



STEPS TOWARDS PROSPERITY

A pragmatic approach towards eradication of poverty through simplification of business regulations and emphasis on micro-enterprises is the need of the hour

BY SANJAY KUMAR GUPTA

The recently held General Election in India has given new government in the centre, with a clear majority to a single party after a long gap of thirty years. This has instilled a fresh hope of a bright future among the citizens. As a conscious optimistic citizen, one has a vision of a poverty-free happy India. At a time when India is the world's third largest economy, the largest and over 60 year old democracy, having an intellectual pool and technology-friendly country, the existence of extreme poverty can't be justified any longer.

Considering India is home to the highest number of poor in the world, a poverty-free India would be a significant contribution to realising a global vision of the poverty free world. We have the following expectations and suggestions for the

new government to make India a happy and a prosperous country.

1. Eradicate extreme poverty: The latest 2014 World Bank report puts 11.8 per cent of all people in India below the international poverty line of US\$ 1.25 per day (PPP). In our society where inequality is quite huge, drawing an acceptable national poverty line, based on daily income alone, has become a contentious issue because of its unacceptability from a practical point of view. First and the foremost thing to benefit extremely poor community is their identification first using practical and acceptable eligible criteria and then targeting them through technical, financial and social protection support to help them cross over the poverty line in a time bound manner. Those who are just above the poverty line should

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also be identified and supported as any minor shock may pull them down below the poverty line. Our human resource pool and use of information technology should make targeting and tracking of extreme poor possible.

2. Reform government departments: India's 136th ranking on 2013 Human Development Index is a clear indication of the lack of quality basic services to its population. Despite above 16 per cent social sector expenditure in last few years out of the government's total expenditure, government schemes remained ineffective due to mismanagement and institutional incapacity. Now on instead of bringing one scheme after other a significant effort should be focussed on reforming and capacitating number of government institutions that deliver

services to the poor to bring in more accountable in its functioning. These agencies should be properly resourced and capacitated, and wherever needed services should be outsourced to the private sector. Introduction of technology to make them effective and efficient is the need of hour. Efficient here means delivery of services and inputs to poor in a time bound manner and effective means delivering services and inputs that meet the need of the poor. This would require investment in human resource development and building infrastructures with use of IT to deliver transparent and time bound services. It is high time government makes its departments accountable and deliver results to bring India's HDI ranking within 100 in the near future.

3. Simplify business regulations: It has been established that private sector led growth after liberalisation of economy led to millions of poor families crossing over the poverty lines by creating new employment opportunities. This has happened despite India's 134th rank on the ease of doing business in 2013 indicating non conducive regulatory environment to starting and operating of a local firm. Imag-

ine a scenario when regulatory policies become supportive of not only big enterprises but micro-enterprises as well through timely and single window clearances, extreme poverty could be eradicated sooner than expected. This would significantly help rural areas that have remained largely unaffected by the liberalisation growth story of last two decades.

An unregulated private sector may have negative impacts on human rights, environment and feeding into rising inequality, price rise and more widespread deprivation. In a free market environment, where wealth attracts wealth and rich become richer, government needs to ensure that poor don't become poorer. The government needs to play a balancing act to ensure private sector focuses on triple bottom line of people (social) and planet (environment) followed by the profit. For this, government needs to understand business not only to support them but to protect social and environmental interests as well.

4. A national policy for micro-enterprises: The MSME ministry defines micro-enterprise in manufacturing sector is one where investment in plant and machinery doesn't exceed ₹2.5 million and for service sector investment in equipment doesn't exceed ₹1.0 million. It excludes investment in the land. Among all existing enterprises, micro-enterprises form an overwhelming majority. Even among the micro-enterprise spectrum defined above the ones at the lower end of spectrum with investment say less than ₹0.1 million forms the majority in India but these don't get recognition and benefits under the current policy environment. These micro-enterprises are spread throughout India and have good

potential for generating additional employment locally. Therefore, micro-enterprises with low investment, say ₹0.1 million should be defined separately and an exclusive national policy should be framed for their promotion and sustainability. This requires an inclusive saturation approach that targets each and every micro-enterprise in the country. Micro-enterprise support centres (MSC) should be created throughout India to extend business development services to micro-enterprises.

The decisive mandate that government has received this time makes it possible for it to follow the pre-emptive approach to development challenges than the curative approach of the past.

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Views expressed are personal.

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