

Economic reforms will help drive growth



CHANDRAJIT BANERJEE

WHILE the recent economic deceleration together with the perceived drift in policy-making have affected business confidence, corporate India has reason to be satisfied that the government is committed to the economic reform agenda. An overview of issues tackled this year shows that a number of important Bills have been introduced and are undergoing the parliamentary process while several key policies have been instituted.

A central policy decision taken recently is the announcement of the National Manufacturing Policy, which has the potential to transform the operational ecosystem for the manufacturing sector and create the much-needed 100 million jobs over the next 10 years.

The National Manufacturing Policy would work through national investment and manufacturing zones with world-class infrastructure and concomitant facilities. The Indian manufacturing sector should achieve global competitiveness within a short period of time as seven of these zones are already in advanced stages of planning.

The year also saw the announcement of the strategic export policy that aims to double India's exports over the next three years. The policy includes strategies for key markets and key products as well as reducing transaction costs and building export infrastructure. Taken in conjunction with the recent economic cooperation agreements

with countries such as Japan and Korea, these measures impart the Indian manufacturing sector the chance to slot into the robust Asian supply chains. At a time when advanced western economies are getting sluggish, the initiative for free trade agreements with fast-growing Asian economies has truly proved to be prescient.

Decisions have been taken on financial services like allowing banks to decide on interest rates, and in infrastructure regulation, which are small steps towards liberalisation. Additionally, the government has drafted laws such as the Companies Bill and the Pension Bill, which signals its seriousness for economic reform. Parliamentary process allows all political parties to articulate their views and the resul-

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tant laws would ultimately be able to meet the concerns of the diverse sections of the society. The Lokpal Bill is a step towards greater transparency and reducing corruption, which would greatly improve the business environment. Equally, the Food Security Bill would add to the purchasing power of the lowest strata of the society and act as a stimulus in a challenging global economic environment.

Although the government has been pushing ahead on several fronts, industry remains concerned about the lack of

consensus on several issues that has led to delays in finalising these Bills. At the same time, many projects are held up due to delays in obtaining administrative clearances. As a result, GDP growth has been slipping quarter after quarter and was reported below 7% for the quarter ending September. Expectations for the coming year have also dropped to less than the desired 8%, raising concerns about the generation of adequate livelihood. The contraction in the manufacturing sector in October was a major setback, especially since this sector employs a large number of persons from low-income categories.

This would have been the ideal time to push through pending decisions, given that global conditions have been difficult, business sentiment down and cost of capital rising. The pending decision on foreign direct investment (FDI) in retail, objections on key Bills such as pension, insurance and banking, or slow progress on important legislations such as Companies Bill and Mining Bill have eroded the climate for doing business.

In particular, industry felt that FDI in retail could have unlocked value for farmers, workers and consumers, leading to greater efficiencies and competitiveness. Industry is also looking for faster action on the crucial power sector where additional capacities cannot be utilised due to coal shortages.

The 12th Plan envisages a GDP growth rate of 9%, which is imperative if India is to meet the growing aspirations of its 1.2 billion people. To meet this target, the first year of the Plan will need to see steps to restore business confidence. The government has displayed its willingness to proceed on economic reforms; the coming year should see positive action on this front.

■ The writer is director general of Confederation of Indian Industry