# A Year of Economic Turnaround with Inclusive Growth

The economic upturn and financial inclusion achieved in just one year after the landslide victory of the NDA on the promise of inclusive growth, is almost unprecedented in the 67 years' post-independence history of the country. The Economy has rebounded on a growth trajectory of 7.5 percent, eclipsing even China within a year, from the lowest ebb of last one decade. The wholesale and retail price indices have been reined in at (-) 2.3 percent and 4.9 percent from a record high of 4.6 percent and 10.2 percent respectively. The current account deficit (CAD) too is now at less than one percent of GDP after hovering at a record high of 6.1 percent, only a year before. On top of all, the new project announcements are picking up fast, with the promise of a sustainable revival. The NDA government has well excelled in bringing down the double digit CPI inflation hovering at 10.2% level since 2007, to 4.9 percent now. The prices of food articles were up by 9.5% only a year ago in May 2014 over May 2013. The potato prices were up by 31% and onion prices too were surging fast at a time when monsoon was deficient by 12% against a Long Period Average (LPA). So, the new government restricted onion exports and even dumped imported onions in the market at prices below the cost of import, and also raided onion hoarders. In July, it also took a major decision to liquidate 15 million tonnes of food grain stocks to curb food inflation and in September the Agricultural Produce Market Committee (APMC) law was also amended in Delhi to allow trading of fruits and vegetables outside the *mandi.*

But, the flip side of the story was also equally worrisome, as the falling global prices of agri-commodities were leading to a slowdown in exports of several commodities, causing almost a crash in domestic agri-prices, most notably of cotton. The government therefore, put the Cotton Corporation of India (CCI) into action, to procure more than 9 million bales of cotton at minimum support prices for giving a breather to cotton farmers and avert a potential spate of farmer suicides in the cotton belt. Focus is also being laid now upon the development of irrigation facilities, under the *Pradhanmantri Krishi Sinchai Yojana* to further help and support the farmers. A fund has also been proposed to be set up for marginalized farmers with a corpus of Rs. 25,000 crores under NABARD.

The most praise-worthy feat of the Modi government has been the effort towards financial inclusion of the masses. About 80 % of the Indian population was untouched hitherto till last year, by services like banking, insurance and pension for last 67 years, despite nationalization of banks and the insurance sector long back. Almost 68 percent of the population had no bank accounts till only a year ago. The *Jan Dhan Yojana* has achieved the miracle of opening more than 13.2 crore bank accounts with the infusion of Rs 10, 500 crore into the system in such a short span. The three recently launched social security schemes viz. the *Pradhanmantri Jeevan Jyoti Bima Yojna* (PMJJBY), *Pradhan Mantri Suraksha Bima Yojana* (PMSBY) and *Atal Pension Yojana* have got nearly 6.5 crore subscriptions. The PMJJBY scheme offers Rs. 2 lakh life cover for a mere Rs. 330 per year provided the subscribers are bank account holders and are of the age 18-50. Under the PMSBY, a renewable one-year accident cum disability cover of Rs. 2 lakh is provided for a paltry premium of Rs.12 every year which is an ultimate social security cover unheard of anywhere in the world. The Atal Pension Yojana is aimed at benefiting people who work in the un-organised sector and do not fall under the ambit of regular pension. The scheme offers pension under various brackets depending on the contributions made over a period of time. The scheme is for people in the age bracket of 18-40 years. The social focus of the government is quite unambiguous and explicitly evident from the very fact that the government has continued with previous schemes and linked them with technology for targeted interventions through the JAM trinity- Jan Dhan Accounts, Aadhaar Cards and Mobile numbers.

Government's move for cooperative federalism is also well reflected in increased tax devolution from 32% to 42% to the states, in pursuance of the report of the Fourteenth Finance Commission, which would ease the central government's stranglehold on states. The central government had been hitherto mandating them as to which schemes to run and how. Moreover, allocation of royalties from coal auctions to states will also go a long way in bringing prosperity to mineral-rich states.

The index of industrial production (IIP) also reveals growth and revival in most of the important sectors like manufacturing, mining and electricity among others, indicating a rapid turnaround in offing. The separate ministry for entrepreneurship, along with the thrust on skilling would further bring a sea change on the front of fast overcoming unemployment and poverty. Industrial policy initiatives through the 'Make in India' campaign can also do wonders if focused on providing impetus for the development of indigenous products and brands under the scheme. Ultimately the government has to evolve ways to mobilize domestic resources as well, for investment in trade, commerce and industry. Impetus being given on greater domestic participation in defence production is a bold step and needs to be further stepped up.

In the area of education as well, the government in past one-year has come up with several new initiatives including the *Beti-Bachao Beti Padhao Abhiyan, Swachh Vidyalaya* and GIS Mapping of schools, and has opened several new institutions. Moreover, with respect to higher education, the government seems equally keen to have holistic development with several new AIIMS, IIM and IIT like institutions being opened in states that have a paucity of these.

The government's focus on up-gradation and development of infrastructure is well reflected in the push for railway up-gradation and improvement in customer services along with setting up of a target of laying 30 km new roads a day by 2017. In March this year, 11 km of roads were being laid. In the broad ambit of infrastructure, covering the development of roads, highways, ports, airports, waterways, canals, and railways, clearances for projects close to Rs. 6 lakh crores across 10 key sectors, shows sincere intent on the part of the government for infrastructure development. The successful auction of coal mines is slated to rope in a massive 15 lakh crores over a 30-year timeframe if all the mines are auctioned and work at optimum output. With India Inc's hesitation to invest in infrastructure, the government has boldly said that it would finance infrastructure projects directly till the PPP problem is sorted out—most PPP projects, across the board, are in all types of troubles, ranging from lack of clearances to lack of funds with the promoter. The much-needed de-freezing of defence orders and contracts and pruning the list of defence products that require licences, would also enhance growth. There has been a spate of other executive measures for improving the ease of doing business, including larger scope for self-certification, bringing together 10 licensing requirements on a single e-biz portal, setting up of new NMZs and an industrial corridor authority. Stashing of black money abroad has been made punishable with deterring punishments.

The Modi government has also swiftly ended the investment and project-clearance logjam by clearing long stuck projects worth Rs 7 trillion. The growth in the economy has now been restored to 7.5%. Inflation is quite remarkably down; growth rate is again the highest in the world; foreign reserves have grown up by 12% from \$304 billion to \$341 billion in a year; current account and fiscal deficits have been reined in and a series of investment projects have been cleared and new ones announced, especially in the public sector for quick impetus.

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