

Laying foundation for a better tomorrow

THE MODI GOVERNMENT HAS SET INDIA ON THE FAST TRACK TO GROWTH

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Prime Minister Narendra Modi's recent trip to America has elevated Indo-US ties to new heights, especially economic partnership. The confidence exhibited at the India-US business conclave earlier this week is a case in point.

His government has recently completed two years in office. Going by the reports of various international think tanks and international institutions, the Modi government has set India on the fast track to growth by introducing a raft of measures to boost the economy.

Recent data from the Central Statistical Organisation (CSO) points towards the fact that the Centre's focused approach over the last two years is bearing great results. Some people have expressed their reservations on these economic growth figures. But apart from a few well-reasoned arguments, most of the criticism is politically motivated. It should be borne in mind that the GDP now is being calculated using the globally accepted Gross Value Added (GVA) method.

With the growth rate nearing 8 percent in the last quarter of 2015-16, there is no doubt that the economy, which was left in complete shambles by the previous UPA government, is on the fast track to recovery. All fiscal parameters are on target, whether it is revenue collection or expenditure or fiscal deficit at 3.9 percent of GDP. Per capita income has also risen to Rs 93,293 from Rs 86,879 last year. Experts believe that the economy could grow in the range of 8-8.2 percent in 2016-17. This would be backed by agriculture sector growth surpassing the 3-4 percent mark depending on the monsoon.

All these achievements are the result of the Modi government's tireless efforts. Flagship initiatives like UDAY, PAHAL, and renegotiating Mauritius tax treaty, the revival of held up projects in roads and rural infrastructure, are showing extremely encouraging results. These initiatives have created the requisite infrastructure and demand in the economy to attract domestic and foreign investment. Corruption-less and transparent governance in the last two years has added more than Rs 4 lakh crore to the government treasury on account of spectrum allocation, coal block, and mineral auctions, etc.

I would like to highlight some



Representational Image

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of the key areas of focus for the government. The first focus is towards dealing with corruption and crony capitalism. Over the past 20 years, the world has been reeling under the thumb of crony capitalists. To the uninitiated, crony capitalism is a nexus between businessmen, obliging bureaucrats, and politicians. It undermines the state, distorts resource allocation and is against the spirit of equal entrepreneurship opportunities.

Through a fair judicial system, efficient regulation and transparency in political funding, one can bring positive results over a long period of time. Immediate steps to tackle this menace include the careful and transparent process of transfer of government resources into private hands, management of state-owned banks, especially their debts and NPAs, control of parking and stashing of illegal money abroad.

On this count government has been very focused and successful in its approach. In its recent edition, The Economist stated: "Encouragingly, India seems to be cleaning up its act. In 2008 crony wealth reached 18 percent of GDP, putting it on a par with Russia. Today it stands at 3 percent, a level similar to Australia. A slump in commodity prices has obliterated the balance sheets of its

wild west mining tycoons. The government has got tough on graft, and the central bank has prodded state-owned lenders to stop giving sweetheart deals to Moghuls. The pinups of Indian capitalism are no longer the pampered scions of its business dynasties."

A point of caution is that we have to be very careful with the public-private partnership model. Under this system, crony capitalists have devised a mechanism of transferring government resources in a nontransparent manner. A case in point is the DND project in Noida.

The second important issue is the management of overall debt. The world has been witness to China's financial problems and its debt bust. The Chinese Debt/GDP ratio has increased to 260 percent from 150 percent in a decade. The latest issue of Economist says that its problem loans have doubled in two years. "Hungry for profits in a slowing economy, plenty of Chinese banks have miscategorised risky loans as investments to dodge scrutiny and lessen capital requirements," according to The Economist. "These shadow loans were worth roughly 16 percent of standard loans in mid-2015, up from just 4 percent in 2012."

There are many lessons India

could learn from China. The Modi government has learned them well. Instead of pushing the problem under the carpet, the Modi government has tackled it head on. "The ongoing clean-up of bank balance sheets will help spur economic growth and improve the lenders' profitability. Prompt actions are being taken on willful defaulters," said Jayant Sinha, Minister of State for Finance. "One of the key considerations in a situation like this the banks should be empowered and consequently protected so that they can bring about prudent settlements," said Union Finance Minister Arun Jaitley. "The overall operational profit of public sector banks last year was quite significant. It was in excess of Rs 1.4 lakh crore. It is on account of provisioning that the overall the PSBs declared a net loss of Rs 18,000 crore."

The government has already enacted the Bankruptcy and Insolvency Code. Another set of amendments to the debt recovery legislation and securitisation legislation are before Parliament. The government is also considering setting up of Stressed Asset Management Funds. The focused approach is not limited to empowering and supporting banks to deal with NPA menace, but the government agrees

that the bad loan situation has also arisen on account of certain sectoral stresses like held up road construction, blocked environmental clearances, and dumping, among others. The government is doing everything to restart held up projects, clearances, anti-dumping measures and do away with policy paralysis. The government has gone even further ahead and implemented the recommendations of the Nayak Committee Report like the setting up of a Bank Board Bureau.

The third important initiative is the ease of doing business. These initiatives have helped in catalysing private investments. Some of the initiatives include easy exit policy for genuine investors, repealing of about 1000 redundant laws and more to come, faster and transparent project clearance policy and better dispute resolution mechanism in the tax department where thousands of crores of individual and government resources are blocked.

There has been a reduction in the cost of collection of direct taxes from 1.36 percent in the year 2001-2 to 0.59 percent in 2014-15. The government has also initiated premature retirement and the removal of inefficient and corrupt employees from various departments. And finally, targeted and focused approach to

ending corruption and black money, giving one-time compliance window to declare illegal foreign and domestic assets.

Some areas, which require flagging for the future, are labor reforms, disinvestment reforms, especially for loss-making PSUs, lowering of interest rates as demanded by business community with inflation, particularly of food items looming large, and land acquisition issues and above all the passage of the Goods and Services Tax Bill.

Narendra Modi's philosophy of economic development is growth through empowerment. The government has not only been successful in generating resources for the benefit of the weaker sections but also spending this money to reach the target beneficiaries in a transparent manner. With the use of JAM and direct benefit transfer (DBT), the government has plugged leakages and created additional revenue for social security. The government has given them social security and also generated widespread demand to boost the economy. The resources at the command of the government are being utilised to build rural infrastructures like toilets in rural areas, electricity to each and every household, housing for all by 2022, irrigation and rural roads.

Employment opportunities for the weaker sections are being enlarged through Skill India, Start-up India Stand-up India and by easy access to loans under MUDRA Bank. The real game changer in the near future will be the doubling of farmers' income through reduced cost, better national market access facilities, risk mitigation through user-friendly crop insurance cover, soil health card, efficient irrigation like drip irrigation, neem coated urea and digitisation and reforms of land records, etc.

Truly this government is focusing on the development of all sections of the society across cast, creed, religion and geography. As a result of this focused approach, India has become one of the fastest-growing major economies in the world and has been able to attract largest Foreign Direct investment (FDI). We are sure that the government will not sit on its laurels. There is much more in store.

(The author is National Spokesperson of the BJP on economic affairs. Views expressed are strictly personal.)