Addressing declining economic growth

What is the issue?

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- Economic growth has been declining in the recent times.
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- Structural reforms in ease of doing business will help address the issue.
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What are the reasons of declining growth?

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- The slowdown in the Indian economy is caused by structural factors related to very high transaction costs in the business environment.
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- There are no quick fixes to achieving high growth since the problems are structural in nature.
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- The problems of trading across borders continue to daunt India.
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- Such poor institutional and business environment has failed to attract investments to boost the economy.
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What are the concerns of India’s business structure?

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- India continues to perform poorly in global indicators of business environment and governance.
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- The country also fares poorly in terms of quality of its bureaucracy which is a good indicator of the efficacy of overall governance.
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- The business approval process in India is still time consuming and cargo dwell time is in weeks as against hours in successful emerging countries.
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- There is no provision of fully automated clearance process with minimal face to face contacts, this encourages corruption.
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- There is no monitoring of the ground-level implementation of legislations to ensure business friendly environment.
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- As the result transaction costs of doing business in India is continue to remain high and it prevents the flow of private investment, and regaining the lost export momentum.
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What structural reforms are needed to boost economy?

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- The problems related to dealing with several layers of bureaucracy and procedures for trading across borders needs to be addressed.
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- Reforms on getting several types of approvals and licenses for starting and running a business, paying taxes must be made.
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- Getting access to critical infrastructure like energy and water need to be ensured.
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- There needs to be a mechanism for monitoring such micro-level issues related to business environment at the highest level of government.
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- Comprehensive move to improve governance through the use of technology must be ensure by concerted effort of the central and state governments, and the private sector.
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- There is a need for continuous monitoring of interface between regulators and businesses and entrepreneurs on the ground.
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What is the way forward?

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- High growth is a necessity for achieving inclusive growth and having the status as an Upper Middle Income country.
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- India will need at a minimum 10 per cent growth to catch up with Malaysia and Thailand by 2025.
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- Policy discussions on serious economic and institutional reforms will put India on a sustained high growth trajectory.
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Source: Business Standard

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