

# Steel360™

A Monthly Magazine on Steel Market

# TOP 20 TMT MANUFACTURERS IN INDIA



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# Get rid of Old British Colonial Rules & Russian Economy Model



**R. P. GUPTA**

Author, Turn Around India

**P**ost-independence, we suffered a lot due to low growth of GDP. Poverty was high and job creations were very low. Government revenue was miserable and most of the states were in revenue deficit. Infrastructure was quite inadequate. Most of the essential goods were in shortage. During 1991, Narsimha Rao government took several bold decisions. Industrial licensing was scrapped, imports were liberalised and capital controls were removed. Private investments were encouraged. Atal Bihari Vajpayee

government gave another push to economy by opening Infrastructure to private sector. But these steps gave only partial liberalisation, probably due to old political legacy. Lot more is yet to be done.

Despite partial reforms, Indian entrepreneurs demonstrated their capability. We exceeded 9% growth during UPA-1 government. Unfortunately, growth started to slide down from 2011. Current year i.e. in FY14, growth will be around 4.5%. Generation of new jobs and income earning opportunities are shrinking. On top of it, stubborn inflation has crippled everybody. So the question arises; what are the reasons for such rewinding economy and what are its solutions?

As discussed in the book "Turn around India" the principal reasons are Archaic Laws and Regulatory Activism on entire economic activity that stalls growth & development. Another big reason is Political Activism against Private Investments knowing completely well, that these are most essential for prosperity of nation. Awareness must be created at all levels of government functionaries, political system and masses about economic needs of the

country. Media must engage in healthy debates instead of promoting conflicts that invites blame game and negative activism. Good governance with team spirit is the need of hour.

Current laws pertaining to Forest, Environment, Land, Water and Minerals have killed the growth of investments in Productive & Infrastructure sector. Quite often, we are enacting new laws to regulate economic activities in disguise of reforms. New interpretations of existing laws are invented to find faults and then penalize. Operation of existing units has become extremely difficult. Therefore, ICOR (Incremental Capital Output Ratio) is exceeding 6.0 in 2013 as against 4.0 during 2008-11. Particularly SME sector is the worst victim of all, from such regulatory activism. Most of them have become sick or approaching towards sickness. NPAs are mounting and getting bank finance is becoming tougher day by day. This will indeed kill entrepreneurship.

Under such stressed conditions, how do we expect new investments to fuel growth? The ease of doing business index is at rock bottom that is causing an outflow of investment to other countries. I wonder; why can't we simplify economic laws and put



back the economy on growth track? Laws & regulations must deliver developmental outcome in the public interest. If laws are becoming hurdles then; why can't we amend and make it development centric?

We must come out of the old British colonial rules syndrome, inherited after independence. As per old mindset, law makers prefer inserting such provisions those cannot be complied with so easily. Therefore, we depend upon the mercy of Rulers, Regulators & Administrators. For all practical purpose, we are not yet independent for carrying out economic activities in a free manner. Approvals, controls and licenses still hound us. With such a trend, everybody will be converted into law violators otherwise; the productive sector will come to stand still. Why can't we simplify? Are we waiting for deepening of the crisis?

Any investment in productive and infrastructure sector propels growth and generates National Income (GDP) and brings prosperity to nation. If this is true; why do we differentiate between Private & Public Investments? Both are meant for public interest only. It has been well accepted by Socialistic & Communist countries that alone public investment cannot support economy's growth and generate enough public income. India's own experience also confirms such view. If so, why do we want to go back to pre-1991 socialist era? Why do we want to rewind India's growth story?

Several activists criticise growth model branding this as job-less growth. Job generation includes both Direct and Indirect jobs those are generated in the economic chain. In any economic activity, several goods & services are outsourced and those are produced elsewhere crafting new job

opportunities. Such economic chain continuously keeps generating jobs. Therefore, we can conclude that no growth can be jobless irrespective of public or private investment. Such illogical criticism is either due to lack of economic awareness or due to vested political interest.

I believe, it is an outcome of our mindset and political activism towards private sector. We must get rid of Old Russian model of Economy that we inherited after independence. It prescribes too many restrictions on the entry of private capital that we allow under compulsion or crisis. Once the crisis is over, we come back to original mindset. For example, we look to the Coal production by private sector with suspicion, but we don't mind importing 115 MnT Coal every year. Excess production of Iron ore is treated as crime, but we don't bother importing Steel and Steel Scrap. Private developers of infrastructure are pushed to wall, but we prefer living with infrastructure deficit that destroys economic efficiency and invites inflation. We must come out of such stigma of anti-private investment and bring back our country on the growth track.

Quite often, we argue that the benefits of growth arising from private investments are retained in few hands and therefore, it is not an Inclusive Growth. We reject trickle-down theory. We argue that current growth model enlarges disparity between top and bottom of the pyramid. Again, this is a misguided interpretation. We certainly need inclusive growth. There is no disagreement, that we must reduce disparity among states and between Rural & Urban population. But such criticism will simply kill growth and aggravate miseries.

Right solution is to spread productive

activity across the country, so that more and more persons can be included in the economic chain for earning income. This requires conducive business climate in all states for attracting private investors. We must provide basic infrastructure for new productive investments across the country. Then only, regional & rural-urban disparity will reduce. The benefit of growth among participants can never be equal since it depends upon the level of deployment of knowledge, labour and capital by individuals, in such economic chain. Hence, such criticism will not help country; rather it will build a negative climate for entrepreneurs that we are facing today. Why do we want to kill entrepreneurship?

We must introspect, change our mindset and become growth and development centric. We must get rid of British colonial rules and Russian model of economy adopted after independence and we are still under its influence. We must spread economic awareness among masses, so that negative criticism doesn't find any place. Unhealthy debates and blame games will enlarge our miseries. We must generate enough jobs for youngsters so that their energy is not wasted in directionless agitations experienced in the recent past at National capital. Anarchy, Agitations, Dharnas and Subsidies are no solutions. We can't afford all these any more. Let us begin New Year 2014 with a new hope and a positive note. Let us focus on prosperity of Nation through good governance and team spirit. ■

*The above column is a personal view point of the author. Steel 360 does not necessarily endorse the above expressions & thoughts.*