—it learns to lie. It lies to you to get things done.

Ms. Shereen Bhan:
It hallucinates already.

Mr. Kamath:
No, it is not hallucinating now. I am talking about lying. So when it lies, then the fun and games start. And you have this classic example, which I think Yuvel Noah Harari has already mentioned, where using Chatbot for the basic level, the Bot was told that you have to actually solve this CAPTCHA, do what you want. So, it is a robot, so it cannot solve it, so it thinks that I need to hire a human to actually solve this CAPTCHA. So, it goes to the marketplace, they named which marketplace it went to, and try to hire a human. The human is actually an ethical person. So, that human asks, 'Are you a robot?' That is the first question a human asks. Now, AI, the chatbot, lies. It says, 'No.' It just figured out that if I say yes, this person will not solve it for me, so this paid solving is going to pay the human for solving. So, then the human says, 'No. But then why do you need me? Why do you need a human to solve it?' Then the AI chatbot answers, 'I am visually impaired.' Now, there are multiple levels of lies that have come out. This is at early stages, so you can imagine what will happen as we go along. So, I do not want to talk about the dire of tomorrow.

Ms. Shereen Bhan:
But no Sir, it is not at all. We all are faced with this reality.

Mr. Kamath:
We will have to configure it in every single business, not just in financial services but in every single business. Then, we are doing well.

Ms. Shereen Bhan:
Yes, the tyranny of the algorithm is something that each business will have to contend with, in the near future, if not already. But, you talked about new businesses, and you talked about new ideas. Let me ask you this in the context of what we are seeing happen as far as India's start-up ecosystem is concerned, which is now evolving and emerging as a new engine of growth. You also talked about regulation, and you said if the customer wants it, the regulators will have to oblige. Take for example quick commerce, nobody thought that 10-minute delivery would be possible, and yet it is uniquely an Indian story that has been a success at this point in time. We have just seen the blockbuster listing of Swiggy, and what Zomato etc. are doing. As you look at how this ecosystem is emerging, the ideas, the innovation, the valuation to wealth creation journey, what gives you confidence? What gives you hope? How do you see this playing out?

Mr. Kamath:
Yes, you see, I will start by saying… as you mentioned, the regulator will have to listen. I said that, but what I meant is that the regulator is already listening. If you go and look at the sandboxes of the last few years that our regulator has brought in, the regulator is one step ahead of all of us. I know that is huge. For me, it is huge. So, the challenge as we go along is who do you look for as your model? If you are a financial sector player, if I were a financial sector player today, I would not look at another bank or another financial services company. I will look at what Swiggy is doing. See, when Swiggy started—and I started using Swiggy during COVID. Swiggy, at the back end was a human, and slowly the human went out. Today, it is an intelligent machine. That intelligent machine tells me that I have a change in order. Your refund will be back in your account in 7 days. And the next minute, it will be up till now. It is saying it will be in your account in the next few minutes, and it is. So that is the level of efficiency that is there without a human. So, that is what everybody will have to aim for, not only financial sector players but other players also.

Ms. Shereen Bhan:
Yes, consumer expectations have been disrupted and changed completely on

account of this. But, since we are talking about regulation, we are talking about the future, and what we have seen happening with crypto currency, for instance. I mean a new lease of life record highs for Bitcoin on the back of the Trump rally that is going on. What do you believe India's position ought to be on issues like crypto currency, and ETFs (Exchange Traded Funds) as we move forward? Do you believe the time has come to recognize them as an asset class or not?

Mr. Kamath:
I am very old, Shereen.

Ms. Shereen Bhan:
You are not old at all, Sir.

Mr. Kamath:
I still cannot, as a banker, get it out of my mind that how do you value something where there is no underlying? We have a phrase, there are eminent bankers here. Where there is no underlying, how do you value it? So, I am still at a loss trying to come to grips with Bitcoin. Maybe I am wrong, but I will stay in my corner for the time being.

Ms. Shereen Bhan:
You would stay in that corner. And there are many people in that corner, Mr. Kamath, including the former Reserve Bank Governor Shaktikanta Das. But, you talked about AI and technology, and let me ask you this in the context of the big challenge and the dilemma that India will have to face—Jobs, and jobs of the future and the kinds of jobs that we are going to prepare our workforce for. What worries you there? We have been talking about our demographic dividend, our demographic advantage, our young population being the talent base for the world, and so on and so forth. But, as you look at the future, what do you believe is the challenge that both the government as well as the private sector will have to deal with?

Mr. Kamath:
Yes, Shereen, if we look at least 20 years of runway, where we have to take our economy from, say, $4 trillion to $50 trillion and jobs are not going to be a constraint. I think, at some point in time in this phase, it will be the question of whether you have the young workforce to actually get to that number. So, I would not worry too much about it.

Ms. Shereen Bhan:
But the problem is a different problem.

Mr. Kamath:
The problem today, as I see it is that what really needs to be done is your entire education system that has to be completely rewritten, to prepare people who are relevant for today. That is not happening. That is absolutely not happening. And that is what is causing the frustration. So, you will have to rewrite the education tutorial, as it were. Just what are the steps that we need to take? Again, if you look at this, it was done from 2000 onwards, the schools were revamped, everything was revamped. Europe did it, leading onto this one. Europe continues to do it. If you ask somebody who has got children going to school, say from age 7 or 8, how does the schooling system move, they will explain to you what happens. But we need to put that in, rather than putting everybody in one track and then create a problem where you really have a situation where you cannot employ the person. And our situation was that you could not employ even a technically qualified person. So, you had an engineer who had to be retrained for at least four months or trained, actually, before you could be put on the job. You cannot have that. So, we need to rethink curriculum, right from, I would say, KG (Kindergarten) to graduation and prepare people for what they need tomorrow.

Ms. Shereen Bhan:
You are talking about reimagining education in an era of AI and so on and so forth. Let me ask you a broader question, Mr. Kamath, about the role of the private sector over the next 25 years and the public-private compact, so to speak. What do you believe this partnership needs to look like to be able to deliver on the promise, the potential, as well as the challenges over the next 25 years?

Mr. Kamath:
Yes, it has to be a partnership as we go ahead, and you would need to, whatever hand holding is required to get the public sector to be able to do what the private sector does. I am 100% sure they can, but that hand holding has to be there, and whatever are the constraints you see that they have, those will have to be eliminated to get them to be efficient. My own experience at NAPF (National Association of Pension Funds) is that with a public sector team, you can do as

well as a private sector team. I can say it openly and loudly. You remove those constraints, and they will perform, certainly equally, probably better.

Ms. Shereen Bhan:
What are the key constraints? What are the key deterrents that you believe need to be removed? What are the big obstacles?

Mr. Kamath:
I think the process that has been laid down, the checks and balances that have been laid down, which I think are unnecessary. You need to, in today's world, have a different set of checks and balances. If the checks and balances that work in the private sector can be put in there, they should also work. Why go beyond that? So, you end up in what I call suboptimal decisions. So, if you can implement technology at 10 crores, why should you then be forced to go through a system where you may end up implementing technology at 10x? These are the sorts of things that are there.

Ms. Shereen Bhan:
I want to get your views on what we are seeing happen globally at this point in time. There is a big geopolitical shift taking place, and it is a volatile world where new relationships are emerging, old relationships are fractured. As you look at India's place in the world in an era where we seem to be retreating from globalization, we seem to be retreating from multilateral institutions and multilateral organizations, what do you believe the role of India will be, and how do you believe India should tread in a global environment which is shifting and changing so fast?

Mr. Kamath:
I think, so far, we have done that admirably well. And to me, India's role will be increasingly more important in a global context. As we grow, nothing matters today as much as muscle and that is financial muscle. As you go from $4 million to $8 million, $8 million to $16 million, you will see others respecting that muscle. And I think on all other fronts, anyway, we are, I think, doing as well as anybody else could do. So, I see people looking out for partnerships with India. India probably need not have to go there for partnerships.

Ms. Shereen Bhan:
So the economic muscle will be the calling card.

Mr. Kamath:
Absolutely, the calling card.

Ms. Shereen Bhan:
The future for multilateral institutions like the BRICS (Brazil, Russia, India, China and South Africa) Bank, for instance, or the WTO (World Trade Organisation), do you believe that we are going to see a seismic shift, a seismic change in the role and relevance of these organizations?

Mr. Kamath:
Let me be frank. There are some institutions which, I think, have to carefully evaluate whether they have a role like you mentioned. You see, whatever happening at the WTO is not relevant any longer. They cannot make decisions. Their setup is not complete. There are people not appointed or not allowed to be appointed—all sorts of things are happening, which means that it is an organization that probably was relevant at a particular point in time, but may not be relevant as much now.

Ms Shereen Bhan:
So, what should that be replaced with? I mean, do we need a rule set?

Mr Kamath:
It is now going to be free markets. Everybody is driving free markets; whatever the rule be. I think it is now, it is observed in the bridge rather than following it.

But let us come to the BRICS Bank. I think the coming together of countries in the South was bound to happen. I think that was prescient on the part of the leaders of that time to say, 'This is what we're going to do.' And to me, the biggest surprise was when the New Development Bank was set up, and we had five members. There was one member with an A rating internationally—India with a triple-B minus, still an investment grade or other three not investment grade. So what would a common person with some knowledge of financial markets say should be the rating of this institution? Certainly not triple-A. So what? We ended up getting an AA-plus. To me, that clearly showed that in unity, when you are united, there is enormous strength. And we could borrow just about 10 bps, 15 bps higher than the World Bank, which you could very easily solve through a very lean organization and using technology significantly more and so on. So, being from the South is no longer a

disadvantage if you all come together. So, to me, these institutions are required, particularly where the South is concerned. And it is not known there is also the BRICS Currency Reserve, which is not talked about.

Ms. Shereen Bhan:
Which Donald Trump has already threatened to go after.

Mr. Kamath:
No, this is not the BRICS currency. A BRICS Currency Reserve, which is basically a parallel IMF (International Monetary fund), which it is not in the public domain, but it is there. It does not have an office, but it runs out of readiness to meet the needs of the BRICS countries if ever they have a need when they have a crisis. So, these are the steps that are taken where I think countries from the South are preparing themselves to maybe say that, 'we have a role in the New Order.'

Ms. Shereen Bhan:
Well, speaking of a role in the New Order, Mr. Kamath, I think we are pretty much coming to the close of our time, but you talked about the 55 years of your career and how you have actually seen the growth and the evolution and the change as far as India's entrepreneurial zeal and entrepreneurial aspiration are concerned. As you look out today, what would you qualify as the risks that we need to be mindful of? But also, the message from your own experience to Indian entrepreneurs who are looking at big bets, bold bets, audacious bets?

Mr. Kamath:
I will only say, I convey good wishes to you.

Ms. Shereen Bhan:
Is this the time? If you were back in the bank, what could you be underwriting today?

Mr. Kamath:
Anything that comes in front of me, as long as I find that it makes sense. It has to make sense, right? So firstly, you will have to look at: Is this going to make sense in the 20-year horizon of the new India, which is a 20-year horizon we are talking of already—probably a 32-trillion economy? Does it make sense? And I think most things will make sense.

Ms. Shereen Bhan:
Most things make sense. Any sector in specific or any business idea in specific, minus crypto currencies, which we have established?

Mr. Kamath:
Companies which are not leveraged properly, not structured with proper governance issues, will certainly be flagged for a banker. I am saying, other things being equal the opportunity to grow is so huge that the banker will have very little reason to say no to a project, but for these usual things you structure it wrongly, you do not have the right people, that is an issue and so on.

Ms. Shereen Bhan:
You have made the journey from $3 trillion to $50 trillion looks very easy, Mr. Kamath, and it is going to be an arduous complex task as we look ahead, with all stakeholders having to put their shoulders together to ensure that we get there. It is a matter of arithmetic at what point we are probably going to get there. But let me ask you this, as to what could possibly derail the journey that we need to be careful about? Let us close with that.

Mr. Kamath:
Three things that could derail it. I think the biggest risk would be that continuous challenges on the global front will wear you down. So that could be one reason, and some of it we have seen in the last two, three years. So we have, I think, shouldered it pretty well. The second thing, is the domestic equation going to get disturbed? It does not look like that, but these are the typical risks that could happen. But I would think the global order challenges there where you are a victim of fallout.

Ms. Shereen Bhan:
Mr. Kamath, I am going to end by asking you, what has been your biggest lesson that you have learned over the course of the years, both as a professional as well as in your personal life, that you would like to share with us? What is the one thing that is your guiding compass, so to speak?

Mr. Kamath:
Yes, my guiding principle is very simple: you never know what you ought to know. So, keep learning, keep learning, and keep learning. And I was taught that right in my first appraisal at ICICI Bank by Mr. S.S. Mehta, who was our

general manager at that time. And I mentioned, 'This synthetic iron oxide.' I still remember what I wrote in the presentation. I used a phrase called 'Synthetic Rouge.' Maybe they will understand what I am saying. So my manager was a chemical engineer, so he actually underlined every single place where I said synthetic rouge and wrote on top, 'Is this word accepted in the chemical dictionary?' which I had to check, and it was. So when I talked to him, he was very happy. So my learning process started there: do not take things for granted, make sure of what you say. And it continues today with all these exciting things happening. The only thing is that I hope you will continue to learn as you go along.

Ms. Shereen Bhan:
Well, a lifelong learner, and speaking with you is always a learning experience. Many thanks, Mr. Kamath, for joining us here this evening to take us through your views and insights on what India needs to do in order for us to be able to get our place in the global order over the next 25 years. Ladies and gentlemen, a big round of applause!

Mr. Kamath:
Thank you, and let me thank Bharat and the Trustees for giving me this opportunity. I think it a rare honour to be here with you all on the 30th LDMF lecture and series and what Mr. Vaghul kicked off. I am here today and I have shared my thoughts. Thank you.

Ms. Shereen Bhan:
Thank you very much Sir.

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