GST MUST TO BOOST MANUFACTURING, GROWTH IN INDIA, SAYS WORLD BANK

NEW DELHI: Implementation of the goods and service tax (GST) is the most critical reform needed for Indian manufacturing, the World Bank has said weeks after Prime Minister Narendra Modi invited global firms to 'Make in India' to spur manufacturing in the country. According to Denis Medvedev, senior country economist of the World Bank-India, implementing the GST will transform India into a common market, eliminate inefficient tax cascading and go a long way in boosting the manufacturing sector.

"The transformational impact of reform, particularly if enhanced by a systematic dismantling of inter-state check posts, can dramatically boost competitiveness and help offset both domestic and external risks to the outlook," said Medvedev.

The World Bank has pegged India's economic growth at 5.6% for the current fiscal.

According to its estimates, simply halving the delays due to road blocks, tolls and other stoppages could cut freight times by 20-30% and logistics costs by an even higher 30-40%."This alone can go a long way in boosting the competitiveness of India's key manufacturing sectors by 3 to 4% of net sales, thereby helping India return to a high growth path and enabling large-scale job creation," the World Bank said in its latest India Development Update released on Monday.

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As per the update, a twice yearly report on the Indian economy and its prospects, India's economic growth is expected to rise to 5.6% in 2014-15, followed by further acceleration to 6.4% and 7.0% in the next two financial years respectively.

"With economic reforms gaining momentum, long-term prospects for growth remain bright for India," Onno Ruhl, World Bank country director in India said. "To realise its full potential, India needs to continue making progress on its domestic reforms agenda and encourage investments.

The government's efforts at improving the performance of the manufacturing sector will lead to more jobs for young Indian women and men," he said. Recently, the International Monetary Fund has raised the country's growth forecast to 5.6% for 2014 from its earlier estimate of 5.4% on the back of effective policies and a renewal of confidence following the installation of Narendra Modi-led NDA government.

According to the World Bank, India's longer term growth potential remains high due to favourable demographics, relatively high savings, recent policies and efforts to improve skills and education, and domestic market integration.

"Improved growth prospects in the US will support India's merchandise and services exports, while stronger remittance inflows and declining oil prices are expected to support domestic demand," the report said.