

# Reform Roadmap



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The quest for building an India, which is prosperous, inclusive, equitable, technologically advanced, and future ready to take on the world on equal terms, has been driving India's ambitions for quite some time now. The task ahead is to take the mantle forward and strengthen the foundations of our journey which would help us to secure a rightful place in the comity of nations by the time India turns 100.

India has got many things right for realising its developed India vision.

For one, with a trailblazing growth of 8.2 per cent in 2023-24, India is in a macroeconomic sweet spot. It is now the fastest growing economy in the world by a large distance. The growth print for FY 24 is much ahead of the most optimistic of estimates and reinforces the belief that the Indian economy has gained in resilience.

Secondly, India offers the 4 Ds advantage—democracy, demography, demand, and diversity—to businesses wanting to invest in India. As a result, global investors are looking at India as an attractive investment destination and want to deepen, widen, and diversify their presence in the country.

The impressive growth rates and strong fundamentals have helped India to resolutely shed its 'third world' tag. But a lot more is needed to catapult it to make it a 'developed country'. Key to this would be to raise the productivity of the economy, leverage the potential of its youth, and develop the full potential of sectors where India has competitive advantages or could build competitive advantages.

This would require creating the right policy framework that is suitable not just for the next five years but that is in sync with the vision of Viksit Bharat@2047. CII puts across ten key priorities.

First is to strengthen industry competitiveness. This would require continued efforts in two areas, improving the ease of doing business and reducing the cost of doing business. While the government has done much in these areas, much more needs to be done.

On ease of doing business, work on reducing the compliance and regulatory burden through digitisation needs to be continued. While more than 3,400 legal provisions have been decriminalized, the process of further decriminalising business facing laws should continue to foster trust-based governance. A system of financial penalties and compounding in-house adjudicatory mechanisms should be put in place, except for serious offences where mala fides are established.

It is important to reduce caseloads in commercial courts through timely resolution of cases. A mechanism for fast

tracking long pending cases should be devised. Delays and rescheduling of judgements should be captured, monitored, and addressed. Limit should be set on the number of adjournments that can be made, e.g. not more than three times, to reduce the pendency of court cases and expedite judgements. The judicial system should lead to a finality of judgements within a reasonable time frame.

Further, the initiative of four labour codes is a commendable one which will reshape the way companies compensate, regulate, and manage their workforce. The priority of the new government should be to implement the labour codes to reduce the compliance burden.

On the cost of doing business, the government should work towards rationalizing power costs. Phasing out cross subsidisation of power by industry to other consumers, distribution reforms to reduce distribution losses and improving quality of power and bringing all fuels and electricity duty under GST will help mitigate high energy costs. Similarly, cross-subsidisation of railway passenger fares by freight to other user segments should be discontinued to reduce the cost of business. Creating a master plan for dry ports in land locked States is essential to reduce costs and promote industrialization in these states.

Second, unlocking growth potential requires close cooperation and building of consensus between the centre and the states on next generation reforms. The Government should consider announcing institutional platforms for building consensus on reforms in areas such as land, labour, power, agriculture and fiscal sustainability.

Third, India will need to integrate deeper with the global supply and value chains to secure its place in the global high table. This means that our export and trade policy would require a multi-pronged approach to enhance markets access, including tapping into new, less penetrated markets, boosted by new free-trade and investment agreements.

To boost exports, measures such as extending RoDTEP Scheme beyond June 30, 2024, expanding the coverage of RoDTEP Scheme to EoUs and SEZs, reducing import duty on raw materials not available domestically to bring down manufacturing costs, introducing a scheme to refund taxes for service exports, clearing pending Merchandise Exports from India Scheme (MEIS) dues, should be prioritised.

Negotiations on the two ongoing trade negotiations with Europe (The UK and the EU) should be expedited. Trade deal with the UK needs to be sealed at the earliest. An interim deal with the EU can be considered in phases. In the negotiations, visa issues for Indian labour need resolution.

To undertake export marketing and to support domestic exporters, a Global Trade Promotion Organisation should be established as an overarching body for enabling reaching the target of USD 2 trillion exports of goods and services. The body should set up offices in key trading hubs across the world.

Fourth, employment generation should be a priority to drive inclusive growth.

Primacy should be given to facilitating the scale-up

of labour-intensive job-creating enterprises which would absorb the unemployed youth. Employment Linked Incentive Schemes (ELIs) for employment intensive manufacturing and services sectors, with high growth potential such as Apparel, Toys, Furniture, Tourism, Retail, Logistics and Media and Entertainment could be announced. Additional incentives could be provided for women employed in these sectors, to help mitigate the issue of low female labour force participation rate in India.

Open Network for Digital Commerce (ONDC) has the potential to boost micro & small enterprises and Farmer Producer Organizations (FPOs), by connecting them with domestic markets and progressively with global markets, at a scale akin to what UPI did for financial inclusion. Government should facilitate onboarding of MSEs and FPOs on ONDC in a mission mode.

The government may also consider announcing an International Mobility Authority under the Ministry of External Affairs (MEA) to take advantage of the excellent opportunity to provide skilled manpower to some of developed countries which are experiencing demographic changes on account of a drop in youth population.

Fifth, closely associated with unemployment is the problem of education and skills as massive unemployment co-exists with a severe shortage of workers for skilled and semi-skilled jobs. A strong emphasis on vocational education would help to minimise the skill mismatch between what employers want and job seekers offer. An increase in fund allocation for scaling up vocational education in schools and higher education institutions should be considered.

India should encourage adoption of the German dual model of vocational education which supplements classroom education with on-the-job industrial training.,

Similarly, making a curriculum which is aligned with industry needs; identification of best teachers & leveraging their skills; making dissemination broadcasts easier and using technology for receiving these broadcasts are some of the other suggestions.

The approach towards education should be futuristic and the focus should be on what the industry would need tomorrow.

Government should consider setting up a Task Force comprising of experts in education, edtech, technology and industry leaders to review comprehensively the issues of quality, accessibility, and affordability in education across the entire education spectrum, in line with the goals of the National Education Policy (NEP). Technology solutions should be prioritised. States should also be an integral part of the task force.

Some of the objectives of the Task Force could include achieving 100 percent literacy, creating a workforce which is future ready, creating models for continuous learning in the wake of the rapid technological advances, providing world class education to all, etc.

Alongside education, building human capital also requires requisite attention to quality healthcare. Decisive steps should be taken to strengthen the existing Public Health Infrastructure like PHCs, CHCs, AWCs and District Hospitals as well as facilitate capacity building of practitioners and allied health workers by focusing on their skilling, upskilling, vocational training, etc.

Sixth, the area of research and innovation provides big

opportunities for fuelling economic growth and achieving global competitiveness. India's R&D expenditure is low at 0.67% of GDP. This pales in comparison with R&D expenditures, as a percentage of GDP in China at 2.4%, Germany 3.1%, and Japan 3.3%, underscoring a critical gap that India needs to bridge to improve its manufacturing competitiveness on the global stage.

The government should expedite the operationalisation of the ₹1 lakh crore fund announced in the Interim Union Budget 2024-25, for providing 50-year interest free loans, to encourage private sector to undertake research and innovation in the sunrise sectors. Industry should be consulted on what to spend on.

Eminent industry members / experts should be nominated to the board / governing council of the National Research Foundation, to align the research in academic institutions with industry needs. Introducing a New Design Policy, creating a Task Force to examine use of IP as acceptable collateral for loans are the other initiatives which need to be considered.

The seventh suggestion is to adopt an approach that balances growth with sustainability. At a time when extreme weather conditions are becoming more frequent, intense and prolonged, the government should come out with an action plan to tackle climate change and hasten our journey towards achieving net zero goals.

To incentivise green growth, the government should announce fund allocation specifically towards building sustainable and climate-resilient infrastructure under the budget of PM Gati Shakti Plan. Moreover, guidelines for critical infrastructure projects under the PM Gati Shakti Master Plan should incorporate climate resilience.

Further, a National Commission on Adaptation to climate change should be set up to work on suitable policies which would enable building capacity at the grassroot level to enhance resilience and adaptive capability to climate change. Similarly, launching FAME-III Scheme with higher budgetary allocation for Medium and Heavy Freight Vehicles (MHDTs), encouraging the adoption of electric vehicles and conceptualizing a Circular Economy Framework for Batteries are some of the other suggestions for moving towards a circular economy.

Eighth, the water crisis in the country deserves special attention. India is a water stressed economy with access to only 4 per cent of global water resources while hosting close to 18 per cent of the world's population. Hence, fixing water should be a priority and conserving it should be a national mission.

Considering the severity of water shortage in many parts of the country, a National Mission on Water Security could be launched. Under this Mission Government should create a public database on water balance across all the river basins / sub basins and lay out the strategic goals. Using this data, different organisations viz. corporates, NGOs, government agencies etc by themselves or in consortia can develop appropriate interventions, and Government could incentivise such interventions through instruments like green credits.

Since agriculture is the largest user of water, the Mission should also promote Climate Smart Agriculture and other water efficient farming practices.

Ninth, although much progress has been made, India should gear up towards faster and more sustainable

urbanisation. Migration to cities would open a wide array of opportunities for the citizens to prosper and grow. Our cities should also be prepared to offer amenities such as ease of living, ease of doing business, ease of commute, while also being financially and environmentally sustainable. One suggestion is for the government to work towards creating new industrial clusters around smaller smart and planned cities. This would transform city planning, facilitate economic development in smaller cities and townships and create job opportunities for the migrants who would otherwise migrate to bigger cities.

Tenth, is continuing with the enduring commitment towards long term fiscal sustainability and fiscal prudence. The government has, so far, shown a commendable commitment towards ensuring fiscal discipline and reducing government borrowings. This process should be continue. A steady pace of fiscal consolidation, as announced in the interim Budget 2024-25, should be adhered to considering the record dividend payout received by the government from the RBI during this fiscal year.

The government should also revive the practice of publishing deficit indicators for medium term (two years) in the Union Budget. Similarly, the practice of tabling the

Medium-Term Expenditure Framework statement should be revived.

While traversing the fiscal consolidation path, the government should continue to lay emphasis on capital expenditure to improve the medium-term growth prospects of the economy and crowd in private investment. In the Interim Budget 2024-25, the allocation for capex was increased by 16.8 per cent compared to 2023-34 (RE). Private investment is showing early sign of take-off. Hence, government support through capex should continue. Government can consider increasing the capex for 2024-25 by 25 per cent over the FY 2023-24 (RE) numbers.

To augment revenues, measures such as streamlining the disinvestment process by strategizing a three-year disinvestment pipeline, improving the asset monetisation programme as well as rationalising unproductive expenditure need consideration.

To conclude, India's economy has taken huge strides towards progress and the past decade has witnessed momentous reforms to accelerate the pace of growth. A strategic reform roadmap can provide the requisite impetus to fast forwarding the growth momentum while fulfilling the aspirations of millions of citizens.