

## **Agenda 2019 – Part – 3 : Is Prime Minister Modi's First Five Year Tenure a Turning Point on Corruption?**

**Posted on March 13, 2019**

### **The situation till May, 2014**

India was considered, by both domestic and international investors, as one of the most corrupt nations in the world. India's credibility on the issue of corruption was at the rock bottom. The banking system had been siphoned-off during the UPA by those who benefitted from 'phone banking'. India had one of the lowest taxation bases in the world. Evasion was not considered morally or commercially imprudent. It was a normal business practice that the promoter's equity in a new project would be 'manufactured' from the bank debt and then round-tripped either through the Mauritius route or Kolkata shell companies. Spectrum, mineral and other largesse were delivered on the strength of ministerial discretions. Rent-seeking was an established norm. Cash was the preferred mode of political funding. Many found it convenient to keep assets abroad, particularly in tax havens. Most defence transactions were tainted by middlemen close to the power centres.

From the Bofors gun deal to the HDW Submarine purchases, the Airbus transaction, the Augusta Westland deal, the fertilizer scam, the footprints of the Indian National Congress and its leaders were everywhere.

### **The turning point**

Prime Minister Modi's five year tenure will be regarded by future political historians as a turning point where a movement to free India from corruption began. The Government and its Ministers have conclusively proved that it is possible to run an honest Government in India. Not a single charge of any substance has been made against the Government. Frustrated with the clean image of the Prime Minister and his Government, the Congress leaders resorted to fake allegations but were snubbed both by the Courts and the CAG. The message loud and clear to all is that a 'new normal' has now been established in India. If you don't pay back the banks, you will be out of management. If you escape out of the country, you will be extradited back. If you indulge in round-tripping, you will be found out. Lakhs of shell companies have been closed down. International treaties have been re-written. The Mauritius, Cyprus and Singapore routes which enabled round-tripping, have been closed down. Treaties have been entered with various countries for a real-time exchange of information with regard to assets held by Indians abroad. Ministerial discretions have been abolished. The spectrum, coal mines and other minerals are now allocated through a market mechanism. So are Government contracts. The Government maintains an arm's length distance from the IBC process in the NCLT. The new promoters are decided by the Committee of Creditors through a transparent bidding process. There has not even been a whisper of allegations that in any of these cases political interference has taken place.

India is today building ten thousand kilometres of National Highways per year. Not one contract has been impugned having been allotted on any collateral consideration. New airports are being allocated by tendering processes. The Government has even formulated a

scheme to ensure that even political funding through electoral bonds is done by tax paid money.

### **Where are the middlemen?**

Prior to May, 2014, Delhi was a city flooded with middlemen. They have been rendered jobless. Some have escaped the country. The corridors of North Block and Udyog Bhawan, which were flooded with businessmen and industrialists, are today vacant. As a Finance Minister, not a single person till date has approached me for file pushing. The message is clear – this Government works. It cannot be pushed. The Prime Minister told the bankers in 2015 that not a single call will come to him from either South Block or North Block. We have lived upto that promise. The bank boards have now professionals on them. The days of loan pushers on bank boards are over. All senior executives, CEOs of Public Sector Banks are now appointed through a professional mechanism of the Bank Board Bureau.

### **The impact on Ease of Doing Business**

The Environment Ministry was the hub of all corruption. Files were stacked on tables and not cleared indefinitely. Files even travelled with some Ministers. Today, all applications are online. The permission are granted or refused online. There is no scope for pushing files. It is not without reason that India's rating for Ease of Doing Business have improved from a horrible 142 to 77. Last year the largest single improvement was done in the matter of building and construction permits. The new byelaws framed by the Government and adopted by most municipalities now provide for an online grant of building permits and permissions to be done within a definite period of time.

### **The use of technology in taxation**

Besides the municipalities, the taxation department was notorious for harassment and corruption. On the direct tax front, returns are now filed online, queries are addressed online and assessment orders are passed online. Even the refund are communicated and delivered online. This year 99.6 percent of all personal income-tax returns filed have been accepted as they are. The CBDT is now working on a project where returns would be assessed and orders delivered within days of the return being filed. There is no interface between the assessing officer and the assessee. Assessee no longer know the name of their assessing officer. They do not send him gifts. The GST has been designed to give the benefit of input credit. This necessarily involves the inputs being purchased from registered dealers or through banking transactions. This is leading to a more gradual formalisation of the economy. For the first time, we have had a Government for five years which has not increased any taxes. On the contrary, it has reduced many taxes and yet significantly increased the tax base and the tax collections. This has enabled greater spending for defence, poverty alleviation and infrastructure.

### **The Kumbh (2019) vs the Commonwealth Games (2010)**

A textbook illustration is a comparison between recently concluded Kumbh at Prayagraj and the 2010 Commonwealth Games. The Commonwealth Games are remembered more for corruption than for the number of medals India won. Projects were delayed; many were incomplete even when the games came to a close. There was mass scale corruption. Many went to jail and their criminal cases are still pending.

The Kumbh 2019 is an excellent illustration of how public funds are effectively and honestly used. A total amount of Rs.4200 crores has been spent. Eight kilometres of ghats, 1.2 lakh toilets, residential camps, pandals to house twenty-four crore pilgrims have been constructed besides improving the city infrastructure. All of 683 projects were completed in time. This year's Kumbh is regarded as the best ever organised.

### **The Direct Benefit Transfer**

The former Prime Minister, the late Shri Rajiv Gandhi had stated that only fifteen percent of the amount released by the Central Government reaches the beneficiaries. Corruption consumes the balance 85 percent. The Centre would transfer money to the State. The State would send the money to the Collector, who would then use the machinery of the Tehsildar and the Panchayat Head to handover the State support to the beneficiary. There was pilferage all the way. Aadhar as a unique identity has ensured Direct Benefit Transfer (DBT), which ensures that payments under hundreds of schemes reached the bank of the beneficiary straightway without middlemen. The money is then used by the ultimate beneficiary.

What is the methodology that the Prime Minister and his Government framed to ensure this moral transformation of India?

No discretions with Ministers or civil servants in commercial matters. Decision to be taken by the market mechanisms.

Fairness in awards of contract, natural resources and largesse.

Banks to operate independently without any political interference.

Anti-black money steps such as the black money law dealing with unlawful assets abroad, placing both direct and indirect tax system on the digital platform, reducing personal interface, lowering the rates, increasing the tax base through compliances and ensuring that anti-evasion measures are strictly implemented.

The Direct Benefit Transfer (DBT) has ensured that benefits travel directly to the targeted.

The investigative agencies have to be fair, clean and professional. This has now been implemented.

India has understood that corruption follows the law of Newton's gravitational pull. It travels from top to bottom and not the other way round. If the leader at the top is honest and has the

capacity to ensure similar ethical standards from his colleagues, the moral authority of the Government to ensure integrity travels through the system.

The message today to those who operated improperly in the system are getting to realise that it is safer to be clean. That is the difference between Prime Minister Narendra Modi's NDA Government and its predecessor UPA.

### **Tailpiece**

While I was finalising this blog, an online site carried a detailed analysis of the unjust enrichment of the extended Gandhi family. While on the subject of cleaning public life, a relevant issue which many people raise with regard to several Indian politicians and their extended families living well without working. The expose with regard to the extended Gandhi family provides you with an answer. While conventionally many may have relied on straightway corruption through bribery, a new methodology has now been established. Wheeler-dealers and fly-by-night operators give you the privilege of 'sweetheart deals'. With very little investment, windfall profits are thrust on a few privileged ones to enable them to create a capital. 'Political equity' results in buying goodwill. It enables you to influence decisions. When exposed, the beneficiaries hide behind the shield of 'clever business decisions.' If the 'capital creation' of the Congress Party's first family is subjected to a forensic audit, facts will speak for themselves. Those who live in glass houses should not throw stones.