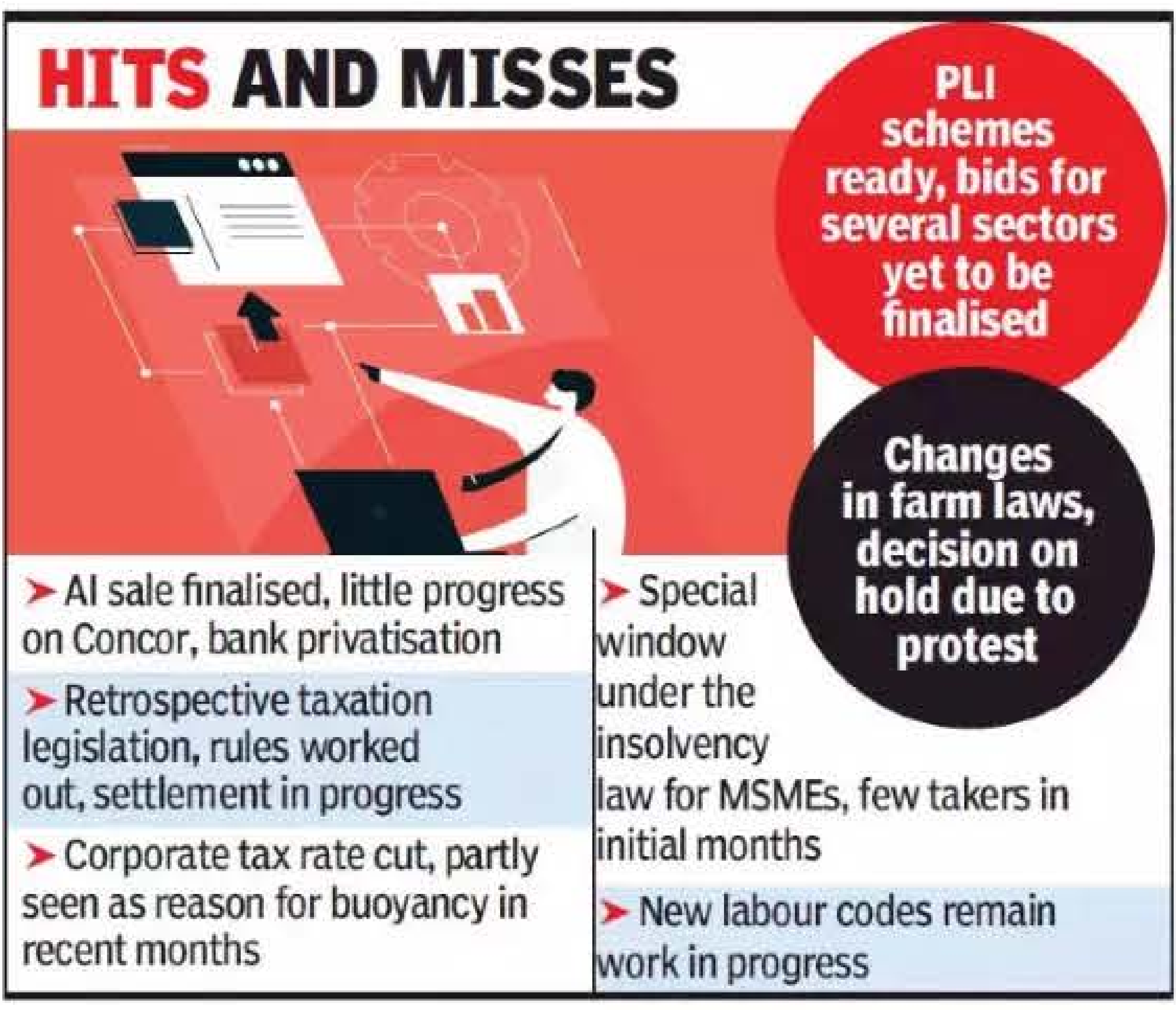
Building blocks put in place for economy's take-off

NEW DELHI: In late April and early May 2020, amid the national lockdown, Prime Minister Narendra Modi held a series of meetings with experts across several sectors and officers, where he sought to get a sense of the issues facing these segments of the economy and the way ahead.

"The message was clear, there is political commitment to convert the Covid crisis into an opportunity by resetting policies so that we can achieve higher levels of growth when things begin to normalise. It was a signal to the bureaucracy to move decisively," a senior official privy to some of the discussions told TOI.

What followed were a series of measures, announced by finance minister Nirmala Sitharaman after consulting the ministries concerned – from pushing new labour and farm laws to the public sector policy, which focuses on privatisation of non-core assets, to changes in the MSME definition, corporatisation of ordnance factories and the rollout of production-linked incentive (PLI) schemes of nearly Rs 2 lakh crore across sectors.



Between all this, there were also some measures, which were not part of the original scheme of things as the government decided to reverse the controversial retrospective amendments of tax laws and rework the policy framework for mobile companies to reduce their financial stress – moves that not just took investors by surprise but also helped them shed some pessimism on India.

"Several of these issues, such as the labour and farm law changes or the Air India disinvestment, have been dragging on for decades," said a source in the government.

Officials believe that the results are now showing, as they point to the recent upgrade in the outlook for India's sovereign rating to stable, from negative. "While it may have taken a little longer but the whole message to investors is very positive. All these help generate excitement and more and more funds will look to invest in India, which can be strengthened by retail investors from some of the countries joining in too," said a senior executive at a leading financial services company. The only stumbling block could be the high valuation of Indian shares, he warned.

For the government – which was until a few months ago accused of having lost its appetite for reforms, a charge they never pleaded guilty to and which they have consistently attributed to conservative definition of what constitutes "reforms" and bias – this is clearly the outcome that it had hoped for. Several commentators and critics had argued the Modi government had given up on undertaking initiatives to boost economic activity and was more focused on issues such Ram Mandir and revoking Article

370. After the seemingly impossible task to sell off AI, officials who dismiss the notion – gleefully pointing to the recent record – argue how the government was working towards this all along.

The message is not lost on investors as companies, earlier dependent only on China, are looking to recalibrate production strategies. Officials point to Apple vendors, who were lured to set up a manufacturing base in India, or white goods players such as Panasonic or Daikin that have queued up at the PLI window.

With more privatisation transactions in the pipeline as well as large and still-growing interest from investors in the asset monetisation space, the government believes it is has put the building blocks in place for the economy to take off in the coming months.