STRATEGY FOR NEW INDIA @75 – DRIVERS PART 1

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STRATEGY FOR NEW INDIA @75 BY NITI AYOG

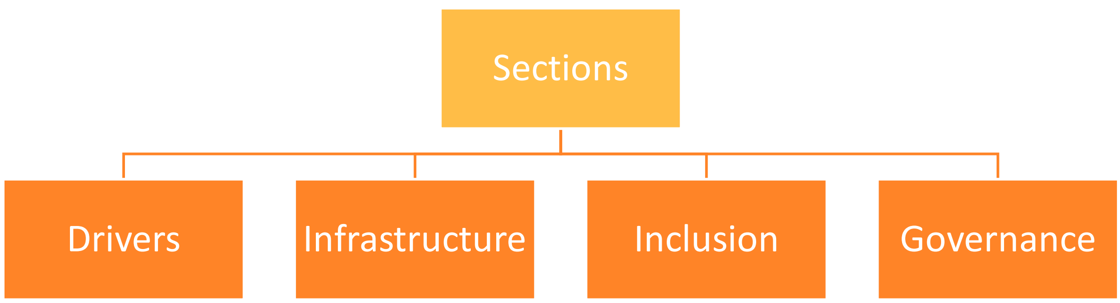
THIS DOCUMENT CONTAINS ALL THE SUB CATEGORIES DRIVERS

Introduction:

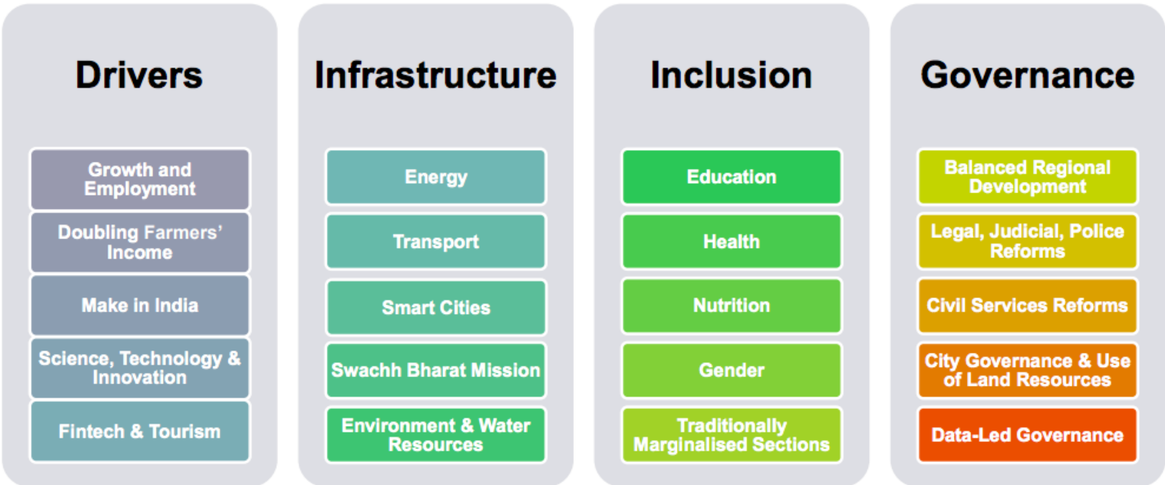
As India completes 75 years of Independence in 2022, the government's premier policy think-tank National Institution for Transforming India (NITI) Aayog, on December 19, 2018 released 'Strategy for New India @75'.

National Strategy for New India defines clear objectives for 2022-23. The Strategy was released by the Union Finance Minister Arun Jaitley. It is an attempt to bring innovation, technology, enterprise and efficient management together, at the core of policy formulation and implementation.

The strategy is divided into **four main sections**:



MAIN SECTIONS



DRIVERS:

The section 'Drivers' is further divided into 11 sub-sections-

1. Growth
2. Employment and labor reforms
3. Science, Technology and Innovation
4. Travel. Tourism and Hospitality
5. Doubling Farmer's income (I): modernizing Agriculture
6. Doubling Farmer's income (II): policy and Governance
7. Doubling Farmer's income (III): value chain and rural infrastructure
8. Housing for all
9. Industry with 'Make in India'
10. Financial Inclusion
11. Minerals

1- GROWTH:

Objectives:

- Accelerate GDP (Gross Domestic Product) growth to 8 per cent by 2022-23 from 6.7% in 2017-18.
- To grow in an inclusive (overall), sustained (keep going process), clean (fair) and formalized (definite shape) manner.
- Make the country a $4-trillion economy by 2022-23 from $2.7 trillion in 2017-18.
- Raise investment rate from 29% to 36% of GDP.
- Increase exports of goods and services from USD 478 billion in 2017-18 to USD 800 billion by 2022-23.

Current situation:

- India is the fastest growing major economy in the world in the medium term.
- The share of manufacturing in India's GDP is low relative to other low and middle-income countries.
- Growth has been highest in capital intensive sectors like- automobiles and pharmaceuticals in spite of large scale labour - intensive manufacturing. (while India has inherent labour and skill cost advantage).
- Inflation rate is low and stable.
- Fiscal deficit is declining.
- In 2016-17 the share of government (central and state) capital expenditure in total budget expenditure as 16.2% and their contribution to fixed capital formation was approx. 4% of GDP.
- India's tax-GDP ratio is very low as compared to the other countries as shown in the table-

Tax – GDP ratio (in %)	
India	17
OECD	35
Brazil	34
South – Africa	27
China	22

<u>Constraints:</u>

- Overall growth can be accelerated by a number of measures across different policy areas, which are focused in this strategy.

<u>WAY FORWARD:</u>

To improve the investment:

- To raise the rate of investment, boosting both private and public sector is required.
- India should aim to increase its **tax-GDP ratio to at least 22% of GDP from 17% by 22-23.** For this, efforts are needed to-

1. **rationalize both corporate and personal income tax.**
2. easier the tax process.
3. improve administration of GST to increase tax collection.

- Demonetization and GST will be helpful to achieve this target.
- Government's contribution to fixed capital formation is needed to increase to at least 7% of GDP by 2022-23 from 4% in 2016-17.
- Areas wherein higher public investment will be easily absorbed are -housing and infrastructure.

- To attract foreign direct investment, the govt. may consider the liberalizing FDI norms across sectors.
- The govt. should continue to exit non-strategic central public sector enterprises (CPSEs) to attract private investment.
- Public-private partnership (PPP) mechanism, suggested by Kelkar committee is needed to be encouraged to promote private investment.

Macroeconomic stability through prudent fiscal and monetary policies:

- to reduce the high interest cost burden on the government budget, the govt. has targeted a gradual lowering of the govt. debt-to-GDP ratio.
- The existing Fiscal Responsibility and Budget Management (FRBM) has been built in the form of 'escape and buoyancy' clause which emphasize on the need of govt. flexibility while setting the annual targets.
- Expenditures which build human capital like health and education sectors, should be excluded from estimates of revenue expenditure.
- Inflation needs to be contained within the stated target range of 2 % to 6%.

Efficient financial intermediation:

- The Gujarat International Finance and Tech city (GIFT) (onshore trading in rupees and other derivatives), should be leveraged to push the financial sector liberalization.
- India's long - term investment needs enable alternative (to banks) sources of credit.
- There is a need to deepen financial markets with:

1. easier availability of capital
2. greater use of financial markets to channel savings
3. an improved risk – management framework.

Focus on exports and manufacturing:

- Import tariffs should come with measures to raise productivity.
- Power tariff structures may be rationalized.

- The government has recently established a dedicated fund of INR 5,000 crore for enhancing 12 “champion service sectors” to help in growth of services and other sectors.
- Strengthen the governance and technical capabilities of Export Promotion Councils (EPCs) by subjecting them to a well-defined, performance - based evaluation and closing down or re-structure the unable EPCs.
- Explore closer economic integration within Cambodia, Laos, Myanmar and Vietnam, using the BBIN and BIMSTEC framework.

BBIN - (Bangladesh, Bhutan, India, Nepal)

BIMSTEC – (The Bay of Bengal Initiative for Multi - Sectoral Technical and Economic Cooperation).

- All state govt. should speedily implement fixed term employment (FTE) to promote flexibility in labour provisions across sectors.
- By 2022-23 we should complete projects such as DMIC (Delhi - Mumbai Industrial Corridor) and freight corridors which reduce delivery time and improve connectivity.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