

## **Agenda 2019 – Part – 8 : The Fourteen Iconic Reforms of Prime Minister Narendra Modi's Government**

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Five year is not a long period in the life of a nation. It can, however, be a turning point in its direction for progress. 1991 was an important watershed in Indian history. Prime Minister P.V. Narasimha Rao was confronted with an economic crisis. The economic situation compelled reforms. Many in the Congress Party lacked the conviction to support reforms. After the initial two years from 1991-1993, the Congress Party became apologetic about the reforms. That is probably the reason why the efforts to erase the memory of Shri P.V. Narasimha Rao from Congress Party's contemporary history is still 'work in progress'.

The National Front Government partly rationalised direct taxes. The first NDA Government took key decisions with regard to infrastructure creation and prudent fiscal management. Bold policies on telecom and National Highways made significant impacts on the economy. The UPA Governments between 2004-2014, got stuck into slogans rather than economic expansion. They created 'Rights' without a major increase in resources being provided to implement those rights. Subsequently, the Government got marred in corruption and wasted its tenure in a cover up exercise. Prime Minister Modi's Government was elected when India was already a part of the 'Fragile Five' and the world was predicting that India's 'I' will be knocked off from the 'BRICS'. The Government had no options. It was committed to reforms. 'Reform or Perish' that was the challenge before the Indian economy. Therefore, the Government systematically and consistently introduced several reforms spread over a five year period which will go down in India's economic history as the 'Second Generation' of reforms that were much needed. I discuss herein some of the significant steps that the Government took:

### **Taxation reforms and entire black-money steps**

India was substantially a tax non-compliant society. Taxation Departments of the Government were a source of harassment which dissuaded people from coming into the tax net. Our tax rates were abnormally high. The interface between the assessing officers, businessmen and inspectors needed to be substantially cut down. The last five years will be considered momentous in this journey. No taxes have been increased. In fact, after sixty-seven years of increase, tax rates have moved downwards. In a bold step spread over a five year period, the income upto rupees five lakh has been exempted from income-tax. Even deductions available to the taxpayers have been increased to encourage and incentivise savings. The Goods and Services Tax has enforced one tax across the country, eliminated barriers and made inspectors disappear. Both income-tax and GST returns are filed on the net and assessment are done on the net. No interface, no corruption. Queries are raised on the net and responses are given on the net. The number of assesses filing returns with reduced tax rates in income-tax has risen close to double in the five year period. The GST will increase the assessee base in the first twenty-one months of its implementation by almost eighty percent. The ideal tax policy of simplification, no interface, lower rates and higher collections, has been implemented.

## **The anti-black money measures**

From the legislation of black-money law, through the laws dealing with the confiscation of property of fugitives and extinguishing their civil rights, significant taxation measures to curb black-money have been taken by the Government. The double taxation prohibition treaties with Mauritius, Cyprus and Singapore have been re-written. International agreements have been entered into for real time exchange of information relating to assets held by Indians in their jurisdiction.

## **The Insolvency and Bankruptcy Code**

Indiscriminate lending by Public Sector Banks during the UPA Government had created large NPAs. The banking system was under stress. It was being unable to support growth. Existing schemes and systems were not working. The Insolvency and Bankruptcy Code changed the debtor-creditor relationship. Defaulting managements are removed from management and debtor companies are going in for resolutions with either new promoters taking over or by sale of assets. Banks have finally started recovering their bad debts. No one can cheat the banks and get away.

## **Aadhaar**

The implementation of the Aadhaar had given a unique identity number to every Indian. It is a historic step towards using technology and digitization of governance. The result is that without any pilferage or middlemen, the beneficiaries of all Government programmes belonging to the Central Government, the State Government or even the local bodies can now get their benefits in bank account directly. In this area we are ahead of any other country in the world.

## **Demonetisation**

Demonetization has proved to be a significant step towards formalisation of the Indian economy. It compelled people to deposit their high currency cash into the banking system, account for the deposits by paying taxes or otherwise. It brought a behavioural change in how India spends its money. The real test of the demonetisation is 'has it led to higher tax collections and higher digital transactions?' The unequivocal answer is 'Yes'.

## **Inflation**

The average inflation of UPA-2 was about 10.4 percent. The average inflation during the NDA has been less than 4.5 percent. In fact, it has been much lesser in the last three years. Today the CPI inflation is below 2.5 percent.

## **No discretions**

The NDA eliminated all discretions which Governments, bureaucrats and politicians had. There is no power in any individual or group of individuals to grant favours, largesse or contracts to individuals. Systems have been established and all contracts can only be awarded through a market mechanism.

## **Cooperative federalism**

The Fourteenth Finance Commission recommended 42 percent as the share of the States in devolution of the taxes collected by the Centre. It was a significant increase by 10 percent of what the Thirteenth Finance Commission had recommended. The Central Government immediately agreed. The States are today fiscally much stronger. In the GST Council, the States have a two-third vote and the Central Government has a one-third vote.

## **Agriculture and rural infrastructure**

For the first time, resources have been spent in a major way in rural areas. Rural roads, housing, sanitation, electrification, cooking gas, have all been added to our infrastructure. The farmers now get 50 percent plus their cost through MSP, a subsidised crop insurance scheme, a Rs.75,000 crores income support system by payment of Rs.6000 each to small and marginal farmer annually and Rs.60,000 crores through MNREGA.

## **Urban infrastructure**

I will separately give details in my later articles on the creation of urban infrastructure. National Highways, rural roads, port connectivity, number of airports, surplus power, modernisation of Indian Railways, more resources for urban infrastructure, significant resources for rural infrastructure, have been the hallmark of infrastructure improvement in the last five years.

## **Ayushman Bharat**

On healthcare, India has seen a major change. Today Ayushman Bharat ensure that 40 percent of the poorest Indians i.e. 50 crore people get a free hospitalisation upto an expenditure of rupees five lakhs a year. In the first few months, nearly sixteen lakh people have been treated till date. Today, with 40 percent support by Ayushman Bharat and 38 percent support by insurance schemes of either Government employers or corporate body, 78 percent of India is health insured. Our target is to make it hundred percent.

## **Financial inclusion**

In financial inclusion India has become a global leader. About 35 Crore bank accounts under the Pradhan Mantri Jan Dhan Yojana were opened and every poor household has been connected to the banks. As against 58 percent of the households in 2014, today every willing

household is connected to the banking system. Crores of poor people have got an accident and life insurance at normal and negligible cost under the subsidised Government schemes. More than 16 Crore Mudra loans have been given to small entrepreneurs for creating avenues of self-employment. The Indian example in financial inclusion is globally quoted as a role model.

### **Investment and Make in India**

The stressed banking system that the UPA left behind, had its impact on the investment cycle. From a worrisome situation on the investment front, today fixed capital formation, which is an indication of investment, has moved upto about 14 percent. The Foreign Direct Investment has been liberalised and procedures simplified so as to ensure that India becomes the preferred destination for investment.

### **Social impact of Government in social sector investments**

Swachh Bharat, which has connected 99 percent of rural homes to sanitation, became the flagship success story. The education of the girl child, reduction in drop-outs from schools, increased remuneration on those employed in the formal sector such as Asha and Aanganwadi, and other such workers has had a tremendous economic impact. So will be the impact of the 10 percent reservation in jobs and college admission for the economically weaker sections. The minimum wages have been increased by about 45 percent. The gratuity limit has been increased from Rs. 10 lakhs to Rs.20 lakhs. Income eligibility for bonus has been increased from Rs.7,000/- to Rs.21,000/-. The impact of middle income groups by implementing the Seventh Pay Commission, the OROP and increasing Government share from 10 percent to 14 percent in the New Pension Scheme has helped the salaried class. The contributory pension scheme for the ten crore informal sector workers is a new first for India. It will make India a pensioned society.

I have outlined above only fourteen game changing decisions of the Government which impacted the economy. The economy expanded at a rate faster than any other country in the world. Our revenues went up and we ensured that the benefit of prosperity and the first right to the exchequer going to the poor is maintained. It will be our endeavour to maintain this direction in future also.