

Indian Economy: Reimagine. Reboot. Reform

Institutional and structural reforms are pre-requisites for India to attain maintain double digit growth.

- Deepak Maheshwari

Policy measures like cash transfers for subsistence support and moratorium on loan repayments provided much-needed balm to the economy bruised by the Covid-19 pandemic but the GDP saw massive and unusual swings. Massive contraction of 23.5% during the April – June 2020 quarter was too much to be offset by subsequent growth with net 7.3% contraction in FY20-21. Just when things were looking up, the brutal second wave took a heavy toll on lives and livelihood, virtually bringing the economy to its knees during, second time within a year.

Yet, 20.1% growth was recorded in the first quarter and full FY21-22 projections range from 9.5% by both RBI and IMF to 10.5% by Morgan Stanley, indicating V-shaped recovery to pre-pandemic stage as also noted by Finance Ministry last month. Besides tremendous progress in vaccination, more nuanced restrictions at state and local level also helped.

Despite several policy reforms by both the central and state governments, businesses continue to face formidable challenges thanks to a myriad of compliance burden, further complicated by lack of clarity and at times, even unintended and avoidable contradictions. This inevitably leads to unnecessary and avoidable protracted litigation. Hence, we need to focus on some fundamental reforms even as each sector also warrants specific attention as captured “**Reviving the Economy: Reimagine. Reboot. Reform**”, the theme of Public Affairs Forum of India, PAFI’s 8th National Forum.

Reimagine

This crisis allows us to reimagine the life of people especially around education, healthcare, skilling, employment and governance, for example, thanks to rapid digitalization and improvement in physical connectivity. Creating livelihood opportunities outside agriculture sector without necessarily resulting in migration is also crucial.

Reboot

Asset monetisation, resolution of retrospective tax, relief for telecom, automobile scrappage, disinvestment of Air India and Gati Shakti are a few examples of progressive policy over the past few weeks. Industry should be involved in wider and extensive consultations from conception to design and through implementation.

Reform

Counterintuitively though it may seem, time is ripe to ring in structural reforms that foster trust by establishing primacy of institutions and investing in health, education, and infrastructure. With the continuation of fiscal stimuli, India would have the requisite agility despite disruptions in global supply chains. Government should celebrate and welcome domestic investments just like the foreign one.

Rewrite the playbook

For people-centric, process-driven and outcome-linked governance, we need evidence-based, inclusive, transparent, accountable policy framework. Accordingly, the regulatory apparatus needs to become a facilitator rather than focusing only on compliance. Regulatory Impact Assessment should become the norm rather than exception.

We already have the basic building blocks for sustained high growth - young demographics; expanding physical and digital infrastructure; and, integration into the global trading system. However, we need the glue of trust to blend and bind in this pursuit of inclusive and sustainable, by design.

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