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A four-point agenda to fast-track growth

COUNTDOWN TO BUDGET 2017

India's GDP (gross domestic product) is expected to grow at 7.1 per cent in 2016-17, according to latest data released by the government. Although the demonetisation exercise has led to some moderation from 7.6 per cent growth achieved in 2015-16, the impact will not be long lasting. It is against this backdrop that Union Budget 2017-18 takes the spotlight.

We look at some of the recent developments and important areas, which need to be addressed in this budget. This government has demonstrated through its actions that it will not remain satisfied with a business-as-usual approach with regards to policy-making.

Measures such as demonetisation, GST (goods and services) implementation, merger of the railway budget with the general budget and advancing of the same are some of the well-known actions that prove this point.

We see four clear areas that the government needs to address. One, government capital expenditure should increase substantially, as this will lead to "crowding-in" of private investment. Public infrastructure spending has the dual benefit of providing an impetus to growth, while acting as an enabling agent for private investment in other sectors.

To bring in additional resources for the aforementioned spending, the Confederation of Indian Industry (CII) has recommended disinvestment of 100 PSUs by December, including the 74 PSUs already identified by the NITI Aayog.

The implementation of the Kelkar committee recommendations on public-private partnership (PPP) projects will incentivise the private sector and help in the government's effort to improve the ease of doing business.

Recycling of government assets is yet another area to increase revenues. For instance, the railways had opened up the development of stations on a PPP basis. The CII recommends announcing 50 such cember in the current budget.

Overhauling the tax structure is the second area of focus. The CII has recommended moving away from a high tax, high incentive regime to a single corporate tax rate of 18 per cent, including all surcharges and cess, removing all incentives and concessions at the same time. It will send a powerful message to the Indian industry and global investors that India is an attractive investment destination and will also be a huge enabler for Make in India.

Employment generation is the third aspect for the government to focus on. India has witnessed a modest growth without significant job creation in the economy.

Of the jobs created, most have been in informal services and contractual in nature. By some estimates, there exists demand for 15-17 million jobs per year.

Our labour laws, originally designed to protect workers, have instead been an impediment to additional job creation. If modified, they can reap rich dividends. Minimising state regulation on startups can provide yet another boost to employment generation efforts.

The fourth and final point on which we would like the government to focus on is technological innovation. It will not only act as a facilitator for growth but also increase manufacturing productivity and employment. Innovation-led growth is also important for sustainability and inclusiveness of the India growth story.

The CII recommends increasing public investment in research in the higher education sector from the present 0.04 per cent of GDP to a global average of 0.4 per cent. At the same time, private investment in in-house R&D (research and development) needs to increase five-fold from the present 0.3 per cent to a global standard of 1.5 per cent of GDP.

The removal of the distinction between plan and non-plan expenditure in Budget 2017-18 will be a welcome move as also the fact that the budget numbers are likely to remain within the target. As we all await the budget, there is optimism that it will propel economic growth by tapping various initiatives by the government such as Make in India, Digital India, Start-up India and Stand-up India.

GUEST COLUMN

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