
Mr. Narendra Modi and the Indian Economy: Status and Challenges

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ABSTRACT

At the time of independence, Indian economy was under developed; there were poor infrastructure, low per-capita income, illiteracy, low rate of FDI and low GDP rate etc. It was primarily dependent on agriculture for the livelihood of the citizen of the nation, there was no industrial development, economy was not self-sustaining hence it was dependent on imports. Now we are celebrating 70th year of independence, witnessing many changes in socio-economic landscape of the Asia's third largest economy .As we know that India is a democratic nation and have a multi-party system, where citizen of the nation have a right to elect their leader or PRIM MINISTER for the tenure of 5 years. Since independence different parties have ruled the nation as Congress, Bahujan Samajvaadi Party, Samajvaadi Party and Bhatia Janta Party. Year 2014 noticed as the historical year in the field of politics of India as Mr.Narendra Damodar Modi has elected as the PRIM MINISTER of the nation with the "POORN BAHUMAT". Mr Modi has brought so many changes for the faster development the INDIA. Present paper is an attempt to analyse the status of Indian economy in the light of efforts done by Mr.MODI.

KEYWORDS: *Indian Economy, welfare policies, macroeconomic indicators*

1. INTRODUCTION

At the time of independence, Indian economy was under developed; there were poor infrastructure, low per-capita income, illiteracy, low rate of FDI and low GDP rate etc. It was primarily dependent on agriculture for the livelihood of the citizen of the nation, there was no industrial development, economy was not self-sustaining hence it was dependent on imports. Now we are celebrating 70th year of independence, witnessing many changes in socio-economic landscape of the Asia's third largest economy .As we know that India is a democratic nation and have a multi-party system, where citizen of the nation have a right to elect their leader or PRIM MINISTER for the tenure of 5 years. Since independence different parties have ruled the nation as Congress, Bahujan, Samajvaadi Party, Samajvaadi Party and Bhatia Janta Party. Year 2014 noticed as the historical year in the field of politics of India as Mr.Narendra Damodardas Modi has elected as the PRIM MINISTER of the nation with the "POORN BAHUMAT". Mr Modi has brought so many changes for the faster development of INDIA.

Modi was sworn in as the Prime Minister of India on 26 May 2014 at the Rashtrapati Bhavan. He became the first Prime Minister born after India's independence from the United Kingdom, The Modi Government assumed office after glorious victory in the general elections, earned on its twin agenda of economic growth and development. He made many policies in the way of development with achievable objectives as:

- J Economic Policy: it focused on privatisation and liberalisation of the economy, based on a neoliberal framework.

- J Health and Sanitation Policies: Modi government launched a "New Health Policy" in January 2015, although this did not increase the government's spending on healthcare but rather placed emphasis on the role of private healthcare organisations.
- J Hindutva and Education Policy: The government began formulating a New Education Policy. This was the third education policy introduced by the Indian government, following those of 1968 and 1986. The policy was described as having overtones of Hindutva.
- J Foreign Policy: Modi's foreign policy, focused on improving economic ties, security, and regional relations. The Modi administration tried to attract foreign investment in the Indian economy from several sources, especially in East Asia, with the use of slogans such as "Make in India" and "Digital India"
- J Defence Policy: The BJP election manifesto had also promised to deal with illegal immigration into India in the Northeast, as well as to be more firm in its handling of insurgent groups
- J Environmental Policies: Modi renamed the "Ministry of Environment and Forests" the "Ministry of Environment, Forests, and Climate Change."

Modi government has completed three years, and government has much to celebrate. As emphasized by the finance minister Arun Jaitley, India's economic metrics point out growth despite the global economic slowdown and contraction in international trade. During Modi Government's term, India's GDP has accelerated to 7.6 per cent, CPI inflation has decreased to 5.4 per cent, foreign exchange reserves sit at a high of \$350 billion and current account deficit has declined by \$4 billion since early 2015.

In the present paper researcher will analyse the changes that have been took place during 2014 to 2016, and also will describe the initiatives taken by the government and challenges which might be face by the Modi's government.

2. MODI GOVERNMENT AND THE MACRO ECONOMIC INDICATORS

Indian Prime Minister Narendra Modi's first three years in office haven't included the revamping of economic policy some had estimated. Mr. Modi has turned out to be more of an economic policy tinkerer than the radical reformer. For analysing the performance of Modi government we can look 12 key macroeconomic indicators. These indicators includes GDP, average comer inflation, rupee move against dollar etc, these indicators can affects the stability of any counties economy. Table 1 show that Asia's third-largest economy is now on much better footing than it was under the last government led by the Congress party and headed by Manmohan Singh. "India's macroeconomic prospects have definitely improved relative to the period just before Prime Minister Narendra Modi took office," said Chua Han Teng, Asia analyst at BMI Research.

Table:1

MARCH 31,2014	INDICATORS	MARCH 31,2016
6.6%	GDP	7.6%
9.5%	AVERAGE CONSUMER INFLATION	4.9%
-9.4%	RUPEE MOVE AGAINST DOLLAR	-5.7%
18.7%	SENSEX INDEX PERFORMANCE	-9.7%
-6%	CAR SALES GROWTH	7.2%
-0.1%	INDUSTRIAL PRODUCTION GROWTH	2.4%
4%	EXPORT GROWTH	-15.9% ¹
4.2%	FOREIGN EXCHANGE RESEARVE GROWTH	5.4%
10.25%	HOME LOAN RATE	9.55%
4.4%	FISTCAL DEFICIT AS PERCENTAGE OF GDP	3.9%
\$24.3BILLION	FOREIGN DIRECT INVESTMENT	\$40 BILLION
\$4.4 BILLION	GOVERNMENT COMPANY STAKE SALES	\$3.8BILLION

Source: Government of India; Federal Reserves; Reserve Bank of India. (The Wall Street Journal)

Table 1 indicates that in the end of the fiscal year march 31, 2016 gross domestic product is 7.6% ,which helped the economy to overtake the economy of china which is considered as the big fastest economy in the world. That increases from 6.6% from the fiscal year 2014.Inflation is 4.9 % in the fiscal year 2016 which is almost half of what it was at a couple of years ago. The position of rupee in respect of dollar is stronger than March 2014.the other indicators like car sales growth, industrial production growth, foreign exchange reserves growth, home loans all shows the significant positive change from the fiscal year 2014 to 2016. The India's budget deficit has shrunk to 3.9% of GDP from 4.4% which shows the strength of the economy. Foreign direct investment has also increased due to the relaxation in the foreign investment rules in more than a dozen sectors including insurance, pensions and railways, cut red tape and pushed through legislative proposals to simplify bankruptcy procedures and strengthen intellectual property rights. As we can see that out of 12 indicators as many as eight did better during the last fiscal year compared with the year before Mr.Modi came to power. India's stock market, exports and the money raised through the sale of stakes in state-controlled companies were all better during Prime Minister Singh's last year but otherwise India seemed to experience some sort of Modi drive.

Except these macro economy indicators, economy has shown the significant improvement while comparing with last 20 years with the emerging markets.

Table :2 Macro economic Performance in India 1998-2016

Year	GDP Growth %		CPI Inflation %		India's performance (In Basis Points)
	India	Emerging Markets	India	Emerging Markets	
FY 99- FY04	5.9	2.4	5.4	4.2	113
FY 05- FY09	8	5.4	5.7	4.2	52
FY 10- FY14	7.5	3.7	9.8	3.6	-121
FY 99- FY00	6.3	3.6	3.6	4.0	152
FY05- FY06	8.3	5.7	3.9	3.6	130
FY13- FY14	6.1	3.8	9.7	3.2	-204
FY 15	6.2	3.1	5.9	4.1	118
FY15	7.3	2.7	4.9	2.9	131
FY15- FY16	7.3	2.9	5.4	3.5	125

Source:Theindian Express ,may 28 2016

Table 2 shows the comparison of change not the performance. The first major result emerging from the table is that the Modi years are the third best in the last 20 years (since 1996, data not shown for 1996/97 and 1997/98). The best two-year period was the NDA's Vajpayee-Sinha years of 1998/99 and 1999/00. Macro-economic performance in those two years averaged 152 basis points, that is, on average; India was 1.5 percentage points (ppt) better than the EM peers. Somewhat surprisingly, CPI inflation was also lower than EMs — 3.6 per cent versus 4 per cent. The second best two-year period was the first two years of the Sonia Gandhi-Manmohan Singh government of 2004/5 and 2005/6 (hereafter UPA I). Average performance index, 130 basis points with GDP growth being almost 300 basis points above average. Marginally behind, the third best two-year period are the Modi years with an average index of 125, only five basis points behind the UPA1 average of 130. It is instructive to look at two other factors. The nature of the economy inherited by the two

regimes (UPA I and Modi I) and rainfall. On both counts, UPA I was decidedly luckier. The economy was booming and inflation low when the UPA came to power in May 2004. The economy was in a shambles and inflation very high when Modi assumed office. Further, average rainfall during UPA I was five per cent below the long run average (the normal range is +/- 6 per cent from the average); during Modi 1, it was 13 per cent below the long-run average. All things considered, it is only fair to conclude that economic performance during the first two years of Modi were the second-best in the last 20 years. Now think about this: If the Monsoon in 2016 is as expected, then the first three years of Modi will be the best three years since 1996, and possibly the best three consecutive years for Indian economy since independence.”

3. MODI GOVERNMENT AND SOCIAL WELFARE INITIATIVES

3.1 Beti Bachao, Beti Padhao: Let us celebrate the birth of the girl child. We should be equally proud of our daughters. I urge you to sow five plants when your daughter is born to celebrate the occasion.” -PM Narendra Modi to citizens of his adopted village Jayapur. Beti Bachao Beti Padhao (BBBP) was launched by the Prime Minister on 22nd January, 2015 at Panipat, Haryana. BBBP addresses the declining Child Sex Ratio (CSR) and related issues of women empowerment over a life-cycle continuum. It is a tri-ministerial effort of Ministries of Women and Child Development, Health & Family Welfare and Human Resource Development. The key elements of the scheme include Enforcement of PC & PNDT Act, nation-wide awareness and advocacy campaign and multi-sectoral action in select 100 districts (low on CSR) in the first phase. There is a strong emphasis on mindset change through training, sensitization, awareness raising and community mobilization on ground. Under Beti Bachao Beti Padhao Scheme, Pithoragarh district has taken various steps towards protecting the girl child and enabling her education. In order to increase awareness about Beti Bachao Beti Padhao, street plays are also being organized in Pithoragarh. These street plays are not only organized at the villages, but also in markets to generate awareness among a larger audience. Mansa district in Punjab has launched an initiative to inspire its girls to be educated. Under its ‘Udaan – Sapneya Di Duniya De Rubaru (Udaan- Live your Dream For One Day)’ scheme

3.2 Jam Trinity: “JAM vision, will serve as the bedrock of many initiatives to come. For me, JAM is about Just Achieving Maximum. Maximum value for every rupee spent. Maximum empowerment for our poor. Maximum technology penetration among the masses.” -Narendra Modi

67 years after Independence, India still had a large part of the population who had no access to banking services. This meant, they had neither any avenues for Savings, nor any opportunity to get institutional credit. PM Modi launched the Pradhan Mantri Jan Dhan Yojana on 28th August to address this fundamental issue. Within a matter of months, this scheme has radically transformed lives and futures of millions of Indians. In just over a year, 19.72 crore bank accounts were opened. 16.8 crore Rupay cards have been issued so far. There have been deposits worth Rs 28699.65 crores. A record 1,25,697 Bank Mitras (Bank Correspondents) have also been deployed. It also set the Guinness World Record for most bank accounts opened in one week - 1,80,96,130. While the bank accounts have given millions of Indians access to banking services, they have also played a major role in stopping corruption. Now, subsidies get deposited directly in the bank accounts in the form of direct benefit transfers, eliminating leakages and scope for any discretionary action. PAHAL Yojana, recently entered the Guinness Book of World Records for being the world’s largest direct cash transfer scheme. Under PAHAL Yojana, LPG subsidies are directly deposited into the bank accounts. Once the basic banking facilities for people were in place, the NDA Government embarked on a historic move of providing an insurance & pension cover to the citizens. Pradhan Mantri Suraksha Bima Yojana provides accident insurance worth Rs 2 Lakh at just Rs 12 per year. Pradhan Mantri provides life insurance at just Rs 330 per year. Atal Pension Yojana provides a pension of upto Rs 5000 a month depending on the contribution.

3.3 Sansad Adarsh Gram Yojna: Sansad Adarsh Gram Yojana (SAGY) was launched on 11th October, 2014 with the aim to translate the comprehensive vision of Mahatma Gandhi about an ideal Indian village into a reality, keeping in view the present context. Under SAGY, each Member of Parliament adopts a Gram Panchayat and guides its holistic progress giving importance for social development at par with infrastructure. The ‘Adarsh Grams’ are to become schools of local development and governance, inspiring

other Gram Panchayats. Laderwan village, Block Trehgam, District Kupwara, Jammu & Kashmir, Maravamangalam, situated in Sivaganga district, Tamil Nadu, are the examples who successfully adopted sansangadarsh gram yojna.

3.4 Entrepreneurial Development: “I strongly believe that India has a lot of latent entrepreneurial energy, which needs to be harnessed so that we become a nation of job givers, more than job seekers”. – Narendra Modi

The NDA Government is focused on giving a boost to entrepreneurship. The ‘Make in India’ initiative is based on four pillars to boost entrepreneurship in India not only in manufacture but also in other sectors. Make in India’ recognizes ‘ease of doing business’ as the single most important factor to promote entrepreneurship. New Infrastructure: Availability of modern and facilitating infrastructure is a very important requirement for the growth of industry. Government intends to develop industrial corridors and smart cities to provide infrastructure based on state-of-the-art technology with modern high-speed communication and integrated logistic arrangements. ‘Make in India’ has identified 25 sectors in manufacturing, infrastructure and service activities and detailed information is being shared on them with all stakeholders. Industry is accustomed to see Government as a regulator. ‘Make in India’ intends to change this by bringing a paradigm shift in how Government interacts with industry. The Government’s approach will be that of a facilitator and not that of a regulator. The Government is adopting a three pronged strategy to boost entrepreneurship. This is a 3C Model being worked upon: Compliances, Capital & Contract Enforcement.

Namami Ganga: “It’s my destiny to serve Maa Ganga” PM Modi. Government launched an integrated Ganga conservation mission called ‘Namami Gange’ to arrest the pollution of Ganga River and revive the river. The Union Cabinet approved the action plan proposed by Centre to spend Rs 20,000 Crores till 2019-2020 on cleaning the river, increasing the budget by four-fold and with 100% central share – a central sector scheme.

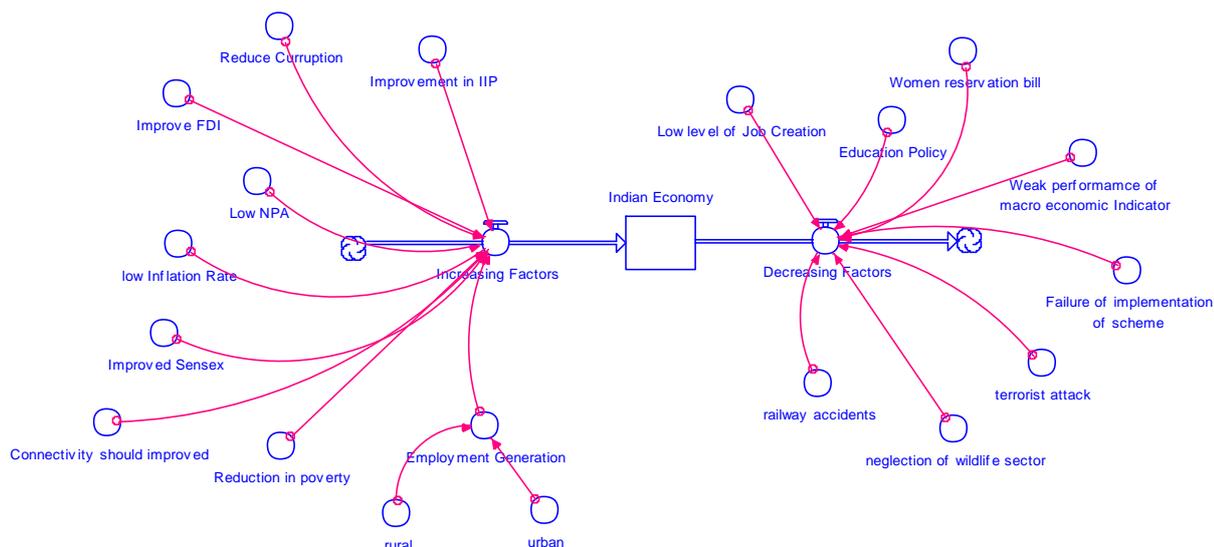
3.5 Empowering Farmers: Modi government has strived to strengthen farmers of the country through innovative and solid measures. Pradhan Mantri Krishi Sinchai Yojana will give a boost to productivity by ensuring irrigation facilities. The Vision is to ensure access to some means of protective Irrigation to all agricultural farms. Farmers are being educated about modern irrigation methods to give ‘Per Drop More Crop’. Paramparag at Krishi Vikas Yojana has been launched to motivate groups of farmers to take up organic farming. Soil Health cards have been introduced to enhance productivity of specific crops in a sustainable manner & shall be issued to all 14 crore holdings in the country. A new urea policy has been announced to enhance domestic production and energy efficiency & Revival of fertilizer plants in Gorakhpur, Barauni and Talcher done to enhance self sufficiency, Price Stabilisation Fund with a corpus of Rs.500 crores has been established, to support market interventions for price control of perishable agri-horticultural commodities. This intervention will regulate & mitigate price volatility. Gram Jyoti Yojana will provide uninterrupted electricity supply by separation of feeders. This will not only boost production, but will also have a huge impact on the overall lives of the farmers, including cottage industries, education, etc.

3.6 Education and Skill Development: NDA Government gives massive push to education & skill development. Various unique measures have been taken to augment the quality and reach of education. A fully IT based Financial Aid Authority to administer & monitor all education loans and scholarships through Pradhan Mantri Vidyalakshmi Karyakram. Pandit Madan Mohan Malviya Mission for Teacher Training has been launched to enhance the quality of teaching. Global Initiative of Academic Network (GIAN) has been initiated to invite eminent faculty, scientists, and entrepreneurs from premier educational and scientific institutions across the world to teach in the higher educational institutions in the country during summer and winter breaks with a view to give international exposure to Indian students. SWAYAM will leverage Massive Open Online Courses (MOOCs) to enable online education. National e-Library will facilitate universal access to educational material and knowledge sources. Shala Darpan is a mobile technology to ensure that parents are connected to schools, enabling them to monitor the progress of their children. UDAAN is dedicated to the development of girl child education, so as to promote the admission of girl students. Ishaan Vikaas seeks to bring selected school children and students of Engineering College from the North-Eastern states into close contact with IITs, NITs and IISERs during their vacation. USTTAD has been approved to upgrade the Skills

and Training in Traditional Arts/ crafts. The scheme aims to build capacity of traditional artisans/craftsmen, standardization of the traditional arts/crafts, their documentation and establishing market linkages. 76 lakh youth have been provided skill training so far under various programs. Skill certifications have been given academic equivalence under ‘School to Skill’ programme. Pradhan Mantri Kaushal Vikas Yojana with an outlay of Rs. 1,500 crores has been approved. Pandit Deen Dayal Upadhyaya Grameen Kaushal Yojana will train 10 lakh rural youth in 3 years.

4. SYSTEM DYNAMIC MODEL FOR INDIAN ECONOMY

This dynamic model is indicating increasing and decreasing factors which may affect the working of Indian economy therefore directly affects Modi government. Increasing factors are those factors which may help the Modi government to improve the situation of the economy in domestic as well as foreign market. These factors may include low rate of inflation, improved IIP, rural development, Improved Sensex, reduction in poverty etc. On the other hand decreasing factors are those which may create obstacles in the way of progress like low rate of job creation, women reservation bill is still pending, failure in the implementation of schemes, etc. If Modi government wants to stay as a ruling party in the next general election of 2019, they must focus on the issues indicating in increasing factors.



**Self Structured*

5. CONCLUSION

It's been three years of Modi government in the multi party system of India. Mr. Modi has announced various effective policies for betterment of the economy. In the three years of his working, the picture of the Indian economy has changed drastically. The gross domestic product has calculated over 7 percent, which shows the success of Indian economy to beat china to be the fastest growing economy. The other macroeconomic indicators like inflation, FDI, Foreign Exchange etc show the moderate performance. The retail inflation rate was 8.33 percent in the 2014-15 which has been decreased to 2.99 percent in April 2017. The picture of Sensex and Industrial production are not satisfactory as there were many negative variations. The major change that the government has brought is that it introduced the new base year for industrial production that is 2011-2012. The government on one hand failed to receive private investment and on the other the currency were strengthened in respect to dollar.

Modi government has launched various welfare programs for the upliftment of the citizen of the nation like Udaan, Jan Dhan Yojna, various pension and insurance scheme and the major work in the case of ‘‘Triple Talak’’ etc which indicating the improved picture of rural India.

Hence we can say that the three years of Modi governance shows the aggregate performance of the government as well as impacted economy. If the policies will work or implemented in the right direction only then the present government may see themselves in the winning party of next general election of 2019.

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