

GROWTH PROJECTION

Not complacent about growing faster than China: FM

The government will aim for a sustainable high growth rate, says finance minister Arun Jaitley

BY ASIT RANJAN MISHRA
 asit.m@livemint.com

NEW DELHI

The government is not complacent with projections by multilateral agencies that India's economy will outpace China's in the next few years and will aim for a sustainable high growth rate, finance minister Arun Jaitley said on Wednesday. Jaitley also said the government has its eyes on passing the land acquisition bill, GST constitutional amendment bill and companies bill in the second half of the budget session starting 20 April.

Multilateral banks such as the International Monetary Fund, World Bank and the Asian Development Bank have projected India to grow faster than China in 2015-16. In the latest projection, the ADB on Tuesday said India will grow at 7.8% in

2015-16 compared to an estimated 7.2% for China for the same year.

"Over 30 years, China had a 9% plus growth rate which is huge. Therefore, by just the course of some circumstance if we grow faster for one or two years, that cannot be a cause for any great delight. It has to be on a long-term sustainable basis," Jaitley said while speaking at an event The Growth Net 2015, jointly organised by the non-profit organisation Ananta Centre and strategic advisory firm Smadja & Smadja.

Speaking for the first time on the credibility of the new GDP series launched by the Central Statistics Office (CSO) which paints a robust picture of the economy, Jaitley said nobody has ever questioned or contested the professionalism of the CSO. "CSO is an organisation which functions completely at an arm's length from the government. They devise their own methodologies which are globally compatible. They have expanded their methodology and have followed a procedure which is being done in almost all the developed countries of the

world. The data itself looks encouraging," he added.

The recent flurry of changes in India's GDP projections have come after the CSO changed the methodology and base year for calculating economic output to make it comparable with other nations. But the sharp upward revision of GDP growth to 6.9% in 2013-14 from 5.1% under the earlier series has been questioned by some policy makers and economists.

Jaitley said there is no room for complacency for various reasons. "One, in agriculture, job creation, infrastructure, manufacturing—these are all areas where we have to cover a lot of distance. Therefore, we can't just market the new GDP data and say we are more than satisfied. I would be satisfied if India were touching a double digit growth rate, if job creation becomes faster, if agriculture takes a leap. We have missed historical opportunities in the past. I can quite see an opportunity revisiting," Jaitley added.

Expressing satisfaction on passing the coal and minerals bills, Jaitley said the next target clearly is Goods and Services Tax

Expressing satisfaction on passing the coal and minerals bills, Jaitley said the next target clearly is GST

(GST). "I hope in the second part of the budget session, the GST constitutional amendment bill will be passed. Thereafter, the empowered committee along with the government drafting the other legislations will be circulated around the country, so that within this calendar year, we can pass those bills," he added.

The amendments to the Companies Act to make it easier for companies to do business in India will also be taken up in the second part of the Budget session. "One house (Lok Sabha) of Parliament has amended the law, I am hoping to get it done by the other house (Rajya Sabha) in coming days in this session,"

he added.

On the land acquisition bill, 2015, Jaitley said whether a state government wants to acquire land for any of the five new purposes introduced, is entirely for it to decide. "But can a state government, when we all swear by cooperative federalism, stop a more progressive state government holding I won't do it and I won't allow you to do it? That is not an acceptable economic proposition," he added.

But Jaitley said the Cabinet will take a final decision whether to allow the land ordinance to lapse or repromulgate it.

When asked whether the government will give up management control under the proposed strategic divestment that the budget talked about, Jaitley answered in the affirmative. "Suppose there is a completely loss-making company which the government cannot at all revive, it obviously cannot happen that the government will keep control and the taxpayer will continue to fund such companies," he added. Jaitley said strategic divestment will not be limited to loss making companies only, opening the door for selling

stakes in profit making public sector units as well. Jaitley said a list for strategic divestment has been drawn up without revealing the names of the companies.

On his views on the Reserve Bank of India (RBI) further cutting interest rates, Jaitley said "I am quite certain we will see more cuts in future, but if you ask me today how much and when, it is in the domain of the Reserve Bank and I will leave it to them. My own views have been India needs to lower its interest rates," he said.

On asking public sector banks to cut borrowing rates, Jaitley said the government does not pressurise banks to cut rates. "But we do hope that after assessing the situation, they will act in a prudent manner. Our banks have been by and large responsible," he added.

After maintaining an anti-inflationary stance during most of 2014-15, despite retail inflation declining by almost 400 basis points from April to December 2014, RBI cut key interest rates by 50 basis points in the fourth quarter of the financial year. One basis point is one-hundredth of a percentage point.