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Narendra Modi- The economy tinkerer or Saviour?

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Abstract

Through critical and deep study this thesis studies the Modi government's economic policies giving the advantages of the new strategies and the problems surrounding the changes. It gives the consequential effects of the new reforms, their supposed purposes, their impacts in the society and their relevance in the domestic and the in the international scene. Each of the policies, reforms have been researched upon giving the causes that led to the strategies, the methods of execution, analysis of the results, the aptness and suggestiveness of each of them respectively. It gives an understanding of the situation prior to the ruling party's regime and the present situation. The possible outcomes whether positive or ambiguous or if risky are explained elucidative.

'Make in India', 'Demonetization', 'Goods and Services Tax', 'Digital India', 'Pradhan Mantri Jhan Dhan Yojana', 'Atal Pension Yojana' are some of the new reforms of the present government. The possible outcomes of this in the near future and farther future and the uses of such schemes for the upliftment of the economy include- Gross Domestic Product, Gross Net Product, Employment, Accountable direction of capital, Transparency and lower input cost and more output. This report gives a comprehensive insight to the ulterior motives behind each act, the results presently and the future.

Keywords: Modi, economic growth, opportunity, development, scheme, investment

1. Introduction

Modi came to power on 26 May, 2014. And since then some phenomenal changes has taken place one can feel assured would have happened with none other. This government is one with radical policies set to reform the nation. Indian Prime Minister Narendra Modi's first two years in office seems to have included the complete overhaul of the economic policy much beyond the anticipations of the experts. India is better than it was before the party took over in terms of relations with other countries, self- sufficiency even though the party's business friendliness to investors is debatable.

The government headed by its commander does not seem focused on repairing or making changes to the already present system but in fact recreating it by giving it an all new structure. Demonetization, the GST policy, the FDI policy are a few examples that surface the mind of a layman. But each of these policies have a far wider perspective and a bigger game at play. They have been executed in the discreet manner possible. Although the reviews of the latest developments have been guarded, the monetary and fiscal policies have been made to incur a slow and stable growth.

The policies thus far attempted or executed have been, Pradhan Mantri Jan Dhan Yojana, Demonetization, GST (Goods and Services Tax), Make in India, Digital India, et cetera.

There has been a growing adoption to technology in the structure and functioning to reboot the commonwealth and advertise for foreign investments. Modi government has seen a holistic atmosphere for the elaboration of the nation in the international scene.

The present government is going easy on foreign-investment rules in several sectors including insurance, pensions and railways hard pressing through legislative proposals to simplify bankruptcy procedures and strengthen intellectual property rights. It has also fast-tracked road building, railway and highways expansion. The government has been keen on technology based functioning since day one.

The colossal setback has been the Lok Sabha approval for the crucial Goods and Services Tax albeit it has the nod of the Rajya Sabha. The new law to update the procedure for land acquisition is also yet to be proceeded. Sceptics suggest that India's rise in GDP has been primarily because of a modification to how it is calculated.

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The primacy of the Modi Government is infrastructure serving as the mainstay for its reforms. Setting up of inland waterways, railways, urban areas, national investment and infrastructure fund, and growth of smart cities. The outline has been carefully and meticulously implemented through appropriate use of the media, careful planning, unobtrusiveness, and most importantly- appropriate use of technology. The government is launching an idea of doing business with more affluence with the FDI policy thus creating inflows for the FDI, thus creating economic development.

CRISIL suggests that the fiscal policy by the Modi government has been sensible in all manners through better targeting and worthy expenditure.

The major bills include Insolvency and Bankruptcy bill in 2016 that is set to create less hassle for stakeholders, pensioners, the Aadhar Card holders all through digital means.

According to CRISIL, the GDP is likely to grow a good 7.9% in the fiscal year 2016- 17 as compared to a 7.6% in the fiscal year 2015- 16.

Nevertheless, the complexities that develops a nation as large and composite nation like India cannot be judged with such ease as that could lead to haste. Whether we are moving in the right path or otherwise cannot be told so decidedly. Many Economists believe that the changes that have taken place will take time to bear fruit. But the improvement in GDP, high CPI and alarming current account deficit caused by the previous government's actions, the black money act, plans to create a self-sufficient future for India are testament to the productivity as never seen before.

2. Policies of Modi

(1) Make in India

The Concept-

Make in India is an initiative that launched in September 2014 by Prime Minister Narendra Modi in order to encourage international as well as national companies to produce their products in India. A formulation to make India as a hub for global design and manufacturing. This was a timely initiative as the BRICS Nations (Brazil, Russia, India, China and South Africa) had failed to meet the expectations, the emerging markets had crashed in 2013 making India's growth rate falling to its lowest in a decade thus making global investors to contemplate the productivity of the nation. Apart from this, India was called one of the 'Fragile Five'.

Make in India programme came into practice in 2015. India has now risen as the top destination globally for foreign direct investment, surpassing the United States of America and the People's Republic of China. In 2015, India received US\$63 billion in FDI.

Agendas have been redone or rather replaced with a transparent and user-friendly system that has been set to aiding foster innovation, grow investment, develop skills, protect Internet Protocol (IP) and build state of the art manufacturing infrastructure. Progress is visible in key sectors like railways and defence- a boost higher levels of Foreign Direct Investment. India is currently 130 in terms of Ease of doing business. The ministry has engaged with the 'World Bank Group' to identify areas of improvement in methodology and execution. Workshops are conducted to improve the position

On 29th December, 2014, a workshop titled "Make in India – Sectorial perspective & initiatives" was conducted under which the action plan for 1 year and 3 years was prepared to boost investments in 25 sectors.

The 25 sectors are: Automobile, Automobile Components, Aviation, Biotechnology, Chemicals, Construction, Defence Manufacturing, Electrical machinery, Electronic Systems, Food Processing, IT and BPM, Leather, Media and Entertainment, Mining, Oil and Gas, Pharmaceuticals, Ports and Shipping, Railways, Renewable Energy, Roads and Highways, Space, Textiles and Garments, Thermal Power, Tourism and Hospitality and Wellness. As per the new policy, 100% FDI is permitted in all the above sectors, except for Defence (49%), Space (74%), and News media (26%).

In September 2014, with an objective to assist investors in seeking regulatory approvals, hand-holding services through the pre-investment phase, execution and after-care support, an Investor Facilitation Cell (IFC) dedicated for the Make in India campaign was formed.

Communication is frequently done in order to be informed of the potential of each of the sectors, the rises and falls at regular intervals between the Indian embassies and consulates. To facilitate and fast track investment proposals from Japan and Korea, a special management team was set up by the DIPP, the team known as 'Japan Plus' and 'Korea Plus', was launched in June 2016, to facilitate easier investment proposals from South Korea and Japan, offers holistic support to the companies wishing to enter the Indian market. Various sectors have been opened up for investments like Defence, Railways, Space, etc. Also, the regulatory policies have been loosened to facilitate investments and ease of doing business.

'Make in India' is presenting India as an economic opportunity to the world because of the billion plus population, demographic advantage, recent infrastructure and policy improvements, SMART cities as a way to lure international investments.

Industrialization and Urbanization proposals are Industrial corridors and the development of 21 nodal industrial cities. The advantages of the nodal cities would be Planned communities, large land portions, ICT empowered infrastructure, viable living, excellent connectivity- Road, Rail etc., sustainable living. They are also proposing Railway Projects. The initiative is proposing doubling of Network of Roads by 2020 and Construction of 15,000 km new roads by 2017 targeted under several of the projects. They have also come up with 'Intellectual Property Rights', 'Start-up India'- examples of new infrastructure. The Aviation industry is aiming at becoming the 3rd largest by 2030. To modernize India's ports, 'Sagar Mala' project by the government to modernize India's Ports and Inland waterways to enlarge port-led development and develop coastlines to contribute a supposed project outlay of US\$ 10 billion.

It has been promised that six industrial corridors are being developed across various regions of the country and that Industrial cities are also coming along in the near future.

Impact-

For the Ease of Doing Business, Central Government initiatives include elimination of common companies seal, the swift registration (2-3 days) of a company in India, a proposal is underway for getting PAN and TAN in T+1 day

using digital signature, ESIC and EPFO are done completely digital now.

Construction Permits are done in a fast track approval scheme using digital signature, common application online, a new building bye law has a facility of sanctioning building bye plans in a matter of just 30 days.

To facilitate and boost international trade, Importers and Exporters now electronically lodge their customs clearance documents at a single point through 'Indian Customs Single Window Project' by the CEBC (Central Board of Excise and Customs). Mandatory documents required by customs for import and export of goods have been reduced to three documents via the Bill of Lading, Invoice cum Packing List and Import Declaration.

As for Foreign Direct Investment (FDI), the nation is among the top 10 attractive destinations for inward investments. Since 1991, the liberalization and globalization policies in terms of foreign investment have been consistently eased to make it investor-friendly. It has already marked its presence as one of the fastest growing economies of the world. The government's measures are at a path to open new sectors for foreign direct investment, increase the sectoral limit of existing sectors and easing conditions of the FDI policy. FDI policy reforms are meant to provide ease of doing business and boost the speed of foreign investment in the country.

(2) Demonetization

The Concept

On 8 November, 2016, the government ceased the usage of all 500 and 1000 rupee notes as legal tender in India from 9 November 2016. The master stroke was made public by the Prime Minister of India Narendra Modi in an unscheduled live TV address at 20:00 Indian Standard Time (IST) on 8 November where Modi declared that use of all 500 and 1,000 banknotes of the Mahatma Gandhi Series would be null and void past midnight, and that new 500 and 2,000 banknotes of the Mahatma Gandhi New Series were released in exchange for the old banknotes. The banknotes of 100, 50, 20, 10 and 5 of the Mahatma Gandhi Series not to be affected by the policy.

The government has undertaken this effort to stop counterfeiting of the current banknotes allegedly used for funding terrorism, as well as an ingenious method of tracing black money circulating in the country. The move was also described as an effort to fight corruption, drug dealing and smuggling.

Merits and Demerits

Despite the initial appreciation of the incredible step for a brighter economy, a few days in, banks and ATMs across the country faced severe deficiency in cash thus deterring small businesses, agriculture, and transportation into major losses. The inconvenience of standing in long queues for hours together and crunching on cash in a primarily cash based economy, had created the overall ill-will of the common people. BSE SENSEX and NIFTY 50 stock indices crashed for the next two days after the announcement was made in the public.

Initially, the move received support from several bankers as well as from some international commentators. As the cash shortages grew in the weeks following the move, the demonetization was heavily criticized by prominent

economists, such as Kaushik Basu, Paul Krugman, Amartya Sen and Steve Forbes and the opposition party.

The major reason or rather the agenda that has been under the lines in this from the dimension of the common people is to make India a cashless or rather make it move from a paper cash to plastic and digital cash economy. The success/failure of the exercise may take anything from a few months to a couple of years to unravel. Moreover, the plan is so magnificent that an approximate 94% of the money is returning to the banks. Since there is an enormous crunch on cash with the banks, the interest rates on cars, homes and personal loans are plummeting as well According to Rediff "Assuredly for the near future, black money and terror funding has been wiped out. Those caught with unaccounted dough will pay 85% tax with penalties."

The verdict on the black money eradication scheme cannot be given for at least six more months as this is an idea for the longer run. There has been such an idea in the past with Rajiv Gandhi's demonetization of the 25 paise which was of little to no use and that too was announced prior.

Impact

One cannot help but imagine the brilliance behind the execution and the immense planning and secrecy involved in a masterful a notion. Also, a sensible mind must understand that if the scheme was announced in prior it would not have had the effect as this would paved way for convicts with getaway or create a riot questioning the measure (no matter how much havoc has formed or the pains behind them). But a sensible mind must also realize that that India is a purely cash based society and that many still do not still have access to plastic money or even understand the expert decision behind them. Moreover, the richest in the nation have the convenience of virtual money and have with ease converted to it while the poor undergo the elongated discomfort of not being able to spend on the daily necessities. The extent to the effects and the traceability of those involved in corruption and terrorism is also not clear. The EMIs on homes, car loans have tumbled as well as stock market, halts in transportation, and problems in the agriculture industry.

Nevertheless, one cannot forget the 'Big Picture' behind such noble a deed and understand that there are bigger games at play behind a surgical and master stroke like this.

(3) Pradhan mantri jan - dhan yojana

The Concept

Pradhan Mantri Jan Dhan Yojana was launched on 28th of August 2014 by the Prime Minister of India, Shri Narendra Modi. The scheme was launched with an aim to provide common banking services to all the citizens across India.

Some of the features are: "Basic Saving Bank Account" with an overdraft of up to Rs.5000, this is with respect to active operation in the account for 6 month period and also accidental insurance of Rs.1 lakh is given along with a RuPay Debit card.

Merits-Upon completion of one year of the scheme being introduced, the finance minister of India, gave the achievement figures of the scheme. He mentioned that there were about 180 million bank accounts that were opened after the implementation of Pradhan Mantri Jan-Dhan Yojana scheme. He also shared, that their next step is make use of these created accounts to provide facilities like pension, insurance and loans.

Impact

This scheme will cultivate the habit of handling cash and the most important aspect of it is to deposit money in banks. It also gives the illiterate/poor people the wisdom to handle money with ease and know the benefits they can avail, like Pension, Savings/Deposits that can be made in a bank. Narendra Modi has given this Scheme well in advance of the demonetization. As we know, Demonetization is making a particular unit of currency invalid. Thus his move to promote the Pradhan Mantri Jan-dhan Yojana was an eye-opener to the fact that he never wanted any black money to be circulated in the country. He was very particular that, to track the monetary flow of the economy, all transactions have to be recorded. This will indirectly reduce other problems like Terrorist funding, illegal storage of money, corruption. Hence the scheme has been proven to be beneficial to the economy.

Some of the key features of this scheme include:

- For deposits, interest is calculated and given to the customer.
- One lakh rupees is given as coverage for accidental insurance
- The account supports zero cash balance facility
- Money can be transferred across the country.
- The scheme gives access to various financial facilities like insurance, pension etc.
- Thirty thousand rupees would be given to the customer's family upon death of the person who has an account under the scheme.

(4) Digital India

The Concept

The government of India initiated "Digital India" to provide services to the citizens digitally. It was launched by our Prime minister Narendra Modi on July 1st 2015. The main idea behind this initiative is to make sure that the services offered by the government to the citizens is via internet or through technology. Digital India will thereby make the overall services offered by the government simpler and will make sure that people will come out of the traditional methods which are time consuming and cumbersome. The vision of this campaign is to create more awareness among the people about the digital services offered and how the people can benefit from the same. This has directly helped the economy flourish as more foreign nations are ready to invest in India and this is a clear indicator that these nations are aware about the importance India gives to technology.

Impact

This has encouraged more Foreign Direct Investments in India. Employment will increase because of the foreign direct investments made in India, which will thereby contribute to the

Economic growth of our country. It has made India more relevant with the outside world especially the Veto power nations that are largely technology based. It has speeded businesses transactions, made communication faster and much simpler thus reducing input costs and increasing output levels.

Giving internet access to about twenty five thousand villages has been one of the major targets of 'Digital India' scheme. This will create the digital literacy among the rural people and will there by increase their knowledge about internet. Email is a common medium of messaging now a days for the urban people, but for the rural people it is not well known and they will use it only when they are provided with internet and the awareness about it. The Government of India has reached email service oriented firms to make emails in regional languages. This will encourage rural people to use the service more frequently and they will be able to do it more easily. Data Xgen Technologies Pvt Ltd, has launched 'DATAMAIL' which allows to create email ids in eight Indian languages. The aim has been to create convenience for the rural population so as to create a developed mode of business for them and especially the agriculture industry which is still very much based on old school methods of industry which barely suit the present time and certainly do not suit present needs. India is primarily an Agriculture- based nation and this scheme is meant to make a revolution. A revolution towards a fast, track able and a low input communication system,

(5) Atal Pension Yojana

The Concept

The Atal Pension Yojana was launched on 9th May 2015 at Kolkata by the Prime Minister Narendra Modi. This scheme will supposedly help the people who belong to the unorganized sector with pension benefits. The primary reason of bringing in and enforcing this scheme has been to ensure that people have a financial security and records to be dually maintained. The pension system is meant to help them when they have retired or are not earning. The contribution for the scheme has been constructed so that it is very minimal.

This scheme was essentially created for those who are working in companies that do not provide pensions. Pension is to be obtained from the age of sixty years. Contribution to the scheme is available in different amounts, ranging from one thousand to five thousand rupees depending on the range of income. The age of the contributor and the amount contributed will be used for estimating the amount the person would be getting as pension. Once the person is no more his wife (if present) can collect the pension. After her the nominee can get the final claim that is remaining. This scheme will promote the habit of saving money for the future. The Government of India will contribute Rs1000 or 50 % of contribution to the pensioner for a period of 5 years. This benefit can be used by non-income tax payers. Citizens who are between the age group of 18 and 40 are eligible for Atal Pension Yojana.

This move of bringing a sense of security among the people has created a positive approach towards employment. People will look to save money and will know the importance of saving as inflation is unpredictable and the future is uncertain. Also, it creates a positive attitude towards non- government employment and lower income jobs as this creates security financially thus creating a sense of safety for those who otherwise do not have such chances of such safekeeping.

Table 1: Monthly Contribution Chart

Age of entry	Monthly pension of Rs 1000 and return of corpus to nominee	Monthly pension of Rs 2000 and return of corpus to nominee	Monthly pension of Rs 3000 and return of corpus to nominee	Monthly pension of Rs 4000 and return of corpus to nominee	Monthly pension of Rs 5000 and return of corpus to nominee
18	42	84	126	168	210
20	50	100	150	198	248
25	76	151	226	301	376
30	116	231	347	462	577
35	181	362	543	722	902
39	21	264	528	792	1054

Source: Atal Pension Yojana brochure

(<http://pfrda.org.in/WriteReadData/Links/APY%20Brochure%2010092015166689b8-034a-406c-a8a4-355312c6f7b2.pdf>)

(6) Goods and services tax

The Concept

It is a bill that has won the approval of the Rajya Sabha and is yet to get through the Lok Sabha. The tax is a reformation of the present tax structure merging it to create better purpose of money, time and lessen the pains and hassles of the stake holders. It is a comprehensive indirect tax structure, on sale and consumption on goods and services, manufacture, thus replacing central and state taxes. It functions through the 'GST Council'. All goods that are taxable are taxed at a single rate until they reach the customer. Exports are to be rated zero, while imports will be levied a small amount to be paid.

The supposed, expected benefits and supposed impacts are are:

For the Customer:

- Easier Tax system that is simple to understand
- Lesser number of taxes would mean lesser prices in the final product
- Price Uniformity all over the country
- A lot of transparency in the system
- More employment opportunities.

To Trade:

- Fewer rates and exemptions, no distinction of good or service would be a less painful and arduous tax regime.
- No more multiple taxes
- Time efficient
- No double taxing
- Improvement in common national market

The present tax system is too complicated with too many customs and levies making it hard to track the direction of the capital. GST makes it less complicated, easy to track and far more accountable.

3. Conclusion

On the whole the schemes and initiatives launched by our Prime Minister, Narendra Modi have paved way for a better economy and will yield fruits in the upcoming years. The many strategies are of the nature to make India self-sufficient and create wealth for the common. The imperial objectives have been to eliminate black money to the core, trace its origins, develop the digital infrastructure for the nation, bring about a virtual revolution in all sectors, create accountability, and encourage companies to invest in India and also to make more products within the country. The schemes involve all age groups- from the youth to the aged thus affecting all the citizens alike. The idea behind all of them is meant for the longer run although ambiguous now. The schemes are concise and practical.

The strategies are indeed brilliantly planned and ingeniously and crisply executed. Such reforms could not have been

imagined before. The chances of India's advancement in the domestic, regional and international scene is eminent. We are certainly moving in the right direction.

Though critics have made remarks about his knowledge in bringing new schemes which will have effect at the macroeconomic level, Modi's government has constantly and meticulously worked towards the welfare of the country and its citizens by increasing income improvement reforms. The results are however ambiguous as of now are prone towards a better, clear, financially stronger India. Than a reformation, one could call it replacement. The complete redo of the outdated, feudal ways to an easy to track, accountable and sound system that benefits each citizen towards industriousness and the overall upliftment of the nation. The general betterment of each citizen goes hand in hand with the economic growth of the nation. Each industry's growth is based on the nation's policies as well as the status of the human capital working for them. It is a circle that depends on each other. The nation is on the wake of a revolution, the form of change that is emergent. Touché to Mr. Modi.

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