

THREE YEARS OF THE MODI GOVERNMENT

Staying Right on Track



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An impressive agenda of economic reforms and social programmes has been unfurled by the Narendra Modi government over the last three years. Policies extend to numerous sectors of the economy and their implementation has been top priority. Innovative actions and bold moves characterise this period.

The economy today is growing rapidly. Macroeconomic indicators such as fiscal deficit, inflation and current account deficit are at stable and prudent levels. This, in itself, is a notable achievement of the government within a global environment that continues to surprise on the downside.

The big-ticket reform item of the period is the goods and services tax (GST), expected to be introduced this year. It involved building strong consensus and addressing many issues, and is likely to be a game changer for India. Direct corporate taxes, too, have been reduced for the majority of companies, and issues such as tax administration and tax dispute resolution have been taken up with visible impact.

Reforms to open up sectors to foreign direct investment (FDI) — accompanied by the personal intervention

of the PM to attract funds — have led to a surge in FDI and made India one of the most promising global investment destinations. From the industry perspective, three key prongs of GoI's economic strategy stand out: infrastructure, manufacturing and the social sector.

In infrastructure, the government has tapped new sources of funds, worked on regulation and built new capacity. These are now beginning to deliver results. The strong push in power reforms, faster pace in roads and highway construction, and intensive actions in railway modernisation are building new connectivity for the nation, making logistics more efficient. Housing has received high attention, with policies to incentivise homebuyers and create 20 million low-cost houses.

All of these are opening opportunities for the private sector across the supply chain. The revival of public-private partnerships (PPPs) would add substantially to the infrastructure mission. The recommendations of the Kelkar Committee need to be quickly actioned.

In manufacturing, Make in India has laid the groundwork by addressing ease of doing business, sectoral initiatives, intellectual property rights (IPR) and skill development under Skill India. For the first time, GoI has identified specific actions for ease of doing business. Innovatively involving state governments on 340 investment facilitation parameters led to as many as 12 states achieving 90% success rate.



Sticking to the plan

Not surprisingly, entrepreneurs have found it easier to set up a business, obtain clearances and comply with regulations, especially in the micro, small and medium enterprise sector (MSME). New national policies have been announced for electronics, textiles and apparel, capital goods and steel. One outcome is that over 70 new electronics factories have come up for indigenous production.

A reframed policy for IPR aims to foster indigenous research and strengthen legal and institutional capacities. Industry has been closely involved with Make in India and ease of doing business, and appreciates the government's proactive position on investment facilitation that has been a barrier to India's manufacturing.

In the social sector, the government has taken up social security through various schemes as also attempted to streamline delivery of public goods and services. Use of Aadhaar for delivery of some subsidies, financial inclusion through Jan Dhan Yojana

and promotion of digital payments are changing habits. The recent healthcare policy, too, is welcome.

The range of policies, as also campaigns under Digital India, Smart Cities and Clean Energy, are too many to enumerate. Importantly, the government has reshaped mindsets of different segments of society and generated confidence among investors.

This sets a strong foundation for speeding up growth. The IMF expects India to cross 8% GDP growth rate in the next three years and remain the fastest-growing large economy till 2022. In the coming days, GoI must work on employment generation to create at least five million jobs a year. Labour reforms, quality education and skill development are increasingly urgent as the country's workforce expands.

To encourage new investments in the private sector, a systematic resolution to the burgeoning non-performing assets (NPAs) of banks is required. The recent Ordinance is a welcome step, along with the Insolvency and Bankruptcy Code. A new industrial policy to take into account the rapid changes in technology and global supply chains can kick off manufacturing for job creation. Domestic and global demand will be critical to sustaining the growth process.

India can be the next big driving force for the world. The coming years must build its economic leadership in a changing global environment.

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