

'Need to refocus on exports, ensure incentives continue'

bl.interview

Amiti Sen
New Delhi

"These are early days to assess the actual impact of the US-based Silicon Valley Bank collapse on Indian start-ups but clearly a conducive financing environment for start-ups in the country has to be worked out", says Sanjiv Bajaj, President, CII. In an exclusive interview with *businessline*, Bajaj talks about a range of issues impacting Indian businesses, from the PLI schemes to free trade agreements, and the Indian industry's expectations from the government. Excerpts:

Has the Silicon Valley Bank collapse impacted the way the start-up ecosystem is viewed in India?

When we think of start-ups in the country, one believes that most of the challenges they face are around issues such as product strategy, innovation, ability to hire people and ability to scale up. One just assumes that financing will be available. An event like this provides a trigger and makes one realise that financing, too, needs to be thought through in detail.

Do you see the government playing a role in helping out Indian start-ups affected by the collapse?

No immediate assessment of any significant negative impact on Indian start-ups has been made yet. But I am sure the government is following the situation closely.

More importantly, we need to look at the medium-term action that needs to be taken to support our start-up ecosystem.

We need to ensure that we accelerate Free Trade Agreements (FTAs) and also align it to the PLI schemes so that they are complimenting each other.

SANJIV BAJAJ,
President, CII



Will the CII put forward a proposal on providing better financial support to start-ups?

These are very early days. Focus on start-ups is significant for CII. We will build on learnings from this event and see how a conducive environment from financing side for start-ups can be ensured.

What about the banking system in India? Are we decoupled enough not to feel the tremors?

We don't see any direct risks. As one of our prominent bankers mentioned after the collapse, this is a wake up signal for any lending institution to ensure a strong prudent balance sheet. You are building a business for the long term. So make sure that your assets and liabilities are matched. It is a clear message and a chance, without it being at our cost, for our financial system to review and see if there are any gaps in their own capital structure that can be strengthened in the future.

Do you see any long-term effect on the Indian stock market?

It is unlikely. Our banks don't have direct exposure.

Most of them are adequately capitalised. I can't say how markets will react in the short term. But there is no systemic trigger that could lead to any significant adverse reaction.

How do you assess the economic situation especially with no end in sight to the war in Ukraine?

A number of sectors have been doing well and seen strong growth such as mobile and electronics. These are all new sectors of growth. Strong support from the government, such as the Production Linked Incentive schemes, is providing confidence that we can continue on the strong growth cycle. However, because the war continues, the Eurozone especially is still in a low growth period.

Our exports have started moderating. We need to refocus on exports and make sure the incentives the government provides are continued. We need to broaden the basket of products we export. We need to ensure that we accelerate Free Trade Agreements (FTAs) and also align it to the PLI schemes so that they are complimenting each other.

Is there a way to tackle the slowdown in India's exports or is it entirely related to global demand?

Large part of it has to do with global demand, especially demand from Europe. However, as we discussed, we are growing in new sectors like mobile phones and electronics and we need to see how do we open up more opportunities. Increase ease of doing business, bringing down cost of doing business in each of the PLI sectors and at the same time creating the right linkages with FTAs can all work towards increasing exports.

The government recently said that after the free trade pact with Australia, there is scope for increasing bilateral trade to \$100 billion. But a set of steps have to be taken to accelerate that.

We have to make sure that we continue to provide the enabling environment.

We have recently signed FTAs with the UAE and Australia and some more, like ones with the EU and the UK, are in the pipeline. How do we make them deliver given the fact that the pacts we signed in the past have had low utilisation?

Difference from the past is that these FTAs have been thought through with enough consultations with the private sector to identify opportunities and to take into account any potential threats.

It is not that once an FTA is signed it is being forgotten.

The government and associations, such as the CII, are actively assessing status on operationalising these. It will provide the necessary momentum.