Research Paper Economics

Economic Initiatives of New Government for Better Tomorrow

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ABSTRACT

This paper is an attempt at analysing the major economic policy initiatives taken by the Modi-led government. The paper is divided into three sections: NITI Aayog, Make in India, social security measures and international economic cooperation.

KEYWORDS Narendra Modi, Make in India, NITI Aayog, BRICS Bank

Introduction:

Narendra Modi became the 15th Prime Minister of India on 26th May 2014 riding on a very strong anti-incumbency factor against the Manmohan Singh led UPA government. It has taken more than two decades for a single party to get majority, thereby breaking the coalition politics. His image as a '*vikas-purush*' during his decade long stint as the Chief Minister of Gujarat. The Gujarat Model of development is widely perceived as a success for its emphasis on industries, special economic zones and infrastructure projects. This paper tries to analyse the various economic policies taken by the Modi government in the last one year at the centre.

NITI Aayog

In his first Independence Day speech, Prime Minister Narendra Modi announced scrapping of the Planning Commission (PC). The PC was a non-constitutional organisation set-up during the tenure of Jawaharlal Nehru and was in-charge of the drafting and implementing the Five Year Plans. There are also controversies regarding its formations. The reforms of 1991 saw India moving from a centralised planned economic system to a more liberalised one where private capital plays a more pro-active role. The concept of a partnership in directing the resources between states is a well-thought out idea which do away with the more unidirectional flow of decisions in the erstwhile PC. The NITI Aayog will function more like a think-tank with the prime minister as the chairperson and having representation from all the states and union territories. This was not there in the PC and hence, its function was unidirectional. NITI Aayog will give more effective participation to the states in the process of policy formation and will also address the issues related to states development. This will encourage more decentralisation and autonomy to various agencies for effective implementation of policies for development.

Make in India

The 'Make in India' was one of the major industrial policy initiative launched by the PM on 25th September 2014 and he followed it up effectively during all his foreign visits. One of the major objectives of this initiative was to facilitate investment, promote innovation, protect intellectual property rights and manufacture competitive products. As of now, the policy focus on 25 sectors namely, automobiles, automobile components, aviation, biotechnology, chemicals, construction, defence production, electrical machinery, electronics, food processing, information technology and IT-enabled services, leather, media and entertainment, mining, oil and gas, pharmaceuticals, ports, railways, renewable energy, roads, space, textiles, thermal power, tourism and wellness.

The choosing of these sectors were also a carefully thought out as these are all the sunrise sectors of the economy. The Indian automotive sector is the seventh largest producer in the world with an annual average production of 17.5 million units and it is the fourth largest in terms of the market size. This sector is also evenly spread across the whole of India and has the presence of all major foreign players. It is an important industry which contributes to nearly 7 percent of our GDP and employs almost 19 million of our workforce. There will also be a spill-over from the automotive sector to the auto-components sector.

With the India's aviation sector carrying 67.73 million passengers in 2014, it is expected to be the third largest aviation market by 2020. When it comes to flight penetration among the population, India with 0.04 trips is the least penetrated with China having 0.3 trips and the USA with 2 trips.

The Indian biotechnology industry is expected to grow at an average rate of 30 percent and reach US$ 100bn by 2025. A big pool of engineers and trained manpower along with research laboratories, centres, universities etc have all helped India gain upper hand in this sector. The chemical sector is one of the most diversified sectors with nearly 70,000 marketed products. The presence of a strong research and development facilities along with reduced cost of manufacturing are the two major advantages for India.

The special focus on construction sector is understandable because it has emerged as the second largest employer after agriculture sector with almost 35 million people being employed. The construction sector is valued at about US$126 billion and it is expected to grow further with increase in the urban population. The government estimates that by 2030, the urban population is estimated to be 590 million. The defence manufacturing is very vital for India both strategically as well as economically. India is one of the biggest importers of weapons and also spends about 40 percent of the total defence budget on purchase of weapons. Hence, any policies with respect to modernisation of the armed forces lead to an outflow of foreign exchange and no creation of jobs locally.

The electrical machinery sector will see a spurt in growth mainly from its sub-sectors like infrastructure, power, refinery and consumer durables. The electronics market is expected to be at US$400bn by 2022. The main electronics products include mobile phones, flat panel TVs, notebooks, desktops, digital cameras etc. As of now almost 65 percent of India's electronics requirement is met by imports. In terms of market and production, Indian food processing industry ranks fifth in the world. It has been growing at the rate of 8.4 percent and is presently pegged at Rs: 842.5billion. This sector will help in creating backward and forward linkages in the Indian economy. This industry has the potential to support our agriculture

sector which is the largest in terms of employment.

The export of IT services is valued at US$52 billion and contributes to about 38 percent of our total service exports. It is also emerging as the single largest private employer with about 3.1 million jobs. The leather is also vital considering the fact that India accounts for 21 percent of the world's cattle population. The size of market demonstrates the importance of media and entertainment sector in India. There are about 161 million households with TV, 94,067 newspapers, and 214 million internet users. The mining and oil sector also requires emphasis by the government. India is the 6th largest market in terms of value and accounts for 20 percent of global exports of generic drugs in terms of volume. The availability of a huge domestic market, skilled manpower and low cost of production are all advantages for the Indian pharmaceutical sector. The development of ports, railways and roads would lead to focus on better physical connectivity within the country. The other sectors like textiles, space, tourism, healthcare and thermal power are areas where India has already comparative advantages.

Social Security Measures

While going all out to get foreign investments in India, the government has also not let down the common man. The four notable social security measures taken by the government include Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY). The PMJDY is an initiative to ensure financial inclusion of all households and thereby ensuring access to banking facilities, access to credit, insurance and pension facility. The process of financial inclusion is very crucial because the government decided to continue with the direct benefit transfer (DBT) scheme. This initiative has also not wasted the huge expenditure incurred by the last government on the Aadhar scheme to get the citizens enrolled for a unique identification number. Hence, the government has not taken any policies which adversely affected the various programmes started by the previous UPA government. As the Finance Minister rightly pointed out a major part of India's population is without any accidental or life insurance cover. This becomes a major concern when one looks into the population profile of our nation with a majority of population falling between 15-59 year groups. Both PMJJBY and PMSBY together would bring insurance and banking accessible to a majority of the Indians who were previously left out from the system. The National Commission for Enterprises in the Unorganised Sector (NCEUS) which was constituted by the last government estimates that in 2005 when the total employment was 422 million, the unorganised employment was at 393 million. This reflects the sheer size of this sector and hence all the government social schemes don't cover the same group. It is surprising that in spite of this commission's recommendations the last government never took up any solid initiatives for this sector. It is indeed heartening that the APY would go a long way in addressing the concerns of the unorganised sector workers.

International Economic Co-operation

Narendra Modi has also been successful at engaging with foreign countries both bilaterally and also at multilateral forums. As the Chief Minister of Gujarat, Modi has faced informal diplomatic freeze with the Western powers such as the US and the UK. It was at this instance he tried building up the relation between Asian powers such as China, Japan and Israel. Modi followed it up in his tenure as PM as well. But he didn't allow this to become a stumbling block in furthering relations with the US. He even got the US president Barack Obama as the chief guest for the 66th Republic Day celebrations. In the first one year of the NDA government, Narendra Modi visited almost 17-odd countries varying from the USA to Fiji and Germany to Mongolia. The government also promoted 'para-diplomacy' where cooperation between regional governments was also encouraged. In the economic front, the setting up of BRICS Development Bank as a counter force to the existing international financial institutions dominated by the Western economies like the World Bank and IMF.

Other Measures

The emphasis on skill and entrepreneurship development would go a long way in helping the young population of the nation. The government's view on introducing a new law on black economy is also commendable because corruption and illegal income can hold back the development of our nation. The Rs: 5,300 crore 'Pradhan Mantri Krishi Sinchai Yojana' and Rs: 25,000 crore Rural Infrastructure Development Fund (RIDF) set up with NABARD would no doubt kick start agriculture development in India. The government's strategy regarding reducing the fiscal deficit to 4.1 percent. The last government reduced the fiscal deficit but that was mainly due to reduction in government expenditure and not through higher realisation of government revenues. This emphasis is indeed commendable.

Conclusion

The Modi led government has been very proactive in the economic front. The importance given by the government in engaging with countries is very commendable. The slew of economic policies would no doubt help the economy in stabilising the economy and would lead the nation to progress. The initiatives of prime minister Narendra Modi to create a very conducive economic environment for investment for foreign investors as well as creating motivating policies for domestic industrialists to contribute in the economic development process of the country is really effective and it will bring positive results to the economy within few years. One hand creating economic opportunities for industrialists will boost the economic growth and at other hand addressing issues of farmers, poor and focusing rural development can be a good initiative to bring a balance growth in the country. Also all these initiative will have a very positive impact on making India an economic leader in near future.

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