

7. BJP Change Of Guard: Impact on India's Economic Fortune

By Gopal Krishna Agarwal,

Analyses how the rise of Narendra Modi and its impact on business sentiments, trade and investments in the India.

Narendra Modi, chief minister of the Gujarat, was appointed as a member to the Parliamentary Board, the highest decision making body of Bharatiya Janata Party in March this year. Later in September 2013, he was declared the Prime Ministerial candidate for the National Democratic Alliance (NDA). In 2001, he became Gujarat's CM and after reelection in 2002, 2007 and 2012, heads a corruption free, transparent and an efficient administration in the state.

Though regularly attacked for the 2002 Gujrat riots, Modi is also praised for outstanding administration in turning Gujrat in to economic powerhouse. He has been successful in bringing the development plank as an election agenda.

Will India Shine under NaMo?

Though Modi's appeal cuts across all classes, regions and age groups, it would not be an exaggeration to say that the Indian business community, youth and burgeoning middle class are the biggest votaries of Narendra Modi. The fact that the Indian business community, generally obsequious and fawning before the government of the day, has risked the wrath of the present regime in doing so speaks volumes.

The economy is going through one of the most difficult times in the recent memory. The UPA II government, instead of navigating the economy through the turbulence caused by the global factors has exacerbated it through clumsy policies, entitlements schemes without proper budgeting, and worst kind of kleptocracy. The factors affecting business sentiments, trade and investments can be divided into two broad groups: political and economic. Politically we have a situation where there are different centres of power and responsibility, a cabinet

where the ministers pull in different directions and a government that lacks conviction in its own policies. Coming to the present macro-economic situation we have sticky inflation, rising twin deficits; fiscal as well as current account, falling rupee, slow pace of reforms; policy paralysis, etc. These two sets of factors have dealt a crippling blow to the business sentiments and trade and investments are down. We are in a situation where the finance minister of the country is trying to convince the global capital to come to India at a time when even the Indian capital is looking for markets abroad.

In order to crystal gaze the impact of the rise of Narendra Modi on business sentiments, trade and investments, it would be pertinent to analyse the philosophy underpinning the policies of the Gujarat government headed by him. While there is a small but vocal group backed by rival political parties and other vested interests that questions every figure that shows Gujarat in positive light, their efforts have failed to hide the fact of inexorable rise of Gujarat under the leadership of Narendra Modi, a fact that is now also acknowledged by the international community. This would also relegate the claim of the figures being manipulated to present a positive picture.

Modi Mantra in Gujarat

So what are the defining characteristics of Narendra Modi's style of management that is relevant from the macro-economic point of view? He has focused on 'less government and more governance' which broadly means an unobtrusive but effective government. His e-governance model with decentralization of decision-making and power will be replicated on an all India basis and is his major forte. He has also emphasized on transparent and corruption free government, timely clearance to project proposals, focus on improving infrastructure, revival of agricultural sector etc. his good governance model is consensus oriented with emphasis on inclusive participation. It follows the rule of law with efficiency and effectiveness and is accountable to the people. His decision-making is quick and timely and believes in single window clearance as was seen in the case of Nano deal of Telco. Gujarat under Modi's leadership has excelled in Infrastructure development and creating world-class linkages, acting as a backbone in the present global competitive scenario. He has been instrumental in creating urban landscape, parallel to international levels. A public transport system of BRT, which has failed in Delhi, is running successfully

in Ahmedabad. Power sector reforms are a major bottleneck for development in the country. Gujarat has overcome this hurdle and is supplying 24*7 power to 100% villages.

Modi Means Business

The government under Modi would definitely improve business sentiments as a result of which both trade and investments would pick up. Sustained growth rarely occurs on autopilot: it requires competent leadership at the top. The most fundamental change from the present government would be the absence of the duality of power centres. The de jure centre of power would also be the de facto one. This would impart realism in policy formulations which is greatly missing today. BJP is ideologically more coherent than Congress and it is less likely that the ministers would undermine collective leadership. The 'Right of Centre' ideology to which the BJP and Modi subscribe does not see itself in an adversarial relationship vis-à-vis the business community but as partners to realize the potential of the country. This in itself would be a major change that would affect the business sentiments positively. NDA under the leadership of BJP was focused on improving the physical infrastructure and it would continue under Modi. We have almost been trained to think that the best rate that agriculture sector in India can achieve is 4% but this has been belied by the experience of Gujarat, where agricultural sector grew by around 10% for more than a decade and also Madhya Pradesh, another BJP ruled state where the agriculture sector has shown a growth of about 18%. We should therefore expect a paradigm shift in the way agricultural sector would be dealt with under Modi. This focus on physical infrastructure and agriculture would remove the supply bottlenecks and would bring down inflation. Better infrastructure would also make our exports more competitive and boost trade. A lower rate of inflation would allow the monetary authority to lower the interest rates and thus revive investments. A focus on urban infrastructure for rural areas and rising rural income would also boost domestic demand, as more than 60% of our total population is living in rural areas. It was under the NDA government that the FRBM Act was enacted and fiscal responsibility targets were met. At the national level BJP is also assimilating good governance model of its various state government and will replicate them on Pan India basis, whether it's the socially inclusive focus of Madhya Pradesh government or Public Distribution System (PDS) of Chhattisgarh government to name a few. It should be expected that Modi would put the economy back

on the path of fiscal consolidation. Considering his treatment of state owned enterprises in Gujarat, it would not be wrong to expect that they would be given operational freedom to achieve efficiency and scale.

First among Equals

How does Narendra Modi fit in the whole scheme of things? It is an undeniable fact that Modi is first among equals in the present day BJP leadership. Modi has a very wide acceptance amongst the young voters and considering the present Indian demography, most suited to capture the youth bulge. In the 2014 elections around 120 million voters would be voting for the first time. It is under his leadership that the party has the most realistic chances of surpassing its previous tally of 182 seats; it has been the experience that voters consolidate towards the winner in sight. As far as his ability to bring coalition partners on board is concerned, we already see two parties jockeying to align with BJP in Haryana. These would improve with the elections drawing near. It has anyway been the experience that parties come together to form government only after the election and a very few parties enter into pre-poll alliance. Future uncertainty harms business sentiment to a great extent, but as we move towards overcoming this uncertainty, one gradual improvement in business sentiment.

People who grudgingly accept the development of Gujarat under Narendra Modi claim that the success cannot be replicated at the pan-Indian level considering the fact that he would be hamstrung by coalition partners and powerful leaders within BJP unlike Gujarat where he virtually has a free run. We believe that not only he would be able to repeat the success of Gujarat but would also surpass it. It should be noted that considering the very limited powers that the states in India have, it is indeed commendable what Narendra Modi has managed so far. He has infused new hope and confidence in the people of the country, particularly the young population comprising 65% of the total population. He has been able to generate the can do spirit that is evident in the national and international business and political community. Under the stewardship of Narendra Modi, India would be able to achieve its true economic potential and become an economic superpower.