

## **47. Road to \$5 Tr.**

**By Gopal Krishna Agarwal,**

It is not redistribution but growth that matters. We have to increase the size of the cake.

If we are concerned with the economic well-being of the nation, we have to focus on economic growth. Setting a target and working on a roadmap to reach it is the only way to success, and who knows this better than Prime Minister Narendra Modi. In 2014, when Modi came to power, he set up a performance matrix, which seemed far-fetched, but his tireless efforts hit the bull's eye.

He has caught the bull by the horn on issues such as NPA, corruption, leakages and cleanliness; and effective solutions like the insolvency and bankruptcy code (IBC), GST, demonetisation, Jan Dhan accounts and Swachh Bharat Abhiyan have given confidence to the electorate that nothing is impossible — “Modi hai to mumkin hai”.

That spirit continues. For many who believe that India becoming \$5 trillion economy by 2024 is a sweet dream; wait, we have the roadmap. Finance Minister Nirmala Sitharaman has unleashed it in her maiden budget. The budget is a vision document of the government. It is a major policy statement. In her budget speech, the FM said “it took 55 years for our economy to reach \$1 trillion... Our economy was at approximately \$1.85 trillion when we formed the government in 2014. Within five years it has reached \$2.7 trillion. Hence, it is well within our capacity to reach the \$5 trillion in the next few years.”

The Economic Survey has laid down the parameters for achieving this target. It has mentioned that issues like job creation, savings, consumption, demand, should not be looked at in silos. The CEA has said that with the current 7 per cent GDP growth rate, if we accelerate investments and target 8 per cent growth, the \$5 trillion economy is well within sight. Investment is the key; others will follow. We will get out of the vicious circle of low liquidity, low

demand, low investment, low production and lower growth to the virtuous cycle of investment, savings, production, consumption, demand and growth.

The government has continued its push for infrastructure development so that ease of living is continuously upgraded, with a focus on rural roads, waterways, and low cost housing. The Pradhan Mantri Awas Yojana alone has set a target of building 1.95 crore houses. The government has also allowed an additional deduction of Rs 1.5 lakh for interest payment of housing loans.

A lot has been announced to promote private higher education under the “Study In India” initiative, and building world class institutions and also sports universities under Khelo Bharat.

The government has also announced opening up of the sovereign debt market. Those who doubt the government’s intention can draw comfort from the fact that this will help the government swap high-cost domestic debt for cheaper international credit, thereby helping to reduce interest rates.

The banking sector has seen many reforms in last five years. Further, to help private capital formation, the government has promised Rs 70,000 crore of fresh capital infusion into public sector banks. It will also set up development financial institutions to support long-gestation projects and tackle the asset-liability mismatch. To boost consumption and resolve the NBFC issues, the government has guaranteed 10 per cent of loss on assets pool purchases to the tune of Rs 1,00,000 crore from NBFCs.

At present, the private sector is largely over-leveraged, and is under pressure to resolve its debts and is short of capital. For capital formation, the government has to depend on foreign capital and, therefore, is continuing with its policy of liberalising FDI, particularly into insurance, aviation and single brand retail segment.

MSMEs have also has received special allocation by the government; to support manufacturing, the government has announced streamlining 55 labour laws into four codes and enhancing minimum wages. Small traders with turnover up to Rs 1.5 crore will get the benefit of a pension scheme.

The government has reduced the corporate tax to 25 per cent for small enterprises with a turnover up to Rs 400 crore, and has announced several measures to boost the start-up ecosystem. To continue with the benefits of this provision, it is expected that it will not be misused by the beneficiaries as is done at times under capital gains tax, dividend distribution tax and buy-back of shares.

Modernisation of railways is estimated to require about Rs 50 lakh crore of investment. The government has proposed public private partnerships and selective route privatisation to augment its resources. Initiatives like building a national power grid and a warehousing grid will have far-reaching benefits.

For ease of doing business, tax compliance is crucial. The government's plan to implement e-assessment is a big game changer: It will bring transparency and reduce harassment of tax payers due to subjective human intervention.

The government's initiative in resolving pending indirect tax litigation through Sabka Vishwas Legacy Dispute Resolution Scheme is commendable. This scheme covers, past disputes and provides relief ranging from 40 to 70 per cent, and also relief on levy of interest and penalties.

With all the constraints on expenditure, the finance minister has allocated funds across various social segments. The budget has increased funds allocated to central sponsored schemes by 8.8 per cent to Rs. 3,31,610 crore. The total expenditure of the government has increased by 13.4 per cent from the revised estimates. The fiscal deficit has been kept under check at 3.3 per cent of GDP. The budget meets the demand for investment and growth without disturbing the fiscal math.

It is not redistribution but growth that matters. The prime minister has rightly said that we have to increase the size of the cake. Economic growth is our target and the focus on empowerment of the weaker sections of the society through education, healthcare etc is the solution.