

RBI chief pinpoints five shifts to shape economy

POTENTIAL Farm sector, ICT and startups, supply and value chain, energy and infra the focus

Rajeev Jayaswal
letters@hindustantimes.com

NEWDELHI: Reserve Bank of India (RBI) governor Shaktikanta Das on Monday said five dynamic shifts — fortunes shifting in favour of the farm sector, changing the energy mix in favour of renewable, leveraging information and communication technology (ICT) and startups, strengthening supply and value chains, and focusing on infrastructure as a growth multiplier — have the potential to shape the future of the Indian economy.

“They (the five factors) may escape our attention in this all-consuming engrossment with the [Covid-19] pandemic, but they could be nursing the potential to repair, to rebuild and to renew our trust with developmental aspirations. These dynamic shifts have been taking place incipiently for some time,” Das told the Confederation of Indian Industry (CII) via video conference.

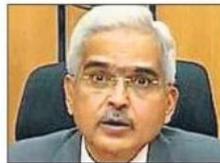
Commenting on the infrastructure as a growth driver, he said the infrastructure gap still remains large and there is a need for diversifying financing options. “Promotion of the corporate bond market, securitisation to enhance market-based solutions to the problem of stressed assets, and appropriate pricing and collection of user charges should continue to receive priority in policy attention,” he said.

Das suggested that a big push to some targeted mega infrastructure projects could reignite the economy. “This could begin in the form of a north-south and east-west expressway together with high speed rail corridors, both of which would generate large forward and backward linkages,” he said.

On agricultural transformation, Das suggested a change in policy focus from minimum support price (MSP). “Hitherto, the main instrument has been minimum support prices, but the

THE HIGHLIGHTS

- RBI governor Shaktikanta Das suggests that a big push to some targeted mega infrastructure projects could reignite the economy
- He says the infrastructure gap still remains large and there is a need for diversifying financing options
- Promotion of the corporate bond market, securitisation to enhance market-based solutions to the problem of stressed assets, and appropriate pricing and collection of user charges



■ Shaktikanta Das. ANI

should continue to receive priority in policy attention

- On agricultural transformation, Das suggests a change in policy focus from MSP

experience has been that price incentives have been costly, inefficient and even distortive,” he said.

He hoped that an efficient domestic supply chain will facilitate “domestic free trade” in agriculture that is triggered by three key policy changes — the amendment of the Essential Commodities Act (ECA); the Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Ordinance; and the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance.

With this enabling legislative framework, the focus must turn to crop diversification, food processing, agricultural exports, and public and private capital formation in the farm sector, he said.

A similar opportunity now exists in the energy sector, especially renewable, Das said, adding that India is now a power surplus country, exporting electricity to neighbouring countries.

The shift to greener energy would reduce the coal import bill, create employment opportunities, ensure sustained inflow of new investments and promote ecologically sustainable growth, he said, but added that reforming retail distribution of electricity

while reducing commercial, technical and transmission losses remained a key challenge.

Das described ICT and startups as key growth drivers. “The ICT revolution has placed India on the global map as a competent, reliable, and low-cost supplier of knowledge-based solutions,” he said.

He said Covid-19 has impacted the outlook for startups, particularly the availability of funding due to the atmosphere of risk aversion. Regulatory uncertainty relating to work permits and immigration policies could also amplify challenges. The sector has to also deal with concerns relating to data privacy and data security, he added.

“Promoting young firms and startups will be critical for greater employment generation and higher productivity-led economic growth in India,” he said.

Das said this is the time to strengthen domestic and global supply chain.

“Investment in sectors with strong forward and backward linkages in the supply chain can generate higher production, income and employment. Consequently, identification of such sectors becomes critical for strategic policy interventions,” he said.

Global shifts in value chains

in response to Covid-19 and other developments will create opportunities for India, he said. “Besides focusing on diversifying sources of imports, it may also be necessary to focus on greater strategic trade integration, including in the form of early completion of bilateral free trade agreements with the US, EU and UK.”

DK Srivastava, chief policy advisor at consultancy firm EY India said the RBI governor has invited India’s corporate sector to invest heavily in these five sectors that define an ongoing economic shift in the Indian economy.

“First, in agriculture, the government’s new regulatory initiatives, including the creation of a genuine all-India market in agricultural products, will make returns to investment in agriculture more remunerative. Second, in the case of renewables, there is a clear scope for taking advantage of progressive cost reductions and substituting imports of solar panels from China by creating domestic capacity. Third, in the case ICT, the government’s initiatives for curbing Chinese technologies and applications opens up competitive space for Indian initiatives. Fourth, global supply chains are bound to be realigned in favour of India, and the private sector should invest extensively and take advantage of the space that is being opened up,” he said.

Srivastava proposed another round of financial stimulus. “To finance public investment in infrastructure, government may consider another round of fiscal stimulus focused mainly on increasing government’s capital expenditure on infrastructure,” he said. The state governments may also be persuaded to borrow up to the enhanced limit of 5% of their respective gross state domestic product (GSDP) and the prerequisite conditions for availing of this increased limit may also be relaxed”, he said.