



BRIDGE  
TO  
INDIA

Interview with  
**Dr. Rajiv  
Kumar**

**Secretary General,  
Federation of  
Indian Chambers of  
Commerce and Industry**

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**Dr. Tobias Engelmeier  
Ms. Nehmat Kaur**  
BRIDGE TO INDIA

*Role of the Indian industry  
in adopting sustainability  
as a practice in India*

*Role of renewable energy  
in India*





## DR. RAJIV KUMAR

Dr. Rajiv Kumar, a well known economist, and the author of several books, took over as Secretary General of the Federation of Indian Chambers of Commerce and Industry (FICCI) in May 2011. He joined FICCI as Director General in October 2010.

Prior to FICCI, Dr. Kumar was the Director & Chief Executive of the Indian Council for Research on International Economic Relations (ICRIER), one of India's leading independent economic policy think tanks. He is a non-executive member of the Central Board of Directors of the State Bank of India; a member of the Ministry of Finance, G-20 Advisory Group; Board Member of India Brand Equity Foundation and of the United States-India the Educational Foundation (USIEF).

He was a member of the National Security Advisory Board for 2006-2008.

From 1987-1989, Dr. Kumar taught at the Indian Institute of Foreign Trade. Subsequently, he worked for the Government of India from 1989 to 1995, first in the Bureau of Industrial Costs and Prices, Ministry of Industry and then as Economic Adviser in the



Department of Economic Affairs, Ministry of Finance. In 1995, Dr. Kumar joined the Asian Development Bank in Manila and served a ten year term both in research and operational departments.

In 2004, he returned to India to join the Confederation of Indian Industries, New Delhi as its Chief Economist. He has a D.Phil. in Economics from Oxford University and a Ph.D from Lucknow University. His latest book, *Many Futures of India*, published in April 2011 is a compilation of his columns in some of India's leading dailies.

## THE INTERVIEW

### BRIDGE TO INDIA

*Dr. Kumar, thank you for taking the time to talk to us about the significance of sustainability in the Indian industry.*

### Dr. Rajiv Kumar

It's my pleasure and thanks for the honour.

### BTI

*How do Indian businesses see sustainability? Is it seen as a threat or an opportunity for business?*

### Dr. Kumar

To think of Indian business as a monolith, as one big sea out there, might not be the right perspective. One

crucial factor in India is the difference between the organised and the unorganised sectors. The organised sector employs not more than 7% of Indian labour. The remaining 93% is employed by the unorganised sector. These numbers help to get an idea of the scale, even though the organized sector may be producing a larger percentage of total output. A very large part of the Indian production sector is unorganised and this includes the entire agricultural sector. Unlike most other countries in the world, and especially the advanced economies, the Indian agricultural economy is completely unorganised.



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**Dr. Rajiv Kumar**



A common mistake, while talking about climate change in India, is to refer only to industry and manufacturing. Climate change is hugely impacted by what happens in the agricultural sector as well.

**BTI**

*Could you explain that in more detail?*

**Dr. Kumar**

For instance, people don't always realize that 70% of the water used in India is in agriculture. This number could be reduced if water was used more efficiently. For instance, the Indian state of Punjab produces rice paddy that is extremely water intensive. Water resources in Punjab, on the other hand, are scarce. However, on account of a skewed electricity pricing structure, farmers in Punjab are cultivating a rice crop that will ultimately lead to depletion of scarce water resources in the state. Furthermore, paddy is grown in still water which releases a huge amount of methane leading to negative carbon impact. The agriculture sector, therefore, in my view, is yet to pay any attention to sustainability and efficient resource management. One also needs to consider dairy farming. There is a huge amount of methane that is produced there as well. All of it could be captured and used for producing energy. It's crucial to include the agricultural sector along with the industry and manufacturing sectors, while considering production in the country.

**BTI**

*Let's talk about industry. Should there be more environmental legislation?*

**Dr. Kumar**

Industry in India can be divided into the organized and the unorganized sectors. The unorganized sector works on very thin margins. The productivity is low and so is the pay. Therefore, anything that one wants to impose on them from a climate change perspective is seen as a threat to their survival. Even other laws that are imposed on this sector, perhaps with respect to labour or the

working environment, sanitation or cleanliness, are seen as an additional cost and generally not enforced in India. All these laws end up generating corruption. If a set of environmental laws is added on top of this, it will only generate more corruption and nothing else.

**BTI**

*What is FICCI doing to improve sustainability?*

**Dr. Kumar**

In this respect FICCI's efforts are notable. We are trying to set up an Environment Compliance Assessment Centre. The Centre should be able to explain to small and medium-scale enterprises (SMEs), what an environmental law entails. The objective is to ensure that SMEs do not find these laws forbidding and that they are able to comply with the laws. At the moment, SMEs would rather pay off an inspector, than comply with the law, even if it costs them more and even if to comply with the law might improve their bottom line. They simply don't want anything to do with it. The key task for the government or organizations such as FICCI is to explain the environment in a friendly, organised way especially to the unorganised sector, which is where it really matters.

**BTI**

*What regulations would create benefits for the environment as well as industry?*

**Dr. Kumar**

Environmental regulations could help industry become more energy efficient and hence lower costs in the longer term. If, for instance, you put up heat cutting glass in a factory it might be expensive today but three years later you will find that the energy savings have paid for it. But, as it stands today, the unorganised sector feels that environmental regulations are Western fads and that the West never complied with them during their industrialization process. But, for India as country, the option of developing first and retrofitting later, as the developed



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**Dr. Rajiv Kumar**

nations are doing now, is not available. It’s simply too costly. This option is also not available to us because of the media pressures in India.

**BTI**

*Dr. Kumar, we have spoken about the agriculture and unorganized sectors. What about sustainability as a conscious business decision in the organized sector?*

**Dr. Kumar**

The organized sector can be broadly segmented into two groups. The first would be the export houses. This section of the organized sector is really bearing the brunt of the consciousness regarding climate change in their international clients. They need to comply with international environmental standards. The second group encompasses companies that are environmentally conscious and are now shifting to the ‘triple bottom line’. So they are interested in sustainability from a social perspective as well as from the environment conservation perspective. ITC Welcome is an example.

**BTI**

*Are they value-driven?*

**Dr. Kumar**

Yes, they are value driven. These are businesses run by people who are more enlightened but also see profitability in a longer-term perspective. They can see a time gain. There is also a third category involved in the organized sector. This category includes those who just do not care.

**BTI**

*Percentage wise how large is this third category? Would you say more than 50 percent?*

**Dr. Kumar**

Yes, I would say more than half.

**BTI**

*Let us now talk about renewable energy. How important is it in terms of India’s energy supply? Are we seeing a strategic shift?*

**Dr. Kumar**

Not yet, but we should be seeing a strategic shift soon. I, myself, was an advocate of nuclear energy until recently. I have changed my view after looking at the costs of the de-commissioning and storage of nuclear energy.

**BTI**

*Do you see renewable energy as an alternative?*

**Dr. Kumar**

Renewable energy should become more important and renewables can, in my view, given where the technology is going, meet a larger percentage of India’s energy needs. At the moment it is not more than 4-6%. Nuclear energy is about 16%. The share of coal in India’s energy mix is about 60% and I think we can change that. We can change that by leapfrogging to smart technologies. We should look at energy as a distributed product. For that, we need to develop a smart grid.

**BTI**

*How important, in your view, are de-central island solutions to the lack of grid connectivity in India?*

**Dr. Kumar**

India can solve its energy problems by using island solutions where grid power is not available. The approach can be to start with little pockets and then connect them later on. This is a big opportunity for India, and if India leapfrogs, it can get right up there with the leading industrial countries. This is why I feel a technology partnership with countries like Germany or Japan is so important. There is a need to share solar technology rather than nuclear or thermal technology. India’s sustainable energy policy can become a global public good. It’s not just for the sake of India. If India doesn’t follow a sustainable energy policy and grows by five, six, eight times its size, no one will survive. Therefore, we need technology leaders, such as Germany and Japan, to transfer their technologies.





***“If such technological development is done in partnership with India, there is a huge potential for expanding sustainable technology to Africa, and the rest of Asia, so that it has a significant global impact.”***

**Dr. Rajiv Kumar**

**BTI**

*But it's not countries but companies that have the technology.*

**Dr. Kumar**

This is actually a very long standing controversy. There are, of course, companies in every country that are looking at a particular technology with their own funds. In that case, this argument is appropriate. It is important to note, however, that 90% of technological development comes out of public sector funds. It is governments that subsidise it. Why won't or why can't those governments look at developing a global public good from a progressive technology? Perhaps the governments need to

understand that their industry won't survive unless they adopt a renewable energy policy. If such technological development is done in partnership with India, there is a huge potential for expanding sustainable technology to Africa, and the rest of Asia, so that it has a significant global impact.

**BTI**

*Thank you Dr. Kumar. It has been an pleasure speaking with you.*



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BRIDGE TO INDIA is a consulting company with an entrepreneurial approach based in New Delhi, Munich and Hamburg. Founded in 2008, the company focuses on renewable energy technologies in the Indian market. BRIDGE TO INDIA offers market intelligence, strategic consulting and project development services to Indian and international investors, companies and institutions. Through customized solutions for its clients, BRIDGE TO INDIA contributes to a sustainable world by implementing the latest technological and systemic innovations where their impact is the highest.

**Contact**

**nehmat.kaur@  
bridgetoindia.com**

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