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# BILLET TO BANGLADESH

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Regulatory activism is one of the principal causes for slowdown in investment. The nation's growth engines like Energy, Manufacturing and Mineral sectors are worst victims. Productive assets have become idle, causing Inflation & Trade Deficit. We must bring host of regulatory reforms focussing on the developmental outcome. Economic laws must be simple, less in numbers and compliant to the majority. It must be based on transparency, natural justice and mutual trust. It must be in conformity with legislature intentions. Laws must be dynamic and they should change with economic needs of country.

# Regulatory Reforms - an urgent need for Economy Revival

For the first time, general election was fought on Development Politics and Indian voters, responded with clear mandate to NDA alliance. Those who fought on populist and divisive politics were rooted out. Now, new government must focus on revival of the economy so that new jobs are generated for young population. Inflation & Trade Deficit must be reduced in quick manner. Revival of GDP growth rate to double digits in a span of 2-3 years must be the top agenda. It is indeed a challenging task, considering present state of affairs and past legacy. But we can achieve this ambitious target provided; we undertake Regulatory Reforms in a big way.

Simultaneously, we must improve economic efficiency of the country that will reduce both Inflation & Trade Deficit. Economic efficiency does not depend on producers alone but upon the whole gambit of Policy & Regulation. The starting point will be good governance with team spirit that we discussed in previous month's article. GDP growth is closely linked with new investments. Improvement of efficiency also need investment in Infrastructure related to Energy, Transportation and Communication besides other factors. Therefore, we must jack up overall investment to nearly 40% of GDP. We must encourage Forex inflows besides boosting domestic savings, for

financing investment needs.

Currently, investment climate is very bad. Existing investments in productive & infrastructure sectors are not performing well. Unless these are made remunerative, new investments shall not gear up despite expediting approvals or giving incentives. "Ease of Doing Business" index in India is 133 which is too high comparing to other major economies. We have shackled the productive sector with too many regulations. On top of it, regulatory activism is at its historical peak. Therefore, Regulatory Reforms must be the topmost agenda of government for giving knee jerk to the revival process.

It is the number of Laws, Acts and Rules & Regulations governing economic activities, which are too many in India. We have enacted so many regulations in past years in disguise of reforms. Law makers prefer inserting such provisions those cannot be complied so easily, even by large and reputed corporate, then what to speak about SME sector. Even Government of India in its economic survey admitted this fact. Why are we putting so many shackles on economic activities? Whether these activities are undesirable? This needs introspection by all.

Probably, such situation has arisen because our mindset is still not in open favour of private capital. We accept private investment under

compulsion and not by conviction. Private sector is investing about 80-85% in productive assets and about 50% in infrastructure. Any such investment is mainly for public interest because this generates National Income (GDP) and produces goods & services for public consumption. In the process, a small portion of income is retained by private shareholders. I believe all productive assets must be treated as national assets, irrespective of management control. Once we accept this concept, then regulatory activism will stop. Therefore, we must spread economic awareness highlighting the necessity of private investments for nation's growth & development.

Several laws have provision for closure of productive sectors in case of violation or non-compliance of these laws. Such provisions are highly deterrent for nation. Closure of any productive sector causes adverse impact on all stakeholders including nation and not restricted to promoters alone. Hence, this must be exercised as last option that too, with multi stage approvals and after giving adequate time opportunity. In case of habitual defaulters, it is better to change management. But productive assets must be protected by all means, since these are national assets contributing to growth & development.

We must also refrain from fixing criminal liability with productive sector that is great disincentive for entrepreneurs. Why are we equating entrepreneur with a criminal? Constitution provides benefit of doubt to accuse in case of criminal activity and "burden of proof" remains with prosecuting authority. But the process is just the reverse in case of economic activity. In the event of any non-compliance in productive activity,

penal actions are initiated by regulators. Thereafter, burden of proof remains with productive sector. We do not fix any accountability with regulators for their mistakes and they enjoy complete immunity. Such empowerment, without accountability is the root cause of regulatory activism. Why such differential treatment we give to producers? We must rethink on it.

Laws and regulations are never absolute and they must be dynamic. These are framed to fulfil legislative policy and intentions. Particularly, economic laws must change in line with economic needs of the nation. Laws must be simple and compliant. If there is non-compliance by majority; it is better to change the law. We must not convert majority as law violators, we are facing similar situations today. This will at least stop disrespect for laws, which are fast growing and we can't afford the same. Eventually, ending of regulatory activism will also reduce corruption.

Several studies have been done on the necessity of regulation for economic activities by various countries. There is a common convergence that regulations must prevail. But, it must be based upon the principle of Transparency, Natural justice and Mutual Trust. Unfortunately, most economic laws in our country are lacking in these basic ingredients. It must be in conformity with legislature's intention without any ambiguity. Rather, legislature intentions must be prescribed in the preamble and fine print should not be contrary to this. There should be provision of quick amendments without violating legislature intention.

Regulations must be so framed that it results in to Developmental

Outcome. In case of change in economic needs of country, we must quickly amend. Possibly, most of the existing laws and regulations fall in this category. Government must open a separate wing in the law ministry, in coordination with economic wings of government for the review. Consultation with Industry and Trade Associations will be a good initiative. We must provide regulatory easements to existing productive assets, so that they focus on productivity and efficiency. Currently, major time of management is lost in overcoming statutory hurdles.

We must reopen all the closed units those are economically viable. We must change Banks' NPA norms as suggested in the book "Turn around India" and infuse liquidity to productive sector for quick revival. There is no prudence for keeping national assets idle and importing goods. Once these actions are initiated, I am sure investor's confidence for new investments will be regained. Off course laws, governing new investments must be eased and approvals must be expedited. Such host of regulatory reforms are the most urgent need for revival of Indian economy.

However, we must change our mindset towards productive sector and give them due recognition in the nation building process. At the same time, entrepreneur should also act in responsible and dedicated manner in the national interest, instead of keeping single motto of profit earning. They must join Team India in the right earnest for taking our nation to the great heights. We must be prosperity leader and not the poverty leader. We must emerge as one of the Developed Nation in next 5 years. ■