

Relook at Reforms Time



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India's growth story in the last decade has been one of resilience. Despite the global economic environment being fraught with risks and uncertainties stemming from multifaceted challenges, including pandemic and geopolitical tensions, India's growth trajectory has emerged as a ray of hope amid an otherwise increasingly gloomy global scenario.

In its July 2024 World Economic Outlook update, IMF raised India's growth forecast for 2024-25 to 7% from 6.8% in April on the back of strong domestic demand and a rising working-age population, making India the fastest-growing G20 economy.

During 2014-24, GoI pursued big-ticket reforms focused on restoring the economy's health and relieving several supply-side constraints. With its vision of making India a developed nation by 2047, GoI is set to turn its focus to bottom-up reforms in its third term. The goal now should be to strengthen the plumbing of governance so that the structural reforms of the last decade yield strong, sustainable, balanced and inclusive growth.

Against this backdrop, Chapter 5 of the Economic Survey 2024 elucidates the critical areas of focus for the country — and not just GoI — going forward. These include:

- ▶ Generation of productive employment.
- ▶ Addressing the skill gap challenge.
- ▶ Easing compliance requirements and financing bottlenecks confronting MSMEs.
- ▶ Managing India's green transition, deepening the corporate bond market, tackling inequality and improving the quality of health of India's young population.

These areas will determine the scope, scale and speed of India's growth in the upcoming decades. Building on these key policy focus areas, the survey proposes a 6-pronged growth strategy to facilitate India's transformation into a

developed nation.

● **Private capital** Ensure that capital formation in the private sector grows steadily delivering endogenous growth in jobs and a fair share of income for workers.

● **PPP for green growth** Financing green transition is an area where public-private partnerships will be critical. Innovative financing instruments are needed to help mobilise private capital for India's transition efforts.

● **MSME focus** While bridging the credit gap remains a crucial element, the focus also needs to be on deregulation. They lack the financial and human resource bandwidth to meet the onerous compliance requirements imposed by all levels of government.

● **Stress on farms** Potential of agriculture as an engine of growth, development and equity must be exploited. Any growth strategy can achieve success if and only if we can exploit the potential of agriculture to contribute to economic growth and employment generation.

A farmer-friendly policy framework is the need of the hour. Specifically, markets should be allowed to function in the interests of farmers. These include letting the agriculture futures and options market function without arbitrary bans, invoking export bans only under exceptional circumstances, allowing farmers to benefit from a rise in terms of trade in their favour, facilitating an increase in net irrigated area and incentivising



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cultivation of diverse crops to become consistent with climate and water security considerations.

● **Learning & skilling** Education and skill policies must have a laser-like focus on learning and skilling outcomes and must be aligned with each other.

● **Re-energise state machinery** Enhancing state capacity and capability is critical to ensure that the growth strategy suggested in this chapter stands a chance of succeeding. Sustaining and accelerating India's progress in the face of evolving challenges requires dedicated investment in state machinery to reinvent and reinvigorate itself.

Raising the manufacturing share of the economy is intrinsic to GoI's economic growth and employment goals. Success in that endeavour requires a clear understanding of the strengths and limitations of India's current policy of engagement with China.

The overcapacity in China's manufacturing sector, the country's domination over the global supply chains across product categories, and its near-monopoly over the production and processing of critical and rare earth minerals have significant repercussions for India.

India's policy needs to be clear-eyed about how much the country will be able to plug into the global supply chain without plugging itself into the Chinese supply chain and the right balance between importing goods and importing capital from China.

Economic Survey 2024 is of the view that, in the medium term, the economy has considerable scope to grow at or above 7% on a sustained basis if structural reforms undertaken since 2014 are supplemented by reforms at state and district levels. India doesn't have the advantage of global tailwinds that other countries in Asia enjoyed in their development journey. Hence, all domestic sources of growth must be harnessed in the coming years.

Business as usual won't cut it. Our knowledge and attitudes must continually evolve to keep up with evolving circumstances. Open minds are a good place to start.

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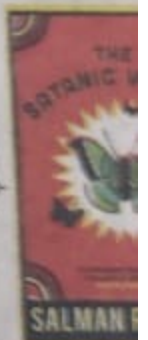
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