

Economic reforms in India – the way forward

On October 20, 2020, Global rating agency Fitch Ratings released a statement that Government of India’s renewed policy focus on reform agenda has the potential to raise India’s medium-term growth rate.

The agency welcomed path breaking reforms such as simplification of 29 labour laws into four labour codes, liberalizing agriculture markets in India, relaxing foreign direct investment norms in crucial sectors, to name a few.

Fitch Ratings has also recommended other reforms such as wide ranging privatization of state-owned enterprises. “The government intends to privatise some state-owned enterprises (SoEs), of which more than 200 are owned by the central government and 800 by state governments. A wide-ranging privatisation push involving large SOEs could be transformative. However, it remains unclear whether the government plans to surrender its majority control,” the agency said.

These reform measures will send a positive signal to the global investor community at a time when Government of India attracts foreign investment under its Production Linked Incentive (PLI) Scheme. Recently, this scheme was announced for 10 Champion sectors which include Electronic/Technology Products, Telecom and Networking Products, White Goods (ACs and LED), High Efficiency Solar PV Modules, and Automobiles and Auto Components, among others. The objective is to promote large-scale manufacturing in India in order to reduce our import dependence and make our exports competitive in the global market, as also increasing our participation in global value chains.

However, the intent of the government can fructify, provided we address our land and labour issues, and improve on Ease of Doing Business at the local level. In order to attract domestic and foreign investments, regulatory compliances need to be eased and ‘Plug-and-Play’ infrastructure made available by creating land banks and developing physical infrastructure. Moreover, labour laws need to become investor, as well as worker-friendly so that they benefit both these stakeholders. Further, skilling of labour needs to be encouraged to create a pool of efficient work-force that contributes towards the growth of the economy. Some further reform measures that can support India’s economic growth are mentioned below:

Economic Reforms – The way forward
Develop high frequency database on labour market to identify the sectors where there are emerging job opportunities and sectors where there are layoffs. This will give useful inputs for policy actions
Reform banking sector by bringing efficiency in their governance and management practices and shoring up the capital base of weak banks. A weak banking system cannot meet the



credit needs of a growing economy

Continue GST rate rationalization and correct inverted duty structure wherever necessary

Notifications

PIB

15th G20 Leaders' Summit

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1674161>

List of Agreements acknowledged on the occasion of India-Luxembourg Summit

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1674162>

Land Management System (LMS)

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1674101>

Technology-based initiatives to tackle COVID 19 health crisis

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1673954>

CBIC

Extension of Anti-Dumping duty on Phthalic Anhydride

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-add2020/csadd38-2020.pdf>

Exchange rate notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt108-2020.pdf>