Detailed Explanation (Simplified)

This article discusses the challenges of regulating business environments in developing countries like India. The metaphor "herding sheep on a highway" symbolizes the complexity of deciding which businesses to regulate, deregulate, or leave alone. Governments often regulate instinctively, leading to inefficiencies and confusion — sometimes even keeping outdated regulations from colonial times.

The Economic Survey highlights that India needs structural changes to sustain meaningful economic growth. Deregulation is one such solution to reduce compliance costs, foster innovation, and promote business expansion. The Budget announcement of a high-level committee (HLC) aims to address regulatory reform, but the article argues that this must be a long-term, proactive effort.

Salient Points

1. **Regulatory Dilemmas:**
    - Governments face three challenges: deciding what to regulate, what not to regulate, and what to deregulate.
    - Over-regulation often benefits bureaucracy more than citizens.
2. **Need for Deregulation:**
    - Current regulations stifle business growth, especially for Micro, Small, and Medium Enterprises (MSMEs).
    - Excessive and outdated rules push businesses toward informal employment and hinder economies of scale.
3. **Economic Survey Insights:**
    - India's GDP is projected to grow by 6.4% in FY25 and 6.3% to 6.8% in FY26 — below the required 8% for meaningful improvement in living standards.
    - Structural reforms like deregulation are essential for sustained economic growth.
4. **Benefits of Deregulation:**
    - **Lower Compliance Costs:** Helps MSMEs navigate complex rules.
    - **State Reforms:** Examples from Haryana, Tamil Nadu, and Andhra Pradesh show that deregulation improves business efficiency.
    - **Higher Industrial Growth:** States with business-friendly regulations experience faster growth (confirmed by BRAP data).
    - **Elimination of Growth Barriers:** Encourages economies of scale

and formal employment.

- **Efficient Land Use:** Reduces land and compliance costs.

5. **Key Areas for Deregulation:**
   - Municipal and public service laws.
   - Land revenue and town planning.
   - Labour and factory laws.
   - Utilities like water and electricity.
   - Transport, warehousing, and logistics policies.
   - Environmental pollution and excise laws.
6. **High-Level Committee for Regulatory Reforms:**
   - Tasked with reviewing non-financial regulations and licences.
   - Aims to improve "Ease of Doing Business" (EoDB).
   - States encouraged to participate in this exercise.
7. **Critical Suggestions:**
   - The HLC should focus on simplifying regulatory language to reduce litigation and ambiguity.
   - A one-year deadline is unrealistic — regulatory reform must be an ongoing process.
   - Proactive vetting of regulations before they become laws is more effective than fixing problems retroactively.

Facts and Figures

- **Projected GDP Growth:** 6.4% (FY25) and 6.3%-6.8% (FY26).
- **Target for High Growth:** Sustaining 8% growth for a decade.
- **Successful State-Level Deregulation Examples:** Haryana, Tamil Nadu, Punjab, and Andhra Pradesh.
- **HLC Timeline:** One-year deadline to review and suggest regulatory changes.

Conclusion

The article emphasizes the importance of thoughtful regulation and proactive deregulation for India's economic growth. The government's regulatory reform efforts must move beyond superficial reviews, focusing on long-term changes that foster a business-friendly environment. Just like it's easier to keep sheep off a highway than chase them down later, it is better to prevent business-stifling regulations before they become laws.