

ENABLING GROWTH

The Mandate is for Bold Economic Reforms



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The new government will have to prioritise its action plan for the next five years to ensure the economy surges towards a 10% growth trajectory. However, this plan will need clear, measurable, bold and brave milestones for first 100 days, first 12 months, and on a rolling basis after that India is a compelling long-term growth story. By 2020, India is set to become the world's youngest country with 64% of its population in the working-age group. The only way we can harness this demographic dividend is by embarking upon new economic and structural reforms. All economic stakeholders are looking to the leadership of PM Narendra Modi to take firm steps in pursuit of reviving the investment cycle and growth. In less than 60 days, the new government will present the Budget for 2014-15. There are many things it can do to boost investor confidence. Bold decisions in the short term should be directed towards India's growth, linked with job creation. Job creation must be enabled by transforming employment exchanges into career centres and focus must be shifted towards development of multiple skills in urban and rural areas. The government should clear pending project proposals and approvals, quickly. It should liberalise foreign investment across key sectors, and take steps to privatise sick state-owned companies and divest government holding in the top 10-15 PSUs, to generate over ₹1,00,000 crore. While India continues to draw healthy interest from domestic and foreign investors alike, for investments to materialise, we need a transparent, systematic and non-discretionary

policy framework that gives confidence to the investor community, particularly in the process of issuing licences and permits. Further, inordinate delays in clearances and in the passage of important Bills discourage investors from taking a long-term view. Creating an enabling legislation and policy guidance environment is crucial for actualising the envisioned 10% growth. The Prime Minister's compact ministry is definitely the first step towards his promised approach of maximum governance and minimum government. We should liberalise external commercial borrowing guidelines for companies, rationalise policy rates to catalyse growth and undertake steps to ensure reduction in bad debt in the banking sector. We need to enhance tax revenue by broadening the tax base and increase efficiency of tax administration. Tax regimes need to be modernised and focused on a customer service approach. Implementation of the goods and services tax (GST), India's most ambitious indirect tax reform, can boost growth by up to two percentage points and replace existing state and central levies with a uniform tax, boosting revenue collection while cutting business transaction costs.



It is imperative that there is a renewed focus on promoting labour intensive industries such as housing, tourism, services, manufacturing and so on. These industries possess the vigour to unleash huge growth multipliers, due to their strong backward and forward linkages with other sectors. We must simplify the procedure of granting clearances for manufacturing units to enthuse investors. Land acquisition and environment clearances for mega projects should be speeded up – a joint task force comprising central ministries like environment, finance and state governments should be formed and given a specific time period to take decisions. India gave its verdict on May 16, 2014, and India's business community reacted with optimism that Modi will fulfil his campaign promises to jump-start the economy, create jobs and restart stalled infrastructure projects. The economic mismanagement of the last few years has several ingredients besides fiscal profligacy: lack of reforms, policy instability and poor governance. The journey out of the trough may be long, but the Budget to be presented should build on the recent fiscal success to further strengthen national finances. A majority mandate provides full confidence and conviction of a stable government. This, complemented by the animal spirits of Indian enterprises, can herald what Modi calls a shining India that will make the 21st century "India's century". Carpe Diem!

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