

## Rakesh Mohan leaves North Block

Economy is on a rebound and corporate bottomlines are poised to spurt

J Padmapriya, TNN Apr 12, 2002, 12.22am IST

New Delhi:

Rakesh Mohan, Chief Economic Advisor to union Finance minister Yashwant Sinha, is calling it a day. But he is hopeful that the economy is on a rebound and corporate bottomlines are poised to spurt. mohan, who is quitting the finance ministry after a 17-month stint, which included engineering two budgets, says "we would witness a spill-over effect as that goes with being a part of the world." a global turnaround will particularly have a positive impact on india inc's bottom line.

The difficulties over the last two years on account of the slump has made indian industry adopt belt-tightening measures and undertake internal restructuring. "companies have managed to cut costs and improve operational efficiencies. when demand picks up, corporate india will witness a higher profit growth than revenue growth," he predicts and, this would, in turn, affect the stock market and "lift sentiments in some sense". Talking about his plans after the north block assignment, Mr Mohan said he would step down from his office on may 15 to join ICRIER and also co-head the IDFC. Dr. Mohan told et, "the work profile is a nice blend of following economic and infrastructure issues."

He had announced similar plans in October last year but stayed on to work on budget '02-03. He says, "*one has shared the experience of carrying forward the reforms process as is embedded in the last two budgets.*"

On the somewhat lukewarm response on pump-priming efforts to boost demand, he says, "the two budgets consciously tried to inject demand in the economy by tax cuts, removal of surcharges and rationalisation of the excise structure. The budgets also addressed broad policy reforms." But, "quite clearly, the results are taking longer. The assumption was that growth will pick up," he admits.

Revenue collections have been impacted on account of crude prices and overall depressed manufacturing activity. Mr Mohan said the revenue deficit continues to be high as a proportion of the GDP.

"This means we are borrowing more for current expenditures with no rate of returns."

But, the good side of demand injection is increased plan expenditure. If you observe the 90s, fiscal correction pressures had resulted in reduced plan expenditures. But, since 1997, there has been a step up with plan expenditure surging 20 per cent in '02-03 over '01-02," he says. Observers see reduction in government's spending in infrastructure areas as a dampner on private investments. But, the note of caution is that "we have to be careful where we invest and monitor the composition of plan expenditure." The results of increased capital expenditure over the last few years has started showing results with increased production of steel and cement. This is a beginning of some kind aided by a spurt in activity in highways and housing sectors," he says.

Mr Mohan served as Director-General of the National Council of Applied Economic Research from 1996-'00. He has also held director posts in National Housing Bank, Industrial Reconstruction Bank of India and ICICI.