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**DEMONETISATION  
TOWARDS A DIGITAL ECONOMY**

INTERVIEW

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# GST, DIGITAL ECONOMY AND DEMONETISATION

## 'MAKING INDIAN ECONOMY CLEANER AND BIGGER'

After the victory in the recent Assembly elections, Bharatiya Janata Party's Spokesperson on Economic Affairs Gopal Krishna Agarwal, speaks to the Extraordinary and Plenipotentiary Diplomatist Editor-at-Large Alankar Srivastava on demonetisation, jobs, agricultural reforms, banking sector, and much more. Excerpts...

*Congratulations on making it 4:1! The Modi wave has swept the Uttar Pradesh and Uttarakhand Assembly elections. Were you expecting such a thumping victory?*

Thank you very much for all the good wishes. We were expecting good results in both these states and were sure of government formation. Still, the overwhelming mandate and confidence of the people is very encouraging.

Modi juggernaut, which started in 2014 has received further fillip. It is reiteration of people's faith in the economic policies, for the benefit of the backward and the poor classes of the society, being pursued by our government and corruption free delivery ecosystem that has been established.

*Do you think demonetisation, which now seems both an economic and political masterstroke, will give the economy a further boost and help broaden the formal economy and improve tax compliance?*

Demonetisation cannot be analysed in isolation. It is a part of the series of measures undertaken by Shri Narendra Modi's government since its inception.

The very next day Modiji came to power, a Special Investigation Team (SIT) was set up to suggest steps to curb corruption from the country. Starting that day, several steps have been taken by the government to achieve these objectives, such as Foreign Illegal Assets Declaration

Scheme, renegotiation of bilateral treaties with Mauritius, Cyprus and Singapore where most of the hawala transaction were taking place, Treaty with America for sharing of financial information under FATCA, Initiatives with OECD and G20 countries for information exchange, Income Disclosure Scheme (IDS), Passing of Benami Properties Act and now Pradhan Mantri Garib Kalyan Yojna has been announced for penalising those who deposit black money in the banking channels.

Demonetisation is part of the larger plan of eliminating black money and fighting corruption. It is the part of the whole process to create an ecosystem of equal and transparent opportunities for economic growth, to the common men in all segments of society across all geographical areas.

There are several benefits to be derived from demonetisation such as; moving towards low interest rate economy, creating infrastructure for smooth implementation of GST, which in turn will help us reduce indirect taxes, and removal of fake currencies in circulation.

***With dust settling down and no elections in the next 15 months, can we expect the Modi government to unveil the ambitious reform agenda?***

According to us, good governance and transparency itself are big-ticket reforms. The Modi government has taken numerous steps to increase Ease of Doing Business (EODB). Simplifying the process of giving permissions, reducing documentation and streamlining registration; [and] major thrust on Digital India initiatives have helped a lot.

We need to further catalyse economic growth and increase revenue. The digital economy will make more people tax-compliant and have a positive impact on revenue. Economic growth has to take place through private investments also. For this, the government will provide a support system by ensuring EODB.

Our pro-poor policies, building of infrastructure and giving benefits to backward classes have been very successful. We have tried to curb corruption and block leakages in social

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welfare delivery mechanism. Benefits are reaching the intended targeted groups.

Prime Minister Shri Narendra Modi is personally following up stalled projects in his monthly inter ministerial and departmental meeting under the Pragati initiatives. This is giving wonderful results, and has helped in revival of many held up projects across all sectors of economy.

***What is the action plan, if I may ask, for creating employment opportunities and providing jobs to the youth?***

Employment is a very important commitment. There is a limit on the number of jobs that can be created in

the government sector or even in the private sector. An important route is to support the unorganised sector, which has enormous potential.

***Which are the steps that are imperative to improve the ease of doing business to spur entrepreneurship and bring the unorganised sector into the formal sector?***

There is a false notion that the unorganised sector prefers to be part of the informal economy to evade taxes. Many there prefer to be in the informal economy because they have problems with compliance, and these mostly boil down to EODB. Granting of permissions and regulations will be smoothened so that the segment can grow. There will also be strong handholding through research initiatives, marketing support and credit availability.

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***Tell us about the various reforms that are being carried out in the agricultural sector. Elaborate on the Central programmes related to the agricultural sector aimed at improve the income level of farmers, which are all set to get a big push.***

Reforms are being carried out in the agricultural sector. The issue of a better supply chain management and price

realisation for agri commodities is sought to be addressed by amending the APMC (Agriculture Produce Market Committee) law. The issue is complicated because APMCs are under state governments. So, we are moving in the direction of setting up electronic mandis, which will help in better price realisation. We will also take steps to create warehousing infrastructure for better storage facilities.

Our focus is on reducing input cost, better price realisation of farm products and risk mitigation measures for doubling farmer's income. We are also focusing on irrigation infrastructure and alternative employment avenues for rural areas.

***How does the government intend to provide 24x7 power, which is crucial for the growth of industries?***

Removal of bottlenecks on availability of 24x7 power is an important target that the government is pursuing. Shifting from thermal power to clean energy like solar power is the way ahead. We have decided to do away with all thermal power plants in a phased manner. We are focusing on small run-of-the-river hydropower projects. We are also working for hydropower projects in Nepal; Arun III has been sanctioned this month only.

Health of Discoms companies and the bad state of power distribution network is a cause of concern; therefore we are focusing on restructuring of Discoms under the Uday scheme building new infrastructure for distribution network and revival of stalled power projects. This will also help the banking sector fight its bad loans.

We have successfully reduced power consumption through use of LED. Total electrification of all remaining 18,000 villages by 2019 is our commitment.

We are also pushing for better power pricing policy through the Central Electricity Regulatory Commission (CERC).

Our industries will develop only when we provide them 24x7 power at a cheaper rate.

***With the rising Non-Performing Assets (NPAs), the banking sector is an area of concern. How does the government intend to address this? Tell us on the ARCs (Asset Reconstruction Companies), and the idea of a 'bad bank', where these assets can be transferred.***

Banking industry is in big trouble. We have inherited the problem. We have focused on identifying many of the Non-Performing Assets (NPAs). Our concerted effort over the past 2-3 years has been to identify the problem and rectify it. This doesn't mean NPAs have been written off. Provision has been made to improve the health of banks, but

recovery is a big issue. The government has taken initiatives on putting in place an Insolvency and Bankruptcy Code. Professionals are being appointed. These steps will help banks recover NPAs.

ARCs (Asset Reconstruction Companies) are being strengthened. There is also a discussion on the establishment of 'Bad Bank'. However, the question is the shortage of capital. The Reserve Bank of India (RBI) has recently set up [a] committee to take decision on asset sale, which the banks were reluctant to take. Government is also thinking of setting up more such committees to fast track decision in asset recovery. There will be a proper recovery mechanism and the government is trying its best to improve that.

***With the Goods and Services Tax (GST) all set to meet the July 1 deadline, give us a sense of its far reaching impact on the Indian economy.***

GST would convert India into one uniform economic market. With a uniform tax rate, this will bring about seamless transfer of goods and services across country and enable us to check evasion.

It will strengthen Indian federalism to a very large extent, will empower states, and improve the revenue of states and the Centre. It will help Ease of Doing Business and avoid double taxation, thus ensuring that there is no cascading effect of taxes.

GST and a combination of digital economy and demonetisation will make our economy cleaner and bigger. India is going to move towards integration of informal economy with the formal economy. It is going to increase the number of transactions being covered within the banking system. These transactions will lead to higher revenue for the country.

***What are the steps that the government has taken to bring back economic offenders - Vijay Mallya and Lalit Modi?***

Government is resorting to all legal remedies for extradition of fugitives like Vijay Mallya and Lalit Modi. India will further sign pacts with more countries so that economic offenders are unable to seek refuge in them. Finance Minister Shri Arun Jaitley has categorically said that, "The government of India, through diplomatic channels, is also taking it up with their counterparts in the United Kingdom."

The Finance Ministry is also examining the requirement for any new law to confiscate the properties of those who commit financial crimes in India and hide abroad. Government is moving through the legal process at fast pace to confiscate all domestic properties belonging to these fugitives. ■