

33. Aatamnirbhar Bharat - Opportunities within India "Never waste a Crisis'

By Gopal Krishna Agarwal,

Modi government is finishing first year of its 2nd term. The 2019 mandate was historic. It was after thirty-five years that any government had been voted back to power with this thumping majority. The unprecedented mandate gives certain confidence and also throws some challenges.

The five years of our previous governance had given a hope that the process of structural changes creating a business ecosystem of transparent and level playing field would bear long term fruits of equal opportunities for all. Concentration of wealth, large-scale corruption, and leakages in social delivery mechanism and gaps in tax collection had become part of history. Modi Ji never came to manage economy; he made transformative changes in the ecosystem. Challenges always seemed to be an opportunity and he took the problems head on.

The first year of the second term is no less different. The focus of the Government is more on 'ease of living', formalization of economy and equal opportunities for all.

Building State Capacity :

The Government has always been extensively using technologies to build State capacity. It identifies the problem, creating technical solutions around; integrating stakeholders' into the ecosystem and creates a performance matrix for evaluation.

The Covid- 19 crisis has brought in sharp focus the aspect of state capacity. Use of Big Data and Artificial Intelligence (AI) for good governance, policies and welfare programmes are bringing massive improvement in state capacity. India's earlier digital story based on Aadhar is very different from other countries and has set an example for the world. Indian talent in these areas is being nurtured and leveraged.

Ideological Precedence:

It was an year where ideology took precedence over other things. Shri Amit Shah rightly said that we have not been elected for the second term to merely govern but to address India's long-standing issues. India was bogged down by certain historical problems. Article 370 which our constitutional forefathers had envisioned as a

temporary measure was permanently intriguing us day and night. We were harping on Jammu and Kashmir being an integral part of India but on the ground it seemed otherwise. Wavering leadership of earlier times neither had the courage or the vision to unshackle the historical wrongs. Modi government removed it in one go. People wondered, what we were waiting for all these years? Bringing Citizenship Amendment Act (CAA), dealing with Rohingya infiltrator or National Population Register and National Citizenship Register are pointing that India's national interest are supreme.

The second budget :

It was a landmark in laying a roadmap for five trillion dollar economy. Under the theme of Economic Development in the 2nd Budget, government provided for all the important sectors like technological textile centres, power and renewable energy, connectivity like airports, seaports and railways. Finance minister worked out a mechanism for the ambitious plan of investment of Rs 103 lakh crore under National Infrastructure Pipeline (NIP) identifying 6500 projects for financing through Center, State and foreign direct investments (FDI). Government has also opened up its bond markets, in rupee denomination, for investment from foreign sovereign debt funds, securing against exchange fluctuations. Financial market's long pending demand for abolition of dividend distribution tax (DDT) has been accepted.

The budget focused on wealth creation, pro business policies and minimal government intervention. For resource generation it has desisted from increasing direct or indirect taxes. Announcement of Taxpayer's Rights Charter within the statute is an important step of bringing accountability in the tax administration. Provision for statutory taxpayer's right exists only in three other countries worldwide.

RCEP, FTA and Import Duties :

Government's efforts of reduction in corporate taxes to 25 percent, decriminalisation of Company Act 2013, protection of domestic industries by refusing to sign Regional Comprehensive Economic Partnership (RCEP) against all domestic and regional pressure, renegotiating and reworking on Free Trade Agreement (FTA) with ASEAN countries and increasing import duties in eight segments were all in the direction of protecting industries from onslaught of unfair global competition.

The Corona Challenge :

Covid-19 is a nonlinear and uncertain event. The Government interventions are commensurate with the severity of the global recession. Demand in the economy will diminish due to economic uncertainty, job losses and financial problems. Therefore, Government's focus is on reviving demand.

Aatma Nirbhar Bharat :

The trend of deglobalisation, which started after the global financial crisis and gained strength after the 2016 US elections, is expected to accelerate. India is also focusing on being self-reliant in critical products and areas. Looking into this, the economic reforms of Aatma Nirbhar Bharat, focusing on all the factors of production, will make our domestic industries competitive, rebuild and catalyze growth in an unprecedented manner. There are certain challenges for the manufacturing sector in India; like lowering of interest rate, reduction in logistical cost, labour reforms, ease of compliances, contract enforcement and FDI policy.

Detailed reforms in these areas as follows;

Private Capital formation :

Government's efforts in the areas like Insolvency and Bankruptcy Code has resulted in reducing risk premium on interest cost and successive reduction in Repo rate and Reverse Repo rate have brought down prime lending rate.

National Logistic Policy :

Presently the logistical sectors contribution to GDP is 14-15 percent in India, where as in developed countries this is about 9-10 percent. Meaning thereby that the transportation cost for our manufacturing sector is about 40 percent. Government has announced National Logistic Policy aiming to bring it down by 2022.

Labour Law Reforms :

Understanding the need of labour reforms, Government has worked on consolidating the existing multiple labour laws into four Labour Codes, easing compliances and streamlining welfare. Initiatives like Shram Suvidha, Universal account number, for real estate industry labour is also helping labour.

Compliance Mechanism :

Easing compliance requires technological innovation. Government has announced, virtual E assessment for Income Tax Act. Most of the compliances of RBI, ROC and SEBI etc. have been computerized. Indirect taxes have been made online through GST Network. Government has brought manufacturing policy in which entrepreneur has to fill Entrepreneur Memorandum (EM) doing away with permission and licensing in all segments except for four sectors; tobacco, defence, alcohol and hazardous chemicals.

FDI Policy :

Central Government has allowed Foreign Direct Investment (FDI) through the automatic route in most of the sectors of the Indian economy, with sectoral caps in only some of them. Current account convertibility is in place; restrictions under the FEMA and repatriation rules have been relaxed, helping further foreign direct investment in the domestic manufacturing sector.

Emerging Segments:

Central Government had set up robust Start-up ecosystem like Atal Innovation Mission, Atal Incubation Centres and Tinkering Labs. Emerging areas like Artificial Intelligence (AI), Big Data and analytics have large scope in the future for India and government focus on five pillars of Aatma Nirbhar Bharat including economy, infrastructure, and technology will create greater opportunities for the future.

The first year of 2nd term of Modi Government has laid the roadmap for the future and we will embark on it with full gusto. Watching over India's interest and nationalism is at the core of all the policies of our government and the nation should rest assure that we are in safe hands.