‘Committed to put economy back on high growth path'

Amid global slowdown impacting India as well, Prime Minister Manmohan Singh today said the government is committed to do everything to put the economy back on a high growth path of 8-9%.

"The steps we have taken recently are only the beginning of the process to revive our economy and take it back to its trend growth rate of 8-9%," Singh said at the 85th Annual General Meeting of Ficci here.

He said the global economy is passing through turbulent times and "excessive pessimism" at home has hurt the country's growth process.

"But I stand before you to reassure you that our government is committed to doing everything that is possible to alter the policy environment, accelerate economic growth and make the growth process socially and regionally more inclusive," he told the industry captains.

The economic growth slowed to a nine year low of 6.5% in 2011-12 and this year, too, the GDP growth, as per RBI's estimates, is likely to be 5.8%. In the three years preceeding the 2008 global economic crisis, India was growing at a rate of more than 9%.

The Prime Minister further said the government needs to take forward the steps it has taken through constitution of Cabinet Committee on Investment to revive the economy.

"We need to complete the exercise that has begun on GAAR (General Anti Avoidance Rules) and taxation of the IT sector. We will speed up the disinvestment process which will also revive our equity markets," he added.

Liberalisation of foreign direct investment norms in sectors like multi-brand retail and aviation and cutting subsidies on petroleum products are some of the key economic reforms undertaken by the government in the recent past.

In an apparent dig on parties which oppose reforms, the Prime Minister said, "Some of the decisions we have taken were politically difficult and the naysayers and the cynics have tried to halt us in our track, but we had the courage of our conviction and the interests of our people at heart".

Referring to opposition to opening of the retail sector to global supermarkets, Singh said, "I am afraid that those who oppose these moves are either ignorant of global realities or are constrained by outdated ideologies.

"For example, when I hear the debate on FDI in retail, what I hear are arguments against large scale organised retail, not against FDI in retail".

The Centre's decision to open up the retail sector to FDI had attracted widespread criticism, with the debate on the issue being put to vote in Parliament and the government securing a majority.

The government also intends to get Parliament's approval for raising FDI cap in the insurance sector to 49% from the current 26%, besides amendment to the banking laws.

Referring to inflation which is still high, the Prime Minister said it needs to be brought down to 5-6%.

"The inflation rates in the last two years have also increased to unacceptably high levels and need to be brought down to no more than 5-6% per annum," Singh added.

The Prime Minister also assured the industry that two ambitious tax reforms -- Direct Taxes Code (DTC) and Goods and Services Tax (GST) -- are high on government's priority list.

Singh said while it is a matter of satisfaction that India's per capita income level has increased, he is "pained" to see the level of social and regional inequalities that continue to exist in the country.

"The years of high growth enabled us to generate resources that have been deployed to improve the well being of our people. But we need to do more to eradicate poverty, ignorance and disease from this blessed land of ours," Singh said.

He, however, said despite the challenges India continues to face, "we must recognise that poverty has declined at a pace never seen in the past 200 years".

Singh further said that while subsidies have an important role to play in "softening the harsh edges of extreme poverty", the outgo on this front has grown in the recent years which is constraining the government in its efforts for the economic well being and empowerment of people.

"Under-pricing of energy, particularly electricity and petroleum products, has greatly affected the resources available for investments in infrastructure and social development. The subsidy on oil alone is more than what the government spends on health and education put together.

"We need to address these issues even as we ensure that the poor and the vulnerable are protected," Singh said, adding that Aadhaar based direct cash transfer will help reduce leakages of subsidies, cut down corruption, eliminate middlemen, target beneficiaries better and speed up transfer of benefits to individuals."

The government plans to provide direct cash transfer into bank accounts of beneficiaries of 34 centrally-sponsored schemes in 51 districts from January 1 and expand it to the whole country by end of 2013.

The high subsidy bill is putting pressure on India's fiscal deficit.

"Last year, the central government's fiscal deficit touched a high of 5.9% of GDP. This was clearly unsustainable... Government is serious about moving in this (fiscal consolidation) direction. Our action in correction of distortions in energy pricing, reducing diesel and LPG subsidies was aimed to achieve this objective," Singh said.

The government has come out with a fiscal consolidation roadmap to bring it down to 3% of GDP by 2016-17 financial year. The fiscal deficit is likely to touch 5.3% of GDP this financial year.

(Business Standard)