

Duvvuri Subbarao: Reflections on leaders and leadership

Edited transcript of comments by Dr Duvvuri Subbarao, Governor of the Reserve Bank of India, at the National Convention on Leadership at CII-Suresh Neotia Centre of Excellence for Leadership, Kolkata, 9 December 2011.

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1. Thank you very much for the opportunity to speak at this National Convention on Leadership. As it happens, I have never thought explicitly or systematically about leadership as a subject. But ever since I got an invitation to speak at this conference from Shri Harsh Neotia about two months ago, I've been trying to think through the subject in a structured manner. My mind would refuse to focus though, and my thoughts would travel repeatedly, often unconsciously, to Mahatma Gandhi, by far the most influential, if also enigmatic, leader India has seen.

Mahatma Gandhi

2. Many of you may have seen Richard Attenborough's Oscar-winning movie "Gandhi". Some of you may be able to recall the opening scene of the movie. As the Mahatma's funeral procession moves on, we hear these emotion-laden words: "The object of this massive tribute died as he had always lived – a private man without wealth, without property, without an official title or office."

3. As the cortege continues on its way, we see shots of marching soldiers, and faces of all religions – Hindus, Muslims, Sikhs, Christians – and people from all regions, all castes and creeds. The voice-over continues: "Mahatma Gandhi was not a commander of great armies nor ruler of vast lands; he could boast of no scientific achievements, no artistic gift. Yet men, governments and dignitaries from all over the world have joined hands today to pay homage to this little brown man in the loin cloth, who led his country to freedom."

4. To this moving tribute, I must add what Albert Einstein had so touchingly and powerfully said of Gandhi: "Generations to come will scarce believe that such a man as this, in flesh and blood, ever walked on this earth."

5. These words, perhaps more than anything else, sum up the uniqueness of the Mahatma's leadership. If you think about it, it is amazing that a man like that, dressed in no more than a loin cloth, and in a world where mass communication media had not developed, could galvanize 300 million people across all strata of society, and inspire the trust and confidence of an entire nation with no other weapon than sheer strength of character. What is more, even today, around the world, the Mahatma is a role model for value based leadership, no matter that specific causes and contexts may be different.

6. The enigma of Mahatma Gandhi as a leader illustrates the challenge of precisely defining what makes a leader. That is what makes speaking about leadership so difficult. Speaking about leadership in a time of flux, at a time when such momentous changes are taking place, especially in the global economy, is an even more daunting task. It is that formidable task the conference organizers have thrust upon me.

Suresh Neotia leadership centre

7. Before getting on with that task, I must acknowledge my association with Shri Suresh Neotia whose name this leadership centre very appropriately bears. Shri Suresh Neotia, as many of you perhaps know, was till recently a member of the Reserve Bank of

India's Central Board of Directors. In our Board meetings, and in my interaction with him outside of the Board, I have always been impressed by his mature, balanced and insightful views, and by the way he always held larger public interest as the only guide and determinant of public policy. The prestigious awards that he has won over the years, be it the Padma Vibhushan or the Harvard Business School-Economic Times Award for Corporate Excellence, are a tribute to his leadership and his contribution to the country. He runs several grass root social development projects, and he does so not to fulfil any prescribed norm of corporate social responsibility, but out of an innate empathy with the less privileged.

Leadership in Bengal

8. As I contemplate leadership in this wonderful city of Kolkata and in this intellectually vigorous land of Renaissance, Bengal, my thoughts go to the leaders from this state who have been influential and "made a difference", not only at the national level, but at the global level too. Let us recall some of them to see the diversity of leadership models:

- Often called the "father of modern India", Raja Ram Mohun Roy was a pioneering social reformer and a progressive thinker, certainly ahead of his time, who had the courage of conviction to challenge some egregious traditional Hindu social evils.
- Swami Vivekananda was an intellectual leader par excellence. Swamiji, as he is popularly known in Bengal, not only interpreted Hinduism for Indians but also deciphered India's religiosity to the larger world. His inspiring speech at the World Parliament of Religions at Chicago in 1893 that started with "Sisters and Brothers of America" is considered an epitome of universal empathy.
- Sri Aurobindo synthesized eastern and western philosophies, religion, literature and psychology in his writings.
- Gurudev Rabindranath Tagore, whose 150th birth anniversary we are celebrating this year, was a remarkably influential thought leader whose poignant prose and soul stirring poetry are a testimonial to his humanism and belief in universal brotherhood.
- Netaji Subhash Chandra Bose was a galvanizing force for national unity and inspired profound love and loyalty in the Indian National Army (INA).
- Bengal also produced fearless revolutionaries like Kshudiram Bose who gave up their lives in the struggle for India's independence.

9. This great leadership tradition of Bengal was carried forward in post-independence India by luminaries like:

- Satyajit Ray, one of the greatest auteurs of 20th century cinema, who put Indian movies on the world celluloid map. His "Pather Panchali" set exacting standards for cinematic artistry and will go down in the history of cinema as one of the most poignant tales ever told.
- Mother Teresa became a household name the world over for her exemplary humanitarian work, her deep sympathy for the less privileged and less fortunate and her advocacy of the rights of the poor and helpless.
- Bengal's very own son, Nobel Laureate Amartya Sen, is today one of world's best-known public intellectuals who has applied a consistent approach in his influential studies on social choice, welfare measurement and poverty.

More questions than answers

10. Interestingly, at a conceptual level, all these leaders from Bengal who influenced thought and action across space and time, and their diverse leadership styles raise more questions than answers:

- (i) What makes a leader?
- (ii) Is there a standard template for leadership? Are there any quintessential leadership qualities?
- (iii) Are leaders born or made? In other words, can leadership be taught?
- (iv) Are leaders contextual – products of space and time?

11. These are, of course, relevant and important questions, but they defy simple answers. As we've just seen, even a group of leaders from across Bengal pose a bewildering diversity in their world views, personality traits and leadership styles. Imagine spreading the net and looking at leaders across the world across and time. The challenge of distilling the essence of leadership will snowball into a mind boggling task. Be that as it may, it is still possible to identify some fundamental attributes that all leaders embody: vision, humility, determination, and above all, character.

Steve Jobs

12. With that framework in mind, let us turn to another admittedly enigmatic leader from an altogether different context, Steve Jobs. Ever since his death a couple of months ago, a lot has been written about Jobs, about his personality, his style of life and work and about how he changed the way we live in a fundamental way. For all his achievements, Jobs is reputed to have had notoriously anti-leader personality traits: egomaniacal, dictatorial, manipulative, rude, insensitive and downright obnoxious. And his trade mark top down style of management is about as heretic as it can get from a leadership perspective.

13. So what made Jobs tick? He always thought, if you ask customers what they wanted, they would only tell you, "better, faster, and cheaper", which is that they would opt for "sameness", possibly an improved version. They can describe their "wants" only in terms of what they are already using. This was not good enough for Jobs. He used his imagination and lateral thinking to go beyond "sameness", and offered quantum changes in product concept and design. Much like the proverbial salesman who could sell a refrigerator to an Eskimo, Jobs could make people not only want, but even love what they thought were impersonal gadgets.

14. Combining as he did, easy-to-use hardware with compelling software ecosystems, Jobs was a blend of an artist's touch with an engineer's mind. He had unflinching faith in himself and never lost his confidence or self-esteem even in moments of deep adversity. He was thrown out of *Apple*, a company that he famously built from scratch in a garage. A lesser man would have been shattered and departed the scene. Not Jobs though. He not only survived the adversity, but bounced back and turned around a bankrupt *Apple* into the most valuable company on the planet in what will go down as possibly the most remarkable "come back" tale in corporate history.

15. Jobs prodded and pushed people to the limits of their potential and inspired into existence products that have since touched and transformed entire industries and lifestyles. His colleagues at *Apple* often refer to Jobs' "reality distortion field", a science fiction term that describes his belief that with passion and effort, it is possible to make anything – even the near-impossible – happen. Indeed, in eulogies after his death, several of his team mates admitted that they accomplished things that they never suspected they were capable of.

16. So, we have Mahatma Gandhi and Steve Jobs; two unlikely leaders with unorthodox leadership styles who have had profound influence on the way we live and think. It will be

interesting and instructive to compare and contrast their leadership models, but that is a task best left to experts. I will only say that what is common to Gandhi and Jobs, allowing for all the differences in the context they operated in, was their tremendous charisma and steadfast belief in themselves.

Leadership and the global crisis

17. Let me now shift tack and turn to leadership issues in macroeconomic management. The 2008 global financial crisis has taken a devastating toll in terms of lost growth and foregone welfare. Reams have been written about the causes of the crisis – both root causes and proximate ones. Was failure of leadership among the root causes? This question has not received as much attention as it should have. Consider the following evidence of flawed leadership.

- Leaders thought that financial engineering changed markets in a fundamental way, giving them near total resilience and making them immune to implosion, no matter the pressure of excesses. This flawed complacency betrayed lack of intelligence.
- Leaders got carried away by “irrational exuberance”, betraying lack of maturity.
- Leaders failed to see “black swans” – low probability but high impact events – betraying lack of wisdom.
- Leaders did not see the warning signals of instability in real time thereby betraying lack of foresight.
- Leaders failed to “lean against the wind”, thereby betraying lack of courage and conviction.

18. Admittedly, the above narration of failure of leadership as a cause of the crisis is sketchy. But the point to take away from this is the type of leadership qualities required to keep the financial system stable so that it can aid, rather than impair, the growth of the real sector.

Leadership role of RBI

19. This may be an appropriate point to talk about leadership at the Reserve Bank of India. All of you, residents of Kolkata, are possibly aware that RBI was born here, in this historic city of Kolkata, in 1935. The building where RBI took birth 76 years ago, 8 Council House Street, is today a heritage building. Over the last 76 years, the Reserve Bank has played a leadership role in financial sector development in India. Not only has RBI established itself as a knowledge institution engaged in the macroeconomic management of the country, but also many of today’s leading national financial institutions – IDBI, NABARD, UTI, EXIM Bank, DFHI and DICGC – owe their origins to RBI. RBI has steered the financial sector to support real sector growth and development. The schemes it pioneered such as the Lead Bank Scheme and priority sector lending – have been aimed at ensuring that growth and development are equitable and inclusive. That several other countries emulated these programmes is a testimony to their value and resilience. Driven by an abiding belief that financial inclusion is a necessary condition for equality of opportunity, the Reserve Bank has, in recent years, been aggressively promoting financial inclusion.

Former governors of RBI

20. The high esteem in which the Reserve Bank is held today owes a lot to the competence and professionalism of its staff, its institutional values and culture, and importantly, the outstanding leadership of former Governors – twenty-one to date.

21. When applauded for the law of gravity, Sir Isaac Newton, not one known for humility, famously said in a letter to his friend and rival Robert Hooke that, "If I had seen a little further, it's because I am standing on the shoulders of giants". I can quite relate to that statement. As the Governor of the Reserve Bank in these exciting times, I am deeply humbled by the intellectual reputation of the lineage of the Reserve Bank's Governors.

22. I would like in this context to recall the leadership role played by my distinguished predecessors as Governors of RBI not only to showcase their leadership accomplishments, but also because this recollection will afford us a peep into history.

- Sir Chintaman Deshmukh was the first Indian Governor of the Reserve Bank, who oversaw the transition of RBI from British rule to Independence and the division of the assets and liabilities of the Reserve Bank between India and Pakistan consequent upon partition. He also helped smoothen the transition of the Bank from a shareholder's institution to a State owned organization, when the Reserve Bank was nationalized in January 1949.
- Shri H.V.R. Iengar, who succeeded Sir Chintaman, introduced deposit insurance for bank deposits in 1962, making India one of the earliest countries to experiment with Deposit Insurance. That other countries emulated this initiative is a testimony to Shri Iengar's innovativeness and foresight.
- Dr. L.K. Jha, by far the most distinguished and accomplished civil servant to occupy the office of the Governor, was responsible for giving a distinct development orientation to RBI policies. The Reserve Bank under Dr Jha's leadership was an influential force in shaping landmark policies for the devaluation of rupee, the Green Revolution, social control followed by nationalization of 14 major commercial banks.
- Dr. IG Patel's tenure as Governor of RBI witnessed the demonetization of high denomination notes as well as the "gold auctions" conducted by the Bank on behalf of Government of India. Dr. Patel played a key role in negotiating IMF assistance in 1981 to tide over the balance of payments constraints.
- All of us of course know the contributions of our Hon'ble Prime Minister Dr. Manmohan Singh who, after deftly steering the Reserve Bank as its Governor, went on to become India's Finance Minister and put India on a path of historic and path breaking economic reforms.
- Dr. R.N. Malhotra, who served as the Governor during the Rajeev Gandhi years, gave a reform orientation to RBI. His tenure saw widening of the money market in India and introduction of new instruments recommended by the Sukhomoy Chakravarty Committee on the Monetary System and the Vaghul Working Group on the Money Market.
- As the RBI Governor, Shri S. Venkitaraman played a leading role in managing India's deepest balance of payments crisis in 1991.
- Dr. C Rangarajan will be remembered for beginning the historic process of financial sector reforms. Through his leadership, Dr. Rangarajan showed how monetary policy has a key role in economic development. He will be most remembered for bringing an end to automatic deficit financing and thereby for setting the course for independent monetary policy.
- Dr. Bimal Jalan ably steered India to ensure that we were not affected by the Asian Crisis. He focussed on consolidating the gains of liberalization and economic reforms including developing the trade sector and strengthening our balance of payments position.
- My immediate predecessor in RBI, Dr. Y.V. Reddy carried the reforms process forward. His leadership will be remembered for the sagacity and wisdom with which

he leaned against the wind to zealously guard India's financial stability even as much of the world fell prey to irrational exuberance.

23. That trip down memory lane is not only nostalgic but is also a chronicle of India's economic history and a portrayal of Reserve Bank's illustrious leadership through India's post-independence history.

Current challenges for RBI's leadership

24. Let me now shift from the past to the present. Our economy is going through a challenging phase. India clocked remarkable growth during 2003–08 setting off a nationwide aspiration for faster and more inclusive growth. That growth momentum was interrupted by the global financial crisis of 2008. Now in the post-crisis period, there is understandable anxiety about when and how we will return to a high growth trajectory. In that context, let me highlight some of the policy challenges that the Reserve Bank is confronting.

- **Price Stability and Growth:** We have to manage the balance between price stability and growth. In order to combat inflation, the Reserve Bank has had to gradually and continuously tighten monetary policy. This has led to criticism, especially from industry and business sections, that higher interest rates engendered by our policy have curtailed growth. This grievance is legitimate, and to some extent, understandable. The Reserve Bank is sensitive to that criticism. But we are also sensitive to the “voices of the poor” about the burden of surging prices. The voices of the poor do not of course have the same opportunity of collective articulation, and we therefore have to make the extra effort to listen to this “silent constituency”. In any case, as historical evidence demonstrates, there is really no trade off between price stability and growth in the medium term. We need to bring inflation down to secure sustainable growth in the medium term. Some short-term sacrifice of growth is an inevitable cost to pay for price stability in a supply constrained economy.
- **Financial Stability:** Before the crisis, financial stability was not so much on the explicit radar screen; it used to be inside the minds of policy makers, particularly central bankers. The crisis has taught us that financial stability has to be part of the explicit policy calculus alongside price stability and macroeconomic stability. The crisis has also taught us that all three variables – price stability, financial stability and growth – are interlinked and we cannot afford to compromise on any of them. The challenge for all central bankers, particularly for emerging economy central bankers, is to strike the right balance among the three variables depending on their specific macroeconomic context. For us in India, this is a more complex challenge as we have to ensure that credit is available for all productive activities at affordable cost so as to raise the potential output of the economy. We have, however, to do so without compromising the integrity of our financial system.
- **Infrastructure Financing:** Infrastructure deficit is, by far, our biggest supply constraint. This is resulting in higher production costs and lower efficiencies. There are no two views about the need to raise the quantum of investment in infrastructure. The 12th Plan, which will begin in April 2012, less than four months from now, is projecting investment in infrastructure, over the five year period 2012–17, of \$1 trillion, double the outlay for the 11th Five Year Plan. Mobilizing funding of this order is a challenge at all times, particularly so in our context where long term financing markets are not yet sufficiently deep, developed and open. So, the burden of financing infrastructure is falling largely on the banking system. The Reserve Bank has already relaxed regulatory norms to facilitate larger infrastructure financing by banks. So, a big challenge going forward will be how to raise the

quantum of institutional financing for infrastructure building without compromising the stability of the banking system.

- **Financial Inclusion:** As I said before, the Reserve Bank is leading the drive for financial inclusion from the front. The initiative for financial inclusion is motivated by historical evidence that there is no economy in the world that has progressed from an agrarian system to a post-industrial modern society without broad based financial inclusion. Financial inclusion enfranchises the poor in powerful ways – by giving them opportunity to improve their incomes. The depth and extent of financial exclusion in the country is staggering. Only about 30,000 out of the nearly 600,000 habitations in the country have a bank branch, and even where banks have penetrated, it is not certain that they have reached out to the poor. It is our endeavour that every household in the country must have a bank account, and importantly that the household actively uses the bank account to access all the opportunities it offers. This requires awareness, planning, logistic support and above all a change in the mindset. This is a task to which the Reserve Bank has committed itself.
- **Central Banking in a Globalizing World:** Over the last twenty years, India has integrated into the world more deeply and more extensively than we tend to acknowledge. Globalization offers enormous opportunities, but it also poses ruthless challenges. India's growth acceleration in the period 2003–08 was, in part, aided by globalization, but that we were impacted by the global financial crisis was also a consequence of globalization. That is a telling demonstration of the costs and benefits of globalization. We have to learn to manage globalization in such a way as to minimize the costs and maximize the benefits. For policy makers, this means taking into account the implication of developments around the world into our own policy calculus. For example, in the Reserve Bank, in making our monetary policy, our regulatory policy and our external sector policies, we have to reckon with policies of other countries as well as global developments. As India further integrates into the world, the task of policy makers is going to get more complex and intellectually challenging. We have to build capacity and skills to be able to manage this task in the best interests of our country.
- **Knowledge Institution:** Going forward, the competitive advantage of nations is going to be determined by how they perform in a knowledge economy. This requires that institutional structures of economic management will have to reinvent themselves. The Reserve Bank has to reposition itself as a knowledge institution. Even at the risk of being clichéd, let me say that at the Reserve Bank, we need to “think global and act local”. The idea is not to fight globalization but to manage it to the country's best advantage. Mahatma Gandhi said [and I quote], “I do not want my house to be walled in on all sides, and my windows to be stuffed. I want the cultures of all the lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any.” [unquote] The Mahatma's exhortation is more true today than when he said it.
- We need to learn from the best in the world, but adapt our learning to the demands and culture of a maturing and emerging economy. We need to be constantly pushing the envelope, be at the frontiers of domain knowledge, oftentimes reinvent it, but all the time remain sensitive to the core concerns of an emerging market economy, one which is still home to hundreds of millions of poor people.

Unsung heroes across India

25. My talk on leadership will be incomplete if I do not acknowledge the millions of unsung heroes across India who are scripting stories of hope and change across diverse

sectors, through diverse means in diverse situations and geographies. Some of these leaders may be engaged in raising the child sex ratio in a region where female feticide is rampant, others may be providing safe drinking water through elevated hand pumps in flood-hit villages, some may be pioneering village health worker programmes or education initiatives and some others may be demanding accountability at different levels of governance by invoking the Right to Information Act.

26. Put together, these grassroots-level leaders are men and women, often young and always idealistic, who have chosen to walk a difficult and lonely path. We should consider ourselves lucky that they have made that choice. They work tirelessly, with commitment and dedication; they are self-effacing and care little for recognition. Their only motivation is to do good to society, and the only reward they look for is a better, more prosperous and more humane India. These unsung heroes often bring in true, tangible change; their achievements make an inspiring tale of hope, and their attitude makes a persuasive case study of the power of positivity. They are all, each of them, great leaders of change and hope.

Outreach

27. Personally, I have been fortunate to witness some such extraordinary grass-root level work, in the course of my career as an Indian Administrative Service (IAS) officer, and in recent years, during the Outreach Visits that we had initiated as part of Reserve Bank's Platinum Jubilee celebrations in 2009–10. These Outreach visits, over the last couple of years, have taken me and my colleagues to villages across the country to see and understand how grassroots institutions – self-help women's groups, micro-finance institutions, non-government organizations, rural cooperatives, rural branches of regional and mainstream commercial banks – operate. Listening first-hand to the hopes and aspirations of village India has truly been a wonderful experience – emotionally fulfilling, intellectually rewarding and professionally mind-expanding. I am deeply conscious that behind these rising hopes and aspirations are thousands of grassroot leaders.

Conclusion

28. I will now conclude. I will not, however, try to summarize what I've said over the past half hour. After all, what I said constitutes just some random reflections on leaders and leadership. The concluding message that I want to leave with you is that no matter where you work and where you live, you have to lead and "make a difference". This is an obligation you owe to your country, your society, your local community, your family and above all to yourselves.