

## 28. Atma Nirbhar Bharat in the Post Covid World

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India is doing a commendable job in fighting the Corona virus pandemic. The first priority was to save people from this virus. The government's effort brought good results in health care infrastructure.

Covid-19 is a nonlinear and uncertain event. The likelihood of post Covid-19 recovery being a V, U or L shaped curve will largely depend on the choice of the recovery path. The Government action will be commensurate with the severity of the global recession. India's strengths are its Demography, Democracy and Demand.

### **Risk diversification strategy**

A number of multi-national corporations are working on 'Risk Diversification Strategy' in reference to their huge investments in manufacturing base in China. India can be an important player in global and regional supply chains. World finds India as an attractive alternative, but the government needs to address many challenges. Rebuilding and catalyzing growth has to be in an unprecedented manner. Protectionism, competition and level playing field have to be carefully balanced. It is essential for India to build on our own manufacturing facilities and make it more competitive. There are many bottlenecks that need to be removed. All these challenges have the potential to be converted into opportunities, once the government embarks on the process of reforms and the industries shifts their focus from demanding protectionism to an ecosystem of level playing field.

Indian industries have to bear heavy cost on transportation of goods, raw material and services. A National Logistics Policy is in the pipeline, seeking reduction in logistics cost by about 40 percent by 2022. Investments into railways, roadways, waterways and airways will help in creating demand in the economy and employment and also help in meeting the target set above.

India is moving from the regime of high interest rate to lower interest rates. RBI is continuously reducing both repo rate and reverse repo rate. Over the period the risk premium in the financial institution has been reduced due to advent of IBC, NCLT etc.

Labour being one of the most crucial factor of production, has always been a contentious issue. Labour market is characterised by extreme rigidities while over 90 percent of the labour force is outside formal protection. Centre has consolidated labour laws into four codes and since labour is in a concurrent list, some states have unilaterally gone ahead and amended the labour laws in order to revive and attract industries. The ease of doing business ranking for states will create good competition amongst the states.

The cost of land in India is quite high. Thus for any green field project this cost is a deterrent. State governments must pool in its land holdings and make land banks available. Local authorities for cluster development and special purpose vehicle with joint participation are the road map ahead. Centre has launched a website giving details of all the land available for industries, it will be very helpful for all the industries.

Contract enforcement and judicial intervention on administrative decisions is a big deterrent for businesses. The Commercial Courts Act of 2015 is welcome. Setting of commercial and district level courts will expedite mercantile dispute resolution. Also, fast tracking, New Delhi International Arbitration Centre Act in NCR will bring India to the global stage.

Reduction in compliances and transparency are a required for Ease Of Doing Business (EODB). GST with its online registration, filing of returns, assessment and refund is helping, but GST network (GSTN) remains a pain. Moving towards e-assessment and virtual taxation regime will remove harassment in due course. Launch of Tax Payers Charter will empower tax payers to a great extent.

India's FDI policy is quite attractive, with maximum sectors falling under automatic route (including defence) with some of them only having sectoral caps. Repatriation of profits and royalties are allowed and we have current account convertibility. Section 92 of the Income Tax act on transfer pricing, profit shifting and base erosion, has defined companies working as agencies in India for foreign companies, as permanent establishment (PE) and for

Indian companies having foreign establishment, as India being place of effective management (POEM), for checking tax evasions by multinational companies (MNC).

### **Aatma Nirbhar Bharat and Global Investments**

Recently, Prime Minister in his message has been saying that 'India has undertaken deep structural reforms, improving domestic manufacturing and is committed to diversified international trade'. He talks about merging of domestic production and consumption with global supply chains.

Shri Narendra Modi has never shied from taking tough decisions in the interest of the nation. He has the will power and is always ready to take bold decisions; privatization of railways, PSU disinvestments, reducing corporate tax and opening up of coal mining to private sector, may have been unpopular with certain quarters, but are necessary for the long-term health of our economy, particularly strengthening our manufacturing base. The goal is; politically and economically strong India and Aatma Nirbhar Bharat is the roadmap.

Government's Aatma Nirbhar Bharat Abhiyan is a 360 degree initiative to make India an economic superpower. The focus is on five pillars of development; economy, infrastructure, technology, demography and demand. Our targets are the factors of production; land, labor, legislation and liquidity, improving their efficiency and reducing cost to make our industries, globally competitive. It is not only restricted to manufacturing, but targeted to direct benefit transfer to the needy, particularly farmers, migrant laborers, daily wagers, also resulting in the demand generation in the economy.

It has little to do with disengagement with China alone. All these efforts are to protect domestic industries from the onslaught of dumping and competition. Without first strengthening domestic manufacturing by providing level playing field, reducing the cost and increasing the efficiency of factors of production, we cannot open the floodgates of imports.

India's manufacturers need to come forward to take this golden opportunity in sectors such as; toys, electrical equipments, electronics, minerals, chemicals, iron & steel, plastics, furniture, sports goods, musical instruments, fertilisers and Apps.

Governments focus is in the areas such as agriculture; particularly food processing, automobiles, textiles, defense production, affordable housing, healthcare and education, and increase their contribution to our GDP. These sectors have ample scope, can generate large employment and are looking up, on our path to recovery.

I believe that India has a fair chance to attract global manufacturing capital and emerge as the world's factory. Facilitating setting up of manufacturing base in India falls within the jurisdiction of the Centre and the State and the Government at all the levels will have to work collectively.