

Please Don't Sustain Vikas as a Hurdle Race

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INDIAN

economy's potential to gallop at a double-digit growth is once again being leashed by avoidable hurdles. This is a cause for deep concern as the fresh hurdle race has come amidst soaring government debt and alarming inflation. The avoidable constraints include coal & power shortages, bandhs, sporadic *rasta roko* agitations, riots & arson during recent religious processions, curfew & related mobility restrictions, persisting project delays and policy paralysis.

The other day a top official from International Monetary Fund (IMF) made an observation that has direct relevance to the hurdle race for inclusive, economic growth.

Fielding questions at a press briefing on 25th April, Acting Director of IMF's Asia and Pacific Department, Anne-Marie Gulde-Wolf stated: ***"to enhance India's growth potential, it is important to address structural weaknesses of the Indian economy that provide bottlenecks to achieve longer-lasting growth"***.

She continued:

"These bottlenecks are in the labor market, land market, better educational outcomes, and very much also getting higher share of females into the labor force. So, in sum, the potential is definitely there but it will require policy actions".

Unfortunately, the Central Government has not paid holistic attention to burning issues in the spirit of cooperative federalism. The Prime Minister Narendra Modi's advice to States to cut VAT on petrol and diesel at his Covid interface with Chief Ministers is a case in point.

We would urge PM, as the Team India Captain, to address this issue in a holistic manner. Let him order immediate convening of GST Council or NITI Aayog's Governing Council or a separate conference of CMs to discuss this and other economic woes.

We all know that high double taxation of hydrocarbons-derived fuels by both the Centre and States is hurting economy. Over-taxed aviation turbine fuel is one of the major reasons for failure of airline companies such as Kingfisher and Jet Airways. All fuels should be under Goods and Services Tax (GST).

The fiscal reforms should extend to freebies doled out by both the Centre and the States. Both the Centre and the States have to clip their expensive freebies wings, apart from cutting down other wasteful or avoidable expenditure. The need of the hour is massive capital expenditure that benefits all citizens in varied ways.

The Centre should take a lead in breaking inertia on combined Centre-State debt of 87% of GDP as estimated by IMF. This is unsustainable notwithstanding the pep talk by IMF experts. To make the debt sustainable, we believe GDP has to grow at robust 8% per annum over the long run coupled with fiscal discipline and moderate inflation of 3%.

In any case, the sovereign debt has to be brought down below the globally accepted prudent level of 60%. There has to be an agreement between the Centre and the States in apportioning 60% debt into 40-20 ratio as mooted by a committee headed by Dr. N.K. Singh in January 2017.

Indian Banks already hold very high level of Government securities. This impacts flow of credit to businesses, interest rates and inflation.

The Fiscal Responsibility and Budget Management (FRBM) Review Committee (FRBMRC) had recommended:

"within the overall ceiling specified above, adopt a ceiling of 40% for the Centre, and the balance 20% for the States".

The report's title - '**Responsible Growth - A Debt and Fiscal Framework for 21st Century India**

' - speak volumes about inaction on this front.

We urge governments of all political hues to shun politics to reverse the dwindling prospects for growth in the wake Russia-Ukraine War (RUW). Both the Centre and the States should regularly discuss issues including policy and schemes failures in a professional manner.

In this edit, we would focus on unfolding power crisis to drive home the need for resolution of problems and regular monitoring of promises made to the Nation.

To provide power to all citizens on 24X7 basis beginning 1 April 2019, the Centre had signed MOU with each State in 2014 & 2015. What went wrong in the blueprint drawn in each such Joint declaration? Does the public not have a right to expect Centre and States to pool their resources to save all from power cuts?

Certain States have imposed long scheduled or unscheduled power cuts on industries. Even Gujarat, which supposed achieved 24X7 electricity supply to all village homes in 2011 has left farmers fuming over power cuts. Factories have been asked to take a mandatory one-day shutdown every week.

Latest official data shows that the nation faced peak power shortage of whopping 10,297 MW megawatt and energy shortage of 198.51 million units on 27th April 2022.

The power shortage is partly due to shortage of coal. Coal crunch is also impacting industries such as steel and cement that use coal in their production process, apart from captive power generation.

Ten industries associations have reportedly penned a letter to Mr. Modi, seeking his help to end coal shortages. India has plenty of coal reserves. We ought to develop them with shortest gestation period instead of playing to climate change gallery managed by the West.

Expedition development of new coal mines and expansion of existing ones require special attention. The Action Agenda for **Vikas** is large. We hope PM would regularly interact with CMs to turn economic growth into seamless, smooth race for **Vikas** for all. The term 'Cooperative Federalism' should be cast in stone before legislatures and Government offices. This is gateway for hurdle-free race for inclusive growth and prosperity.