

Fast-tracking the reform agenda

Labour laws, land acquisition, cross-border interactions, and the financial sector need attention

AJAY SHRIRAM



INDUSTRY has reason to be pleased with the direction and pace of reform initiatives taken by the Narendra

Modi government in its first 100 days. The commitment to revive economic growth, rejuvenate investor confidence and bring consumer demand back on track has been articulated effectively from day one. The overarching theme has been a strong market-friendly and investor-friendly tone, and the need for all sections of society to contribute to development.

The most encouraging characteristic of the new government has been its proactive solutions to speed up administrative procedures and decision-making processes. CII had flagged India's low ranking in the World Bank's Doing Business indicators at 134 out of 189 countries, and had set up a task-force to identify bottlenecks in specific areas. Many of these are being addressed by the government, as can be seen in the effort to introduce e-Biz in ministries and departments within this year. Improved processes by collapsing

ministries and cutting down on the number of points of approval are also helping to fast-track projects and clearances.

The finance minister's commitment to a stable and predictable tax architecture was directed at reassuring investors that their concerns are high on the government's radar. A committee has been set up to resolve disputed tax demands and areas such as advance ruling, transfer-pricing and GAAR were taken up in the Budget. The pass-through status for Infrastructure Investment Trusts would help channelise more funds into infrastructure.

Investment from overseas was also a priority as FDI limits in defence and insurance were relaxed to 49%. E-commerce and railways have been opened up, while FDI in smart cities will be encouraged by relaxation in built-up area and investment. The PM's strong emphasis on boosting manufacturing, evident from his Independence Day speech and earlier, is welcome. The sector's contribution to GDP, jobs and exports is far below its potential and, as can be seen from the Q1 data, its revival can boost growth. Manufacturing will be the primary source of jobs for the large cohort entering the workforce each year. The government has rectified



some tax anomalies and continued the excise cut stimulus for a further period. Additionally, industrial parks and corridors are expected to make rapid progress which will encourage manufacturing, particularly in critical sectors such as electronics and capital goods. The Budget encouraged entrepreneurship by promising to redefine the MSME sector and reducing the investment limit for tax benefits to ₹25 crore from ₹100 crore for manufacturing investments. A ₹10,000 fund for financing start-ups has also been announced. A key demand from the MSME sector was to enable easy exit from unsuccessful ventures, and the Budget talked about new bankruptcy laws. A committee is proposed to make rec-

ommendations on credit availability for MSME, a critical roadblock for the sector.

A new deal is on the anvil for infrastructure, a glaring gap in the Indian economy. The railway sector is high priority with the announcement of new high-speed rail facilities, introduction of FDI in certain areas, and hike in passenger fares. The power sector tax holiday for 10 years in generation, transmission and distribution facilities would help bridge deficits. Airport construction is reportedly being opened up to the private sector. Urban infrastructure like metro rail, sanitation and sewerage will also be addressed through a new urban development policy.

Going forward, these and many

other steps are expected to lay the foundation for a higher growth trajectory. Key announcements of the new government promise to redefine the shape of India's development. The smart city concept, which has been integrated with industrial corridors, is an innovative idea to create world-class infrastructure. Digital India leverages technology to empower a rapidly-evolving society. The Jan Dhan Yojana, which has garnered immense response in the first week itself, would transform the model of government's social commitments. Abolition of the Planning Commission signifies that the government would rework the balance of state and private sector to build more efficient and open markets.

CII is confident that the arduous task of reforms would continue to be proactively taken up by the government. Areas that require intervention are labour law architecture, land acquisition, cross-border interactions, and the financial sector. The sharp growth uptick in the first quarter of 2013-14 and a downward inflation trajectory coupled with rupee stability and a narrowing CAD are encouraging, and industry looks forward to working with the government on fast-tracking the reform agenda.

The author is president, CII