

# Our Views

## Big Bang Stimulus or Big Bang Reforms

In his recent interaction with lakhs of village pradhans, the prime minister emphasized on how Corona has taught us to be self-reliant. Many of us have since been wondering if this is an indication of a new course of action! If so, like in the past, where we as a nation have very adroitly used adverse situations to make transformative moves, we should convert the current severe and unprecedented adversity into an opportunity to build a New India.

As indicated in my earlier article, to build a strong base a prudent fiscal approach is a must. This means we should administer measured medicine as stimulus in multiple doses. At the same time, to prepare ourselves to be self-reliant and to embrace the opportunity offered by the changing world dynamics we should focus on some of the critical reforms which are long pending. At this juncture, there are three extremely important economic reforms which in my opinion should be taken up immediately.

### **Resource Enhancement for economic revival**

First and at the top of my agenda is reform of the subsidy structure. Reforms in the petroleum sector and the Ujjawala scheme implemented in the last 5 years have shown us the way - the petroleum subsidy cost was brought down by 1.40 lac crore per annum without hurting anyone. Deserving people continue to receive subsidy by way of direct benefit transfer (DBT) and post this change we haven't heard of any protests on this account. In contrast, the number of strikes and protests each increase in petroleum price caused during the administered price regime. This has been possible because our Government, under the current leadership, has mastered the art of using technology for direct intervention wherever required. DBT has effectively avoided leakage and ensured that benefits reach the identified people with zero lead time and extremely low administrative costs.

Time has come to embrace a similar approach for food and fertilizer sector, where the subsidy cost is ~1.7 lac crore per annum. At present, the government fixes the procurement price of agricultural products, provides for storage through Food Corporation of India and then sells it through the public distribution system. Linking our agriculture sector to open market economy at free market price will improve its efficiency manifold. Farmers will move to the crop which will fetch them better return. They can decide on the type of fertilizer to use based on suitability rather than subsidy. Food storage and distribution system can be transformed and made more efficient through private sector participation. At the same time, the deserving farmer or consumer could be compensated by way of DBT. The resultant administrative efficiency and productivity enhancement itself will be significant. This reform will certainly move India towards a New India.

### **Making India a global Manufacturing hub**

This is an opportunity unveiled by the current crisis itself. Global corporations would look to distribute their manufacturing facilities and move them to different countries. To capture this opportunity, we need to quickly put our house in order. Manufacturing has 3 critical requirements – Land, Labor and Energy. These are the starting point for any industry or infrastructure projects.

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We need to accelerate the land reforms including digitization of land data, title dispute resolution, procurement methodology, uses of land and environment clearances. Labour reforms will allow the industry to hire the right talent and manage their cost. With more industry, more employment and higher growth, the economic well-being of needy workers could be addressed through DBT. Further, uniformity of the power production, supply, availability and cost across the country would ensure regular supply of uninterrupted power at the reasonable price and uniform development of the country. Towards this, central government should become the coordinating agency for the procurement, distribution and payment for power. This may require specific changes in the current regulatory framework.

### **Social Sector reforms**

Finally, for a New India, primary healthcare and education is extremely critical. The current system can be significantly bettered using technology. Online healthcare and education facility can provide the same level of service across the country, as we today have in major cities. The lockdown experience reconfirms that Indians are capable of quickly adopting technology - even in small towns and villages online schools and online extra-curricular development has become a way of life. Children are doing online courses under the guidance of faculty from world renowned global universities. Specialist medical consultation can be provided in a village via video chat. Not only would it help timely medical treatment at low cost, it would also reduce the influx of patients to nearby cities which overwhelms the medical infrastructure.

Every crisis presents an opportunity, and this could be our chance to develop a New India. We should make the most of it.

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