1. 'Ease of doing business is a critical factor for industrial growth'. In this light, critically assess the performance of the measures taken by the government to improve the ease of doing business in India.

Approach

Start with basic definition and explanation of EODB with Indian ranking and how it works. Then highlight the measures taken to improve the ranking with its critical assessment and limitations.

Introduction

Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. It is computed by aggregating the distance to frontier scores of different economies. The distance to frontier score uses the 'regulatory best practices' for doing business as the parameter and benchmark economies according to that parameter.

Body

- India has jumped to rank 63 in the World Bank's Ease of Doing Business 2020 report. High rank in the index signals to world about the attractiveness of the economy and aids in the growth of investments and industrial growth.
- For each of the indicators that form a part of the statistic 'Ease of doing business,' a distance to frontier score is computed and all the scores are aggregated. The aggregated score becomes the Ease of doing business index.
- Indicators for which distance to frontier is computed include construction permits, registration, getting credit, tax payment mechanism etc. Countries are ranked as per the index.

Measures taken by government to improve ease of doing business are:

- Goods and Services Tax: 17 indirect Central and State taxes have been replaced with a single indirect tax, Goods and Service Tax (GST), for the entire country. Unification of these taxes will reduce the cascading effect of taxes and make taxes paid on inputs creditable to a higher percentage.
- Corporate income tax has been reduced from 30% to 25% for companies with a turnover up to INR 250 crore.
- The Insolvency and Bankruptcy Code has introduced a reorganization procedure for corporate debtors and facilitated continuation of the debtors' business during insolvency proceedings. Time-bound resolution process is done under the IBC and liquidation is the last resort.
- Ease of trading across borders: e-Sanchit, an online application system, under the Single Window Interface for Trade (SWIFT) has been implemented. It allows traders to submit all supporting documents electronically with digital signatures.
- Enforcing Contracts: National Judicial Data Grid has been introduced which makes it possible to generate case measurement report on local courts.

- National Investment and Infrastructure Fund: The government has set up NIIF with the aim to attract investments from both domestic and international sources for infrastructure development in commercially viable projects. The corpus of the NIIF is proposed to be Rs 40,000 crore ($6 billion) wherein the government will invest 49%.
- Foreign Investment Promotion Board: In a bid to reduce red-tapism, the government abolished the FIPB which used to scrutinise foreign investment proposals. The proposals are now cleared by departments concerned.
- ShramSuvidha: The government launched online portal for firms to file a common return on its portal to comply with as many as eight labour laws at one go.
- Relaxation in FDI norms – For example: The Insurance Law Amendment Act of 2015 -which allows more Foreign Direct Investment in the sector upto 49%
- Single window clearance system: State governments have streamlined procedures and made it easier to obtain construction permits by allowing the submission of labour inspector commencement and completion notifications through a single-window clearance system.
- MUDRA loans in 59 minutes to enhance getting credit for business: The initiative aims at automation and digitization of various processes of Business Loan (Term Loan and Working Capital Loan) and Retail Loans (Personal Loan and Home Loan) in such a way that a borrower gets an In-principle approval letter in less than 59 minutes.
- The growth in industries has been averaging around 7% in the 90s and increased to 7.4% in the last decade. At the end of it the manufacturing, export sectors came under pressure because of the global financial crisis. The government through better regulatory environment aims to attract domestic and foreign investments into the manufacturing sector.

Criticisms and limitations of government measures/ Areas that need attention:

- The jump in overall ranking was driven primarily by improvements in issuing construction permits (from 181 to 52) and trading across borders (from 146 to 80).
- In spite of enacting GST that has led to creation of single market for goods & services, teething problems with respect to filing returns and delay in getting refunds has impacted the ease of doing business. India's position has thus worsened a bit in the latest ranking on 'paying taxes'.
- India's score remains dismal on registering property, where it ranks 166. While it takes 69 days to register a piece of property in India, in New Zealand this can be done in a single day.
- As the index is calculated by measuring parameters in only Mumbai and Delhi, the government has focused on improving ease of doing business in these cities often neglecting the red-tapism experienced by the business firms located in tier 2 or tier 3 towns.
- Judicial delay in enforcing of Contract: High pendency of cases (nearly 50000 in Supreme Court alone) and high Judicial vacancy (nearly 40% in High Courts) has led to delay in resolution of disputes.

- Persisting NPA problem has impacted credit growth rate: non-food credit disbursements grew at 12.3 per cent in FY19 (up from 8,4 per cent in FY18), while food credit continued to witness a de-growth at 0.9 per cent.
- NBFC liquidity crisis – IL&FS and PMC crisis – has predominantly impacted the working capital of MSMEs.
- IBC no doubt a very needed reform but it is still in the process of evolving. As of now, it has faced certain issues with its efficiency. The time period taken for the resolution process has been more than what has been allowed under the code.
- The dissenting financial and operational creditors have been approaching NCLT/NCLAT which has become a hurdle. The judiciary has been involved in interpreting many of the provisions of the law. Recovery of the debt still is on the lower side

Conclusion

Measures to reduce logistics costs and to improve infrastructure, reducing the cost of land, power, and capital can significantly ease the burden for businesses. Faster implementation of these initiatives will help India consolidate its location-product matrix and realise its potential in high value-add segment. Coupled with steadfast focus on execution and institutional reforms, the EoDB programme should catapult India into the league of nations with a robust business ecosystem that attracts and fosters most innovative enterprises from across the world.

2. Share your views on the idea of privatisation of train and rail route operations. Will it not take away the status of public good from railways? Substantiate your views.

Approach

Start with the recent privatisation announcement and then define and explain the public goods with its characteristics linked to Railways services, substantiate the views on need of privatisation and impact on image of public good.

Introduction

Indian railway is the third largest in the world carrying 23 million passengers daily, employing 1.3 million people but is operating at an operating ratio of nearly 98%. Running of Tejas express between Delhi and Lucknow marks the beginning of privatisation of Indian railways.

Body

What Is a Public Good?

- In economics, a public good refers to a commodity or service that is made available to all members of a society. Typically, these services are administered by governments and paid for collectively through taxation.
- Public goods are commodities or services that benefit all members of society, and which are often provided for free through public taxation. Public goods also refer to more basic goods, such as access to railways, public park, clean air and drinking water.
- Public goods are the opposite of private goods, which are inherently scarce and are paid for separately by individuals. Societies will disagree about which goods should be considered public goods; these differences are often reflected in nations' government spending priorities.

Indian railways as public good:

- The main criteria that distinguish a public good are that it will be non-rivalrous and non-excludable. Non-rivalrous means that the goods do not dwindle in supply as more people consume them; non-excludability means that the good is available to all citizens. But Indian railway doesn't offer services totally free and tickets are based on paid first cum first basis with excludability element, thus nature of Indian railways is not wholly public good.
- Indian railways should carry forward with judicious and reasonable privatisation in very much tailored approach with focus on limited routes.

Indian railways in need of privatisation:

- Infrastructure - Cost of holistic development of metro cities railways alone is estimated at 10000 cr. Privatisation will bring investment which will help in infrastructure development.
- Efficiency - Privatisation is generally associated with high efficiency as seen in the case of privatisation of airports in India.

- Services - People will get better services for the amount they are paying.
- Cross subsidisation - This will reduce load on freight as currently passengers fares are subsidised by freight fares. Share of freights got reduced from 89%in 1950 to 31% now.
- Politics - Railways are the lifeline of our country and politicisation happens during election which hampers pricing of tickets.
- Lesser accidents - As per national crimes record bureau 2700 Indians died in 2014 railway accidents.
- Better maintenance - It would make sense for the IR to get private players instead of going ahead with its plan to replace 43,000 outdated ICF coaches with Linke Hofmann Busch (LHB) ones. Better quality of service due to enhanced competition.
- Public services- British experience suggests that this leads to high satisfaction in public
- Other businesses- Japan’s corporatisation of railways led to development of real estate and associated business around it. The land with railways can thus be used effectively.

Conclusion

As the Indian Railways plays a vital role in transportation of goods in the country, it provides a low cost of transportation of many final and intermediate goods. Thus, the privatization of the system motivated by profit making, should not have inflationary effect and thereby affect the common people. There should be balanced solution that would incorporate the pros of both private and government enterprises and enhance the image of Indian Railways as it continues to serve the world’s largest democracy.

3.How can a credit incentive scheme boost health infrastructure? Elucidate.

Approach

The question is based on the current credit incentive scheme introduced by the government India and RBI which can be a good introduction to start.In next part mention some brief features of these incentives and in last elucidate how this will augment various components of the health infrastructure.

Introduction

An explosive outbreak of the corona virus pandemic in India in recent months overwhelmed the nation's deficient health care infrastructure, leading to a shortage of everything from hospital beds to oxygen supplies.Therefore India is considering offering as much as $ 6.8 billion (Rs 50,000)of credit incentives to boost health care infrastructure to make health infrastructure ready for any future waves and improve overall quality of health sector to deal with such crises.

Body

Issues plaguing Indian Health sector :

- India's general government expenditure on healthcare as a percent of GDP was just 1.0% in 2017, according to the World Health Organisation (WHO) data, placing it at number 165 out of 186 countries in terms of government expenditure on healthcare.
- Skewed availability of healthcare across India as poorer States have the worst facilities.In terms of access and quality of health services, India was ranked 145 out of 195 countries in a Lancet study published in 2018, below countries like China (48), Sri Lanka (71) Bhutan (134) and Bangladesh (132).
- Availability of trained epidemiologists is an issue due to low salary and job insecurity in the health system.There should be one epidemiologist per 0.2 million population. An epidemiologist is a technical person to guide and monitor the process of contact-tracing, marking containment zones and isolating suspected cases.
- India's expenditure on R&D as a percent of GDP has continued to remain stagnant at 0.7% of GDP for three decades, with the public sector accounting for 51.8% of national R&D expenditure. This compares to around 2.8% of GDP for the USA, 2.1% of GDP for China, 4.4% of GDP for Korea and around 3% for Germany where the dominant sector by spending on R&D is the private sector.

The India health infrastructure was already not adequate for normal times but the pandemic has raised reports on longstanding problem of healthcare workers protesting the shortage of equipment such as ventilators, oxygen cylinders, ICU beds, etc .This has led to government bringing the credit incentive scheme to build quality infrastructure and remove rural urban disparities.

Features of the credit incentive scheme of RBI and Government of India.

- This move is aimed at easing access to emergency healthcare services. To boost the provision of immediate liquidity for ramping up immediate covid-related infrastructure and services in the country.
- Under this scheme, banks can provide fresh lending support to a wide-ranging of entities including vaccine manufacturers, importers and suppliers of vaccines and priority medical devices, hospitals and dispensaries, pathology labs, manufacturers and suppliers of oxygen and ventilators, and also patients for treatment.
- These loans will continue to be classified under the 'priority sector' till repayment or maturity, whichever is earlier.
- Banks may deliver these loans to borrowers directly or through intermediaries. Banks are expected to create a Covid loan book under this scheme.
- Such banks will be eligible to park their surplus liquidity up to the size of the Covid loan book under the reverse repo window at a rate 25 basis points lower than the repo rate.
- Indian government will act as guarantor in such loans to make the process more faster.

Impact of incentives on the Health infrastructure in future:

- Vaccine manufacturers : The manufacturers of current vaccine such as Serum institute of India and Bharat Biotech as well as vaccines which are in pipeline for final trials such as Zydus cadila will be able to tap to this liquidity facility and ramp up production of vaccines and build up sufficient inventories to not only vaccinate whole of India by December 2021 which is the target set by the government but to also provide vaccines to rest of the world especially the low income countries who do not have much resources.
- Importers and suppliers of vaccines : The logistics of vaccine supply will also need to be ramped up for catering to high daily vaccination and therefore the cold storage chains will benefit from this credit incentive keeping in mind that in future mRNA vaccines which require low temperatures can also be in the covid vaccination policy.
- Medical devices: The critical component such as oxygen concentrators, ventilators, oxygen plants, pulse oximeters which were in deficit and will be needed in any future upsurge will get a boost from the credit incentive scheme.
- Hospital infrastructure : Many hospitals especially in rural areas were lacking ICU facilities and trained doctors .This credit facilities can help them to invest both in physical and human capital infrastructure to handle not only future covid but. Non covid related cases.
- Pathology labs : Diagnostics which include blood reports, antigen test, RTPCR have become essential tools to implement the strategy of Test, trace and treat.India initially had only one facility to test samples of covid which has expanded to more than 1000 today.This credit incentive scheme will further augment the diagnostic for better surveillance of the virus and to nip in the bus any future outbreaks.This will also be essential to avoid low testing phenomena seen in rural areas in 1st and 2nd wave of the pandemic.

- Research institutes: Research institutes can tap the credit facility to invest in clinical trials to evaluate new drugs, offer courses to train health staff to handle the pandemic and other diseases in better way.Further the evolving situation with new variants demand new research in diagnostic, treatment and vaccination.
- Digital thrust : The digital records for better surveillance and treatment protocols is necessary.Thus the new investment in digitisation of hospitals and rural care centres is necessary which can be made trough this credit facility.This will also lead to better health insurance coverage which is very low in India.

Conclusion

Therefore the credit incentive facility is welcome in the current situation of pandemic.But to keep the health infrastructure in better shape and avoid inconvenience to citizens in future it is necessary to increase the annual spending on health sector to 2.5 percent of the GDP as envisaged in National health policy, 2017 which will provide better regular funding rather than ad hoc credit incentive schemes.