India requires policies towards liberalisation



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NDIA HAS shown a history of bouncing back. The process of economic liberalisation in India began in 1991 after the country saw a balance of payment crisis and had to pledge gold to bail out. The government including then finance minister Dr Manmohan Singh started taking strong steps towards liberalising the economy and bringing progressive development. India is not immune to the global financial crisis; moreover, internal policies have amplified the impact on the economy. The government panel has warned that the country was on an edge of fiscal abyss because of high subsidies. The growth story has been losing its sheen and decline in growth is sharp, with growth expected to fall cent.

Indian government just in time proposed reforms which brought encouragement back in the market. Some of the recent reforms/initiatives taken by the government are as below:

- a. Raising diesel prices hence mellowing down pressure on subsi-
- aviation sectors.
- c. Raising cap on foreign direct

pension to 49 per cent — a \$40 billion annual premium insurance and nearly \$300 billion pension industry. Foreign investment in Indian insurance companies is currently capped at 26 per cent, and the pension industry is not avail- Scheme and Tax Deducted at able to foreign investors.

Board of India (Sebi) to prepare draft guidelines so that uniform guidelines are made for investor categories such as Foreign Institutional Investors (FII), NRIs, Foreign Venture Capital Investors (FVCIs) and QFIs (Qualified Financial Investors) to harmonise different routes for foreign portfolio investments in India.

e. Proposal to bring more classes of financial instruments such as below six per cent. The budget FD's and insurance policies to be deficit could hit above six per held under electronic/demat

> f. Relaxing the limit for investing in debt mutual funds, for housing finance companies.

g. Revival package for life insurance sector. The package includes easing investment norms for insurers, faster clearance for new products, easing of procedures and allowing banks to sell products of b. Allowing multi brand in retail, more than one insurance compatures, including Policy measures

h. Proposal to set up mega funds investment (FDI) in insurance and to finance infrastructure projects.

i. Amended companies bill/Act to overhaul corporate governance

The finance ministry and the cabinet have indicated that they are considering number of other crucial measures like giving more powers to commodity market regulator FMC, reduction in service tax, tax treatment of annuity products on a par with the New Pension Source on commission payments d. The Securities and Exchange made to agents, of insurance companies etc.

> The budgeted level of plan expenditure for 2012-13 is 26 higher than the previous year. Radical measures are required to be taken to prevent the declining trends of growth.

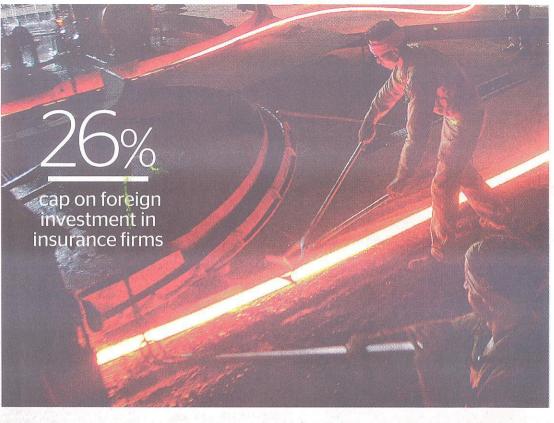
Some of the suggested economic reforms to spur growth and for fiscal consolidation are:

a. Reforms /recommendations to net higher taxes including measures like direct taxes code.

b. Measures in pipeline to raise resources by selling unutilised and under-utilised land of PSUs, Port Trusts etc. Given the subdued market conditions it is difficult to move ahead with disinvestment program, hence, the need for raising resources by selling of unutilised /underutilised assets of the PSUs and Port manufacturing and exports sectors Trusts etc.

c. Right sizing the plan expendifor pruning expenditure on subsi-

d. To spur growth in employment



Indian labourers work at a steel factory on the outskirts of Agartala. India is likely to see budget deficit above six per cent. - AFP

economy is correlated to growth in employment opportunities.

e. Phased termination of subsidies in petroleum, food and fertilis-

f. To pursue reforms in other areas such as: Infrastructure; simplifying regulations to improve business climate; impetus to important for employment generation; initiatives contemplated to improve agricultural sector productivity; steps contemplated to mitigate the sufferings of the poor.

Execution of these reforms re-

opportunities. Growth in Indian mains a challenge for India. Another challenge remains tackling inflation. The RBI has been taking various measures but real impact is yet to be seen. There has been a mixed reaction to announcement of Indian reforms. While there were strikes and political pressures on the negative side, the rupee showed a positive momentum. It is expected that these reforms with others in pipeline should spur growth momentum and should bring India to a growth of eight per

> All these reforms are at announcement or at very nascent

stage; it will take some time for them to bring positive momentum to the economy. Apart from this, Europe crises will continue to pose threat to the world economy hence bringing the contagious effect to

In a nutshell, we can say that reforms are bold and expected to yield positive results but do they signal end of policy paralysis in India? It is vet to be seen.

The author is the group chief executive officer at Doha Bank. Views expressed are his own and do not reflect the newspaper's policy