

# 'Govt must continue with reforms despite political compulsions'

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PRIME MINISTER Narendra Modi's government must be commended for the spate of policy and legislative reforms in the past four years. Reforms like the goods and services tax (GST) and the Insolvency and Bankruptcy Code (IBC) are creating new paradigms which are being recognised across the globe as seen in our ratings upgrade and improvement in the Ease of Doing Business rankings.

Going ahead, it is critical for the government to continue with its reform agenda despite the political compulsions of the impending 2019 Lok Sabha election. Reforms have to be now taken to

the next stage for long-term benefits, there are areas like direct taxes and labour laws, where major changes are yet to be initiated.

## Initiatives & reforms

When the current government came to power in May 2014, the biggest expectation from it was to bring stability to the Indian economy and bring about key structural reforms for the much-needed economic transformation. It has succeeded in doing that to a large extent with India being among the fastest-growing large economies in the last four years.

The macroeconomic parameters are on a strong footing and several reform measures have been taken in major areas, both at

the administrative and legislative levels – be it fiscal, financial, agriculture, health, education, infrastructure, energy, investments, and above all governance.

The policy initiatives like 'Jan Dhan Yojana', 'Ujjwala Yojana', 'PM Awas Yojana', 'Gram Jyoti Yojana' and the most recent 'Ayushman Bharat Yojana' have been aimed at improving the living standard of the masses and have started delivering the desired results, albeit in a graduated manner.

There has been a strong focus on improving the infrastructure landscape of the country also. The Bharatmala and Sagarmala projects combined with UDAN scheme are among the key pillars of India's sustainable high growth

in the future. Once completed, they will have a huge spillover effect on growth of other sectors of the economy as well.

## Unfinished agenda

While government schemes such as Make-in-India, Digital India, Smart Cities and those in the social sector domain, along with the tough legislative reforms like GST and IBC, have opened tremendous possibilities for taking the GDP growth to 8 per cent-plus levels in the coming years, they need to be pursued with patience with an open mind to obtain the desired results.

The efforts to broad base GST by bringing in as many items as possible under its ambit, espe-

cially petroleum items, and making the adoption of GST simple and cost-effective for the small businesses, need to be pursued unabatedly.

In the case of IBC, higher bids placed for stressed assets resolution and also the acquisition of Bhushan Steel by Tata Steel shows that it has already started working. The Ordinance for amending IBC to bring in changes like allowing the MSME promoters to bid for the stressed assets of their companies and also safeguarding the interest of the homebuyers, shows that the government is willing to walk extra mile in ensuring that reforms become a continuous process and not a rigid affair.

With this, the government must also come out with a road map for rationalisation and privatisation of public sector banks so that a long-term solution could be found for the NPA problem.

One major reform that has been long awaited is the Direct Taxes Code (DTC). The Arbind Modi Committee set up to come out with the framework for the new income tax law is expected to submit its report in July and this gives the government chance to firm up a plan to simplify and expand the income tax domain. The burden of 30 per cent rate for both companies and individuals is quite high in the current structure and it can easily be brought down if the plethora of exemptions are removed.

Streamlining of the labour laws into a simple structure with easy entry and exit rules is another area that requires a sustained effort so that a consensus could be built in moving forward in the manner it has been possible in the case of GST and other reforms.

We are at a promising juncture in India's economic evolution. The right set of steps can elevate our growth trajectory and take us to the next level. Structural reforms will form a key part in this journey. Therefore, instead of pressing the pause button on reforms ahead of the elections in 2019, the need is to accelerate it further and take this journey to its logical conclusion.

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