

HTLS 2020 | DEFINING A NEW ERA



Shaping a new era of growth and prosperity in the country

Over the past few years, India has seen economic and governance reforms that can address critical bottlenecks holding back the country's growth story

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Economic history has shown us that eras of golden growth often last decades. More recently, East and South East Asia are a testament to this fact. Within a generation, the face of a country stands transformed. An era of sustained growth, lasting decades, has so far eluded India. Over the past few years, India has seen both economic and governance reforms. Both the scale and pace of the transformation over the past

few years are underappreciated. Also underappreciated is the potential for these reforms to usher in a new era of growth and prosperity.

The latest in the set of structural reforms is the introduction of the production linked incentives (PLI) schemes approved by the Cabinet a few days ago. The total budgetary outlay for these schemes is ₹1.96 lakh crore or \$26 billion, and assuming a 5% incentive on production value, this translates to

potential production of \$520 billion, across a range of sectors. Scale has long kept Indian manufacturing exports uncompetitive in global markets. These PLI schemes will encourage scale, as incentives are linked to output. The effects will be felt across the value chain, spurring activity in the many MSMEs linked to the chain.

Before the announcement of these schemes, the government codified 29 Central Labour Laws into four codes and announced historic reforms in agriculture and commercial coal mining. MSME definitions were revised upwards. In previous years, we have seen the introduction of the Goods & Services Tax (GST), the Insolvency & Bankruptcy Code (IBC) and the Real Estate Regulatory Authorities (RERA). Corporate tax was slashed to 22% for all companies and 15% for new manufacturing companies. Investments in physical infrastructure have been committed through the National Infrastructure Pipeline. The foreign direct investment (FDI) regime has become more lib-



eral, with limits on FDI raised in many sectors, most recently defence manufacturing. The Foreign Investment Promotion Board was also abolished, streamlining the process.

Streamlining of government processes has been a hallmark of this new era. A 79 position improvement was recorded by India in the World Bank's Ease of Doing Business Index in five years. States were also made to compete, further contributing to the improvement in business environment. Formalisation of firms and employment has been encouraged through the introduction of GST and the new Labour Codes, which allow for fixed term employment across sectors, whilst the scheme announced by the Finance Minister, the Atmanirbhar Bharat Rozgar Yojana, supports the creation of new formal jobs as well.

However, this improvement in government processes has not just been left to improving the business environment. There has been a profound transformation in the delivery of government schemes and benefits, ushering in an era of transparency and accuracy, through a concerted effort towards digitisation. The government put its energy in getting the JAM (Jan-Dhan Aadhaar Mobile) trinity going. This has been the single biggest factor for expansion of financial inclusion in India and has presented a unique model for the world. For this to succeed, we needed to open bank accounts and link them to Aadhaar. According to a report by the World Bank, a whopping 55% of all bank accounts created across

the world during 2014-17 were opened in India. Fifty-three per cent of the 380 million PMJDY accounts were opened in the name of women. The JAM trinity also enabled direct benefit transfers (DBT). Cumulative direct transfers of ₹11 lakh crore, spanning 56 ministries and 426 schemes have been achieved with zero leakages. The government was able to save ₹1.7 lakh crore over the past few years, by removing duplicate and fake beneficiaries.

One cannot talk of digital transformation without mentioning the impact of digital payments. The enabling infrastructure, the unified payments interface (UPI) was developed and opened up to the private sector. The results are there for all to see. October 2020 saw 2 billion transactions, compared to 1.1 billion just a year ago in October 2019. The volume of transactions is higher than debit and credit cards put together in India. This is yet another example of India paving a new path and serving as a model to the world in financial and digital inclusion.

Human resources are critical in India seizing any growth opportunities. Poshan Abhiyaan was launched to battle malnutrition. Ayushman Bharat provided for health insurance to the most vulnerable, as well as creating 1.5 lakh health and wellness centres. The Swachh Bharat Mission improved India's health and sanitation outcomes. We finally have a New Education Policy (NEP) in over 3 decades. Medical education has been revamped with the creation of the National Medical Council.

The Fourth Industrial Revolution is upon us. India must aspire to be at the forefront of this revolution. The government intends to build the foundational layer of tech driven platforms, with the private sector building solutions on top. UPI is a pertinent example. Whether it is the use of frontier technologies in industrial applications or social applications, India presents several use-case scenarios. India can serve as the tech garage for the world, designing solutions that can be implemented across the world. For India to be at the forefront of this revolution, we must continue our push to develop competitiveness in sunrise sectors of growth. The future of mobility is clean, connected, and shared. India must position itself at the forefront of electric mobility and battery storage. There also lies immense potential in digital health and education. Food processing, mobile manufacturing, networking products, pharmaceuticals, medical devices, and solar photovoltaic system manufacturing are other sunrise areas.

Public policy has a critical role in ushering in sustained periods of growth and prosperity. In recent history, this has been evident in East and South East Asia. The economic and governance reforms undertaken in India over the past few years address critical bottlenecks that have held back India's growth story and will usher in a new era of growth and prosperity.

The writer is Chief Executive Officer, NITI Aayog. The views are personal.

The formalisation of firms and employment has been encouraged through the introduction of GST and the new Labour Codes. **AP/FILE**

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