

Vote on Account 2019

Usually a vote on account is a non-event in the cycle of India's annual media event surrounding the budget. However, this year it was different for a few reasons: the jobs data (disputed or otherwise) just prior to the vote on account revealed an alarming trend in an economy already ravaged by demonetization and GST; and of course, the impending elections.

To those who watched the budget speech it was largely propaganda and sops. Everyone got a little bit and a promise for lots more to come, when the finance minister laid out his vision for the next ten years. Rural subsidies for poor farmers ('Pradhan Mantri Kisan Samman Nidhi'), salary deductions raised and income tax limit raised, twenty-four hour timeframe to process all income tax returns and the promise of anonymity between income tax assessor and assessee. Even a pension scheme for every Indian ('Pradhan Mantri Shram-Yogi Maandhan').

India's biggest growth engine is its aspiring middle class. This budget directly puts monies in to their hands and this is a huge positive. Historically, lofty government welfare schemes have been high on ambition and low on impact. While government schemes still remain (like 'Pradhan Mantri Jeevan Jyoti Bima Yojana' and 'Pradhan Mantri Suraksha Bima Yojana') the shift to direct cash to the citizen needs to be lauded. This will clearly keep the consumption engine moving. Even the rationalization of taxes around real estate ownership will have a positive impact on the real estate sector. Add to this the promise of GST reform for under construction flats in the near future and we will likely see a revival of the battered sector soon.

While political parties can vie for credit on various fronts, thankfully India keeps chugging along. A healthy monsoon and least interference from the government will serve the economy well. The Aadhaar and direct link to bank accounts facilitates this and we have the digital revolution to thank for that. The monsoon – well every year we can pray for that, and finally minimal government – we can only hope for that.

One final point of view, the legal system needs to become a support and not an impediment in the growth of the economy. Today for numerous reasons, we are far from that. The IBC and the uncertainty and delays in resolution is bringing the much-needed reform to its knees.

There is little doubt that the judiciary is having a tremendous impact on the economy. First, the government is the largest litigator in the courts. Less arbitrariness in decision making and clarity in laws are much needed. Decision makers today are almost incentivized to take no decisions and push the file to the courts to finally decide to minimize any allegations of impropriety and post decision inquiry. This must change. The next badly needed reform is the reform to the judiciary itself. An understaffed and overburdened judiciary with failing infrastructure can only go so far. There must be a large-scale revamp with the requisite budgetary allocations to bring about the change from outside.

More important is the change from within. Appointments must be made on merit and the process must become more transparent. The tribunal system (NCLT, Green tribunal, SAT etc)

should be staffed by sector experts and the structure needs to be re-looked at in a manner that it is not overloaded with retired judges and bureaucrats. India is perhaps the only country in the world, where appointments to tribunals require a minimum age and pre-retirement position to be appointed. Clearly that experiment has failed. Today our Supreme Court is less of a constitutional authority and more as a court of last appeal. This is neither serving the populace nor the economy. No budget can fix that.

The judicial system needs to embrace technology. This does not mean digitalization of pleadings. It means use of technology for small claims, non-criminal offences and routine non-contentious matters like probates and the like. The UK has adopted several of these reforms. Having inherited the common law system from them, there is no reason we cannot learn and adapt these technologies for the effective administration of justice.

The poor implementation of GST and the ill-advised demonetization were products of our political masters. The consequent and predictable impact on the economy hurts the average Indian. Post introduction of GST, its repair is still a work in progress. The point is that India lumbers along notwithstanding the administrators. An ambitious population, and (hopefully) a bountiful annual monsoon will drive India.

In sum, going forward, beyond the political grandstanding what India needs is early adoption of technology as an interface between citizens and the government (including administration and delivery of justice) and minimal imposition of ideological thought through budgetary allocations – and the economy will do just fine. Scratch the surface and you will see beneath all the grand names of the various schemes, they are all targeted at achieving the same outcomes. India is an economy on the move, no government – coalition or otherwise – can de-rail that.