

Building a trust-based economic system



TARUN DAS

FORMER DIRECTOR GENERAL, CII

EXPECTATIONS of economic reforms have always been high since 2014. The aspiration level for the Indian economy has risen. The global ambition of Indian industry is higher. But for Covid-19, the Indian economy and industry might have been in a different place by now. Or, another way to look at it would be to recognise that the whole world has been grounded by Covid-19 and India has necessarily been a part of this. But in many ways, Indian industry has withstood massive challenges of the last two years with a new level of determination, a tribute to entrepreneurs and managers.

One clear realisation has been the role of the private sector, expanding, growing and multiplying. The past history of the public sector occupying commanding heights of the economy has been set aside except in very strategic defence industries. But the remnants of post-Independence mistrust of the private sector are still reflected in the multiple processes and checks which exist. As the private sector looks at itself and the centrality of its place in the Indian economy, is it thinking?

How to move to a trust-based economic system which necessarily means that automatically India would rank amongst the highest in terms of 'Ease of doing business'? Trust has to be earned for trust to be given. The

many scams make it very difficult to move to a self-regulatory system in regard to the private sector, unless companies take on the responsibility for voluntary and transparent disclosure of corporate information and take special initiatives to earn trust.

An outstanding precedent was the Corporate Governance Code framed by a Rahul Bajaj-chaired CII task force long before government and/or SEBI came into the picture. This code was implemented by many companies voluntarily and stands as an outstanding example of private sector leadership.

Therefore, to deepen and widen the trust base, business and industry need to extend this example to other areas. And, this is clearly achievable if the leading private sector companies are increasingly open and caring for society. The top companies would also be able to influence and impact thousands of companies in their supply chains, thus creating a mass of companies adopting the highest standards of corporate conduct.

The government can then respond by relaxing its requirements of compliances so that the country can move towards a trust-based system. The initiative has to lie first with the private sector to build public confidence, not only government confidence. When the public at large says that they find the private sector trustworthy, because they are not being cheated, the government is able to act. Integration of the private sector with society is the key.

The trust-based system will also positively impact corruption at different levels adding to the digitisation drive which is already fostering transparency. Today, thanks to the poorest of the poor having smart-phones, bank accounts and Aadhaar cards, life at the bottom of the pyramid has steadily

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AT THE CROSSROADS: For ease of doing business, the industry in India has to build regulatory systems that inspire confidence and facilitate functioning with efficiency. FILEPHOTO



improved in quality, the great benefits of using technology to deal with basic, everyday needs of living!

Technology can take India very far and is doing so but business leadership needs to kick in strongly and sustainably with its own action (not talk), such as:

- Care for workers and investment in their welfare, including health and education, provision of pension and provident fund.
- CSR projects and programmes, not to avoid tax, but to align with the community and support their real development.
- 'Affirmative action' to willingly provide employment, especially to the SC, ST and other backward classes who have suffered indignity for long.
- Address the rising level of inequality for which the industry needs to maintain a balance between the highest and the lowest paid so that the ratio is reasonable. It means raising the lower lev-

els of income and perhaps lowering the highest levels of remuneration.

- Invest in people, especially the young, through skills development programmes and scholarships, to equip them for productive employment or even self-employment. The industry is the 'user' of people and it is only right for the industry to set up skills development centres across India and manage/run ITIs.
- Invest in clean energy so that the environmental legacy for the future generations is much better than currently. The industry can contribute enormously to addressing the challenges of pollution and degradation of the environment. Every company can take on specific tasks and set net zero targets
- Support women in their education and empowerment because they are central to the family and society. Women can make a massive difference to the nation

and the industry and must take on a special responsibility to make this happen.

- Maintain a balance in terms of prices and profits so as to provide goods and services at as low a cost as possible. High prices, high profits and high dividends need to have a self-regulated ceiling so that consumer interest and welfare is constant.
- Research, development and innovation help to create new products and services and need to be on the priority list of action points for the industry. This is creativity for the future and brings benefits to all, the producer and the customer.
- The customer is king. If this philosophy is adopted and followed, Indian industry will be in a different place. For too long, the consumer, the customer, suffered through neglect. Much has changed but more change is needed.
- Housing is a particular area for atten-

tion because hundreds of thousands of aspiring home owners have suffered from real-estate scams. Real-estate companies have a special responsibility.

These are an illustrative list of industry actions, not exhaustive. The ecosystem for a trust-based society must start with business and industry. They can do it if they want to or continue with the existing system of complex compliance challenges which make life miserable for all. Some companies are doing some things right, most companies now need to do most things right. This comes with the promise of a larger role.

All of this, and more, is the need to bring about a trust-based economic system. It takes two hands to clap, but the hand which must move first is the hand of the industry. Overnight change may be difficult but significant progress is possible.

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At the crossroads: For ease of doing business, the industry in India has to build regulatory systems that inspire confidence and facilitate functioning with efficiency. File photo



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