

# Analysing India's Economic Growth Under Modi: Myth or Reality

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## Abstract

*In 2016, India became the world's major fastest growing economy leaving behind China.<sup>1</sup> India was growing at a steady rate of more than seven per cent till the Bharatiya Janta Party (BJP) government introduced certain policies such as demonetisation initiative and Goods and Services Tax (GST) that severely impacted its economic growth. Since mid-2016 its economic growth started to decelerate and in 2019, India's economic growth stood at 4.5 per cent even though Modi made tall promises of making India a US\$5 trillion economy by 2024. Hence, by using the Keynesian Model of Growth, this paper tries to analyse the performance of Indian economy under Modi's government, determine the cyclical, structural and global factors that have contributed to India's slowed economic growth and the impact of Modi's extremist policies on the Indian economy. This paper identifies demonetisation, GST reforms, falling private consumption, protectionism and strict labour laws and COVID-19 pandemic as the factors behind India's slowed economic growth under the current regime of Modi.*

**Keywords:** Indian Economy, Economic Growth, Modi, Demonetisation, GST Reforms.

## Introduction

In 2014, the Bharatiya Janata Party (BJP) came to power by promising to replicate Modi's "Gujarat Model" of economic competence and clean government across India. Initially, it looked from the outside that the BJP-led NDA (National Democratic Alliance) government was taking

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<sup>1</sup> HerpreetKaur and Jagdeep Singh, "Indian Economy Developments (Special Emphasis on Narendra Modi Era Developments)," *IBMRD's Journal of Management & Research*, no. 8 (2019): 35-40.

India's economy to new heights. In 2016, India became the world's major fastest growing economy leaving behind China.<sup>2</sup> Unfortunately, the heydays of the Indian economy were soon over when to fulfil its promises, the BJP government took certain measures that severely affected India's economic growth such as the demonetisation initiative and the imposition of Goods and Services Tax (GST). Soon, India's economic growth came down from 9 per cent in 2016 to merely 4.5 per cent in 2019, the lowest in 6 years.<sup>3</sup> The unemployment rate rose to 8.5 per cent and the private sector investment stood at 15 year low.<sup>4</sup> Its exports declined, private consumption fell and private investment dropped.

Similarly, the research shows that Modi's extremist policies are posing a serious threat to inclusive and sustainable growth, religious freedom, environmental and human rights and India's pluralist democracy. While the Indian economy was already experiencing a slowed economic growth, situation declined when the world was hit by Coronavirus, a pandemic, which further brought down the expected GDP growth rate of India to 1.9 per cent for 2020.<sup>5</sup> Although the Indian economy has slowed down in the last year and the unemployment rate is all-time high, Modi's popularity has soared. Modi not only won the 2019 General Elections but came to power with an even more massive majority as compared to previous elections. However, with growing domestic unrest due to the BJP government's fascist policies: economic uncertainty may affect Modi's popularity in the years to come.

Hence, this study aims to analyse the economic performance of the BJP government under Modi since 2014, identify the factors that contributed in

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<sup>2</sup> Ibid.

<sup>3</sup> International Monetary Fund, December 23, 2019, <https://www.imf.org/en/Publications/CR/Issues/2019/12/23/India-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-Statement-and-Statement-48909>

<sup>4</sup> "India's Unemployment Rate Rises to 3-year High of 8.5% in October: CMIE," *Business Today*, November 1, 2019, <https://www.businesstoday.in/current/economy-politics/india-unemployment-rate-rises-to-3-year-high-of-85-in-october-cmie/story/387857.html>

<sup>5</sup> Gaurav Noronha, "IMF Projects India's Growth Rate At 1.9% In 2020, Forecasts Global Recession Due To Covid-19," *Economic Times*, April 14, 2020, <https://economictimes.indiatimes.com/news/economy/indicators/imf-projects-indias-growth-rate-at-1-9-in-2020-forecasts-global-recession-due-to-covid-19/articleshow/75142792.cms>

India's slowed economic growth and the impact of Modi's extremist policies on the Indian economy. Structural (GST reforms, Demonetisation, Protectionism and Labour laws), cyclical (unemployment, falling private consumption) and global factors (COVID-19) responsible for India's slowed economic growth are identified and discussed in detail in this paper.

This study is a mix of primary and secondary research methods. Primary and secondary sources include academic literature and reports from the World Bank (WB), Indian Ministry of Finance, State Bank of India, the United Nations (UN) and other relevant organisations. The theoretical framework applied in this paper is the famous Keynesian Model of Growth. This paper has tried to explore the following research questions:

- a) How has the Indian economy performed under Modi's government?
- b) What are the factors that have contributed to India's slowed economic growth?
- c) What was the impact of Modi's extremist policies on the Indian Economy?

This paper is divided into six sections. The first section is the introduction. The second section explains the theoretical framework. The third section sheds some light on Indian economy's performance under the Modi regime since 2014 while the fourth section provides answers to why India's economy has slowed down under Modi? The fifth section analyses the impact of Modi's extremist policies on the Indian economy. Lastly, the sixth section of this paper contains the conclusion.

### **Theoretical Framework**

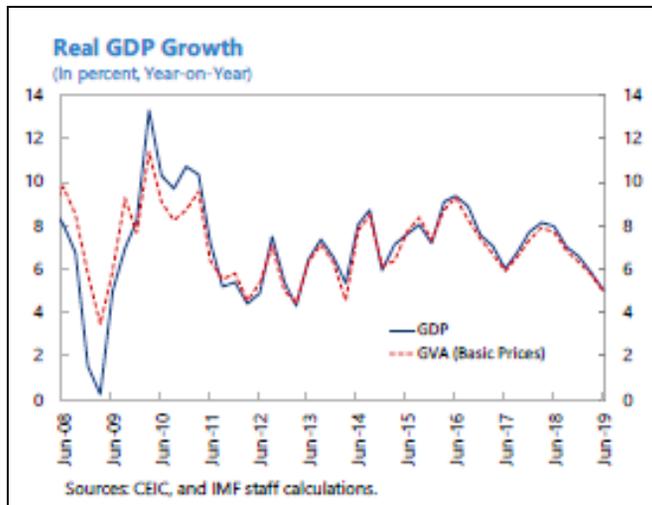
India's current economic slowdown can be understood by using the Keynesian Model of Growth. The Keynesian Model of growth states that economic recessions can be prevented by boosting aggregate demand through economic interventionist policies by the government. This can be done by increasing the government expenditure which ultimately generates a multiplier effect in the economy as increased government expenditure means more private investment, development and infrastructure projects leading to more job opportunities, increased incomes and ultimately increased aggregate demand.

Keynes states that during recessions, structural rigidities of market economies increase economic weaknesses and cause the aggregate demand to decrease more.<sup>6</sup> The Keynesian Model of growth states that unemployment is caused by the lack of enough aggregate demand for goods and services in the economy. Keynesians believe that involuntary employment can exist in an economy, however, without any government intervention, the process of bringing the unemployment rate back to the “natural” rate is likely to be quite slow.<sup>7</sup> Keynesian economics is thus considered as demand-side theory focusing on short-term fluctuations.

Hence, considering that the Indian economy's drastic slowdown is being attributed to a sharp decline in private consumption, makes the Keynesian Model of growth suitable for the author's analysis of the Indian economy.

**Figure No.1**

**Indian Economy's Performance Under Modi Regime since 2014**



Source: <https://www.imf.org/en/Publications/CR/Issues/2019/12/23/India-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-Statement-and-Statement-48909>

<sup>6</sup> Jim Chappelow, “Keynesian Economics,” *Investopedia*, April 11, 2019, <https://www.investopedia.com/terms/k/keynesianeconomics.asp>

<sup>7</sup> William M. Scarth, *Macroeconomics: An Introduction to Advanced Methods*, (Hamilton, McMaster University, 2009): 1.

The Indian economy has not performed well under the Modi regime despite a good start initially. India's real GDP growth has dropped down to 4.5 per cent, the lowest in five years. Its unemployment rate has hit a 45 year high of 8.5 per cent. Around 1 million Indians enter the workforce every year and the Modi government has failed to create enough jobs for them.<sup>8</sup> India's non-performing assets have rapidly increased in the last five years. This has been accompanied by a decline in investments. Production of industrial goods is stagnant while the production of investment goods has declined. The exports have sharply declined since 2014. Consumer demand is sluggish and investment growth remains weak. Sales of cars and motorcycles have fallen by more than 20 per cent in 2019.

Despite the fact that the Reserve Bank of India has cut down interest rates, firms are not investing. Private capital formation is also on a decline and public investment is constrained to keep the fiscal deficit in check. Corporate and housing debt has increased and the fiscal deficit stood at 7 per cent in 2019. Banks and lenders are in crisis as their debt has increased to US\$ 200 billion.<sup>9</sup> India's public sector borrowing requirement has also increased to 8.5 per cent of the GDP.<sup>10</sup> This would further create hurdles for India who is aiming to become an economic giant as private sector investment would become costly. Many notable economists such as Nobel Laureate, Abhijit Banerjee believe that the Indian economy is doing very badly.

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<sup>8</sup> Ravi Agarwal and Kathryn Salam, "Is India Facing an Economic Crisis?," *Foreign Policy*, August 27, 2019,

<https://foreignpolicy.com/2019/08/27/india-economic-crisis-kashmir-rohingya/>

<sup>9</sup> "Narendra Modi is Damaging India's Economy as well as its Democracy,"

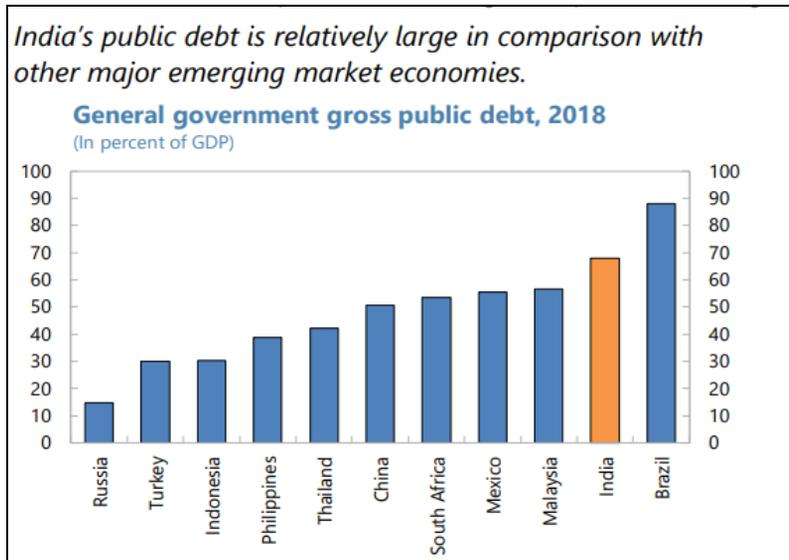
*Economist*, October 24, 2019,

<https://www.economist.com/leaders/2019/10/24/narendra-modi-is-damaging-indias-economy-as-well-as-its-democracy>

<sup>10</sup> International Monetary Fund, "More Fiscal Transparency Would Mean Better Economic Policy in India," December 23,

2019, <https://www.imf.org/en/News/Articles/2019/12/12/na121219-more-fiscal-transparency-would-mean-better-economic-policy-in-india>

**Figure No.2**  
**India's Public Debt (2018)**



Source: IMF, World Economic Outlook,

<https://www.imf.org/en/Publications/CR/Issues/2019/12/23/India-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-Statement-and-Statement-48909>

Household savings are very important for an economy as they are used by banks to extend loans to investors. Household savings in India dropped from 35 per cent in Fiscal Year 2012 to 17.2 per cent in Fiscal Year 2018.<sup>11</sup> Gross Fixed Capital Formation (GFCF) which is used as a tool to measure investment in an economy, came down to 28.8 per cent in 2018 from 34.3 per cent in 2011 in the government sector while in the private sector it dropped from 26.9 per cent in 2011 to 21.4 per cent in 2018.<sup>12</sup> The most disappointing aspect of the Modi government was its inability to create jobs despite making promises of creating millions of jobs by rejuvenating the manufacturing sector through its “Make in India” initiative.<sup>13</sup> There is also

<sup>11</sup> Nikita Vashisht, “Cyclical or Structural? Decoding the Nature of India’s Economic Slowdown,” *Business Standard*, September 3, 2019, [https://www.business-standard.com/article/economy-policy/cyclical-or-structural-decoding-the-nature-of-india-s-economic-slowdown-119090300158\\_1.html](https://www.business-standard.com/article/economy-policy/cyclical-or-structural-decoding-the-nature-of-india-s-economic-slowdown-119090300158_1.html)

<sup>12</sup> Ibid.

<sup>13</sup> Mukesh Chauhan, “NarendraModi’s Performance on the Indian Economy: Assessment of Major Policies,” *Our Heritage*, No. 68 (2020), <https://ourheritagejournal.com/index.php/oh/article/view/6362>

a debate going on that the Modi regime deliberately manipulated and misinterpreted data to paint a rosy picture of its economic growth. Even its senior party leaders like Economist and Former Minister, Arun Shourie were quoted as saying, “Falsehood has become the hallmark of this government.” Hence, all this puts a big question mark over Modi government’s economic performance.

However, it is important to give credit where it is due; the Modi government has been successful in increasing toilet coverage in rural India from 47 per cent of all households in 2015 to 74 per cent in 2017.<sup>14</sup> Under the Pradhan Mantri Awaz Yojana programme, the number of rural houses increased three times between 2014-2016.<sup>15</sup> Modi has also taken a significant interest in providing electricity to rural areas. India’s ranking on the World Bank’s Ease of Doing Business Index 2020 has improved; it jumped from 77 to 63 among 190 countries. Capacity utilisation has increased to 75 percent. Lately, India has taken numerous steps to increase investment such as cutting corporate tax rates from 30 per cent to 25 per cent, cutting interest rates, containing inflation, speeding up infrastructure creation, relaxing Foreign Direct Investment (FDI) norms and reforming the tax system.<sup>16</sup> Although BJP’s promises to turn India into a US\$ 5 trillion economy with a strong manufacturing base like China were far-fetched,<sup>17</sup> it had an opportunity to turn India into a hub of global supply chains that it missed.

## **Reasons of India’s Slowed Down Economy Under Modi**

### *Demonetisation*

In November 2016, the Modi government decided to demonetise 86 per cent of the currency in circulation by banning Rs.500 and Rs.1000 notes to curb corruption, black money and terror financing and boost the digital economy in India. Many economists and researchers believe that

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<sup>14</sup> Ministry of Finance, Government of India, *Economic Survey 2019-2020*, <https://www.indiabudget.gov.in/economicsurvey/>

<sup>15</sup> Ibid.

<sup>16</sup> Ministry of Finance, Government of India, *Economic Survey 2019-2020*, <https://www.indiabudget.gov.in/economicsurvey/>

<sup>17</sup> Henny Sender, “How Modi Won India’s Election but Paralysed the Economy,” *Nikkei Asian Review*, March 11, 2020, <https://asia.nikkei.com/Spotlight/Cover-Story/How-Modi-won-India-s-elections-but-paralyzed-the-economy>

demonetisation failed in achieving its objective. As Indian economy is heavily cashed reliant, pulling money from the system overnight led to a rapid decline in transactions. Owners of small and medium enterprises and small scale farmers were severely affected by that decision of the government.<sup>18</sup> Also, demonetisation deeply affected the rural market and farming community as they were not able to obtain loans or cash on time. Most of the farmers in India are illiterate and do not have a bank account thus they heavily rely on cash transactions. The timing of the demonetisation initiative clashed with the peak season of harvesting of summer crops and sowing of winter crops. This severely affected the farmers who were not able to buy agricultural inputs such as fertilizers and seeds on time. People had to wait in long queues to get their money changed.

The demonetisation initiative of the Modi government led to disruptions in the economic and industrial activity in the country that severely impacted the economic growth in the years to come. According to CMIE, 1.5 million people became unemployed between January to April in 2017.<sup>19</sup> The demonetisation move was so sudden that it generated an aggregate demand shock as the money supply fell drastically and an aggregate supply shock as cash was not freely available for purchasing inputs in the agriculture sector and other economic activities.<sup>20</sup> Many economists think that the Indian economy never recovered from the twin shocks of the cash ban and GST reforms. According to a leaked Indian government report, farmers bought less basic consumption items such as sugar, lentils and salt, in the year succeeding the cash ban.<sup>21</sup> Although the intention behind the demonetisation decision was pure, however, it was completed untimely, ill-conceived and poorly implemented, leaving the Indian economy in a state of chaos.

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<sup>18</sup> Ibid.

<sup>19</sup> Mahesh Vyas, "1.5 Million Jobs Lost in First Four Months of 2017," Centre for Monitoring Indian Economy, <https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=2017-07-11%2011:07:31&msec=463>

<sup>20</sup> Rajrishi Singhal, "How Demonetisation Impacted the Indian Economy," *Livemint*, August 30, 2018, <https://www.livemint.com/Politics/uCSwoIE7ugfGfuv2O0wWbN/How-demonetisation-impacted-the-Indian-economy.html>

<sup>21</sup> Amy Kazmin and Jyotsna Singh, "Indian Poor Grow Hungrier Under Modi as Economy Slows," *Financial Times*, December 10, 2019, <https://www.ft.com/content/c697cf60-1813-11ea-9ee4-11f260415385>

According to the Reserve Bank of India's annual report, 99.3 per cent of the banknotes withdrawn were returned to the Central Bank<sup>22</sup> indicating that the demonetisation initiative had no impact in curbing black money. However, the tax returns filed for 2016-17, increased by 25 per cent after demonetisation.<sup>23</sup>

### *GST Reforms*

In July 2017, the Indian government decided to reform the existing multiple indirect tax system of India by bringing in Goods and Services Tax (GST) reforms. It is an indirect tax that is levied on goods and services in India at every point of sale from the purchase of raw materials, production, warehousing, retailing and finally to the end customer. GST is a destination-based tax that is charged whenever the value is added to a product and at the point of consumption. A good pass through multiple stages before it reaches the customer such as the purchase of raw materials, production, packaging, warehousing, sale to wholesaler, sale to the retailer and finally to the end consumer.<sup>24</sup> At every step value is added to the product and so is the GST, hence it's also called a multi-stage tax.

GST reforms were implemented to make the tax system more uniform, transparent and reduce tax evasion and complications faced by the taxpayers. Exporters particularly from the textile industry were hit hard by the GST reforms. GST export refunds are slow which means that the capital remains stuck for months.

Even though GST reforms were brought to make the tax system more uniform and easier, it has led to an increase in fraudulent tax invoices and has made the tax structure more complex with burdensome compliance procedures. The new tax system requires the returns to be filed and payments to be made online and many small businesses do not possess the necessary technology (access to internet and computers) to

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<sup>22</sup> Reserve Bank of India, *Annual Report 2017-18*,

<https://www.rbi.org.in/Scripts/AnnualReportPublications.aspx?year=2018>

<sup>23</sup> Salman Anees Soz, *The Great Disappointment: How Narendra Modi Squandered a Unique Opportunity to Transform the Indian Economy*, (Gurgaon, Penguin, 2019).

<sup>24</sup> Deepak Adhana and Rebhava Raj Raghuvanshi, "Goods and Service Tax (GST): A Game Changer for Indian Economy," *Proceedings of National Conference on Contemporary Issues in Business Excellence in the Era of Digitalization (CIBEED - 2019)*, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3452717](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3452717)

do that. Micro, Small and Medium Enterprises (MSMEs) have been affected the most by the GST reforms as they find it hard to make the GST payment within 20 days after raising the invoice when they receive payments from their buyers after 90 days.<sup>25</sup> This has made their working capital problem more severe. Furthermore, small and medium businesses do not usually employ separate accountants to file taxes; however, with this new tax system, businessmen would have to now hire GST professionals who have the required knowledge regarding the new tax policies, laws and procedures. Hence, this would increase their costs. However, the GST reforms are being touted as an important economic policy initiative since 1991's economic reforms having long-term positive implications. It is pertinent to note that both the demonetisation decision and GST reforms severely affected the private consumption which ultimately increased unemployment and slowed down India's economic growth.

### *Falling Private Consumption*

Consumer spending in India declined for the first time in four decades and the consumption expenditure reached a five-year low of 3.1 per cent in 2019.<sup>26</sup> The auto sector was hit the hardest as car sales fell and vehicle production declined by more than 13 per cent in 2019. Demand for both cars (a proxy often used for urban demand) and two-wheelers (a proxy used for rural demand) declined. Tata Motors, one of India's largest automakers, witnessed a 30 per cent decline in sales.<sup>27</sup> The real estate sector has also been deeply affected by the falling housing demand. The

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<sup>25</sup> V. Anantha Nageswaran and Indira Rajaraman, "Solve the Tax Problems of Small Firms to Achieve Economic Goals," *Livemint*, February 24, 2020, <https://www.livemint.com/opinion/columns/opinion-solve-the-tax-problems-of-small-firms-to-achieve-economic-goals-11582567360292.html>

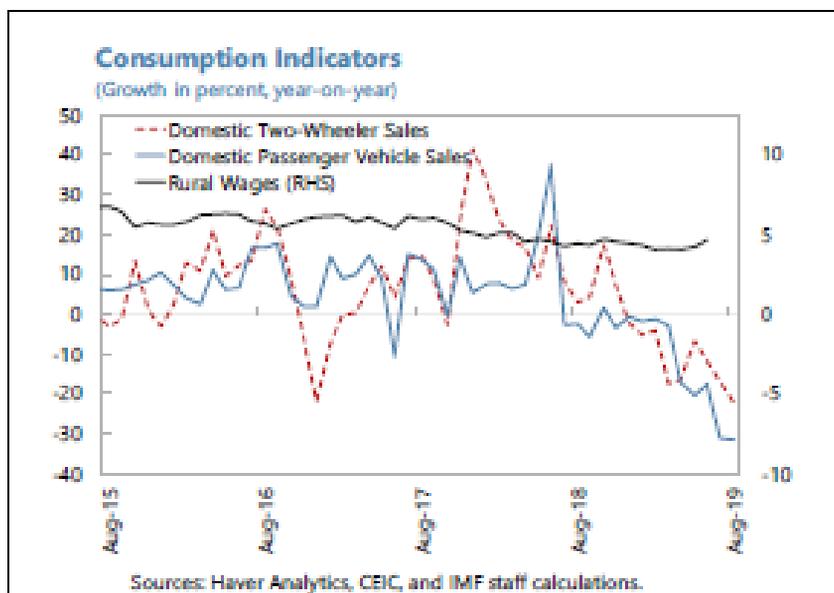
<sup>26</sup> Milan Vaishnav, "The Strange Triumph of Narendra Modi Can India's Prime Minister Succeed Even as the Economy Plummets?," *Foreign Affairs*, November 4, 2019, <https://www.foreignaffairs.com/articles/india/2019-11-04/strange-triumph-narendra-modi?gpp=dvAAOdAawYgOvBXuauhHHTpvR1MzRVc5SWIzRjBQSWxSbGxta1NoODIDVXFoNnI1WVVYN1ozRnHHTTVwZ3B5RUFIUUsNmXVcndtYVBIU2tIUIF2WjUxbTF4ckJNNm5Db2tZYlcyUT09OmU5MDc1OTg0OGI0Y2MxN2E2MTk3MjRjYzZjMTRmMzM2ZGVmYmM2M2FlZjg3ZGJkZjNlYWZhMTljOTE1YTZhNjI%3D>

<sup>27</sup> Henny Sender, "How Modi Won India's...", *Nikkei Asian Review*, March 11, 2020, <https://asia.nikkei.com/Spotlight/Cover-Story/How-Modi-won-India-s-elections-but-paralyzed-the-economy>

fall in private consumption further increased unemployment as industrial production fell.

**Figure No.3**

**Consumption Indicators of India (2019)**



Source: <https://www.imf.org/en/Publications/CR/Issues/2019/12/23/India-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-Statement-and-Statement-48909>

According to Indian Economist, Indira Rajaraman, there's no one single reason behind the fall in private consumption. She states that the falling demand for vehicles and motorcycles can be due to the emergence of companies like Ola and Uber which have brought a structural change in the youth's pattern of auto usage.<sup>28</sup> Similarly, the fall in demand for many Fast Moving Consumer Goods (FMCGs) can be due to the slow growth of rural wages. As the Indian government has deliberately tried to keep the food prices low, it has affected farmers' incomes and their consumption expenditure. Some experts believe that the crisis of shadow banking (Non-Banking Financial Companies) has resulted in a fall in auto demand as the supply of easy finance was disrupted.

<sup>28</sup> Interview of Indira Rajaraman, "Unpacking the Economy with Indira Rajaraman," *Carnegie India*, September 12, 2020, <https://interpreting-india.simplecast.com/episodes/unpacking-the-economy-with-indira-rajaraman>

### *Protectionism and Strict Labour Laws*

Under Modi's "Make in India" initiative, the government has adopted protectionist policies by increasing the tariff on imports for the first time in decades in order to protect the domestic firms from foreign competition and encourage sales of domestic products. In 2018, the Modi government imposed tariffs on a variety of products such as smartphones and has doubled the duty on imports of furniture, toys, footwear, beauty products and watches. India even walked out of the Regional Comprehensive Economic Partnership (RCEP) at the last minute as it believed that free trade with China would ruin India's manufacturing sector. However, the protectionist policy of PM Modi is facing retaliation as countries like the US have implemented high taxes on Indian goods. In 2018, the Trump administration increased tariffs on 14 per cent of India's exports to the US to which India responded by slapping new tariffs on 6 per cent of the US exports entering Indian markets. The US also withdrew India's Generalised System of Preferences status which enabled its selected exports duty-free access to the US markets. This has increased the prices of Indian exports in the US making them less competitive.

Moreover, India has decades-old strict and rigid labour laws that hinder economic development and often discourage firms to employ more workers, for example, the Industrial Disputes Act (IDA) states that firms with 100 or more workers need to seek the government's permission before laying off workers which is rarely granted by the government.<sup>29</sup> Being a developing country India cannot afford to have such strict labour laws as it restricts its potential to fully exploit the comparative advantage by using cheap labour.<sup>30</sup> To increase employment and investment in the country, the BJP government would have to bring some changes to the country's labour laws. Due to the spread of coronavirus which has put a halt in economic activity across the country, numerous states like Gujarat, Rajasthan, Punjab and Himachal Pradesh in India are now relaxing their labour laws.

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<sup>29</sup> "How Labour Regulations Affect Manufacturing in India," *Livemint*, <https://www.livemint.com/Opinion/53b1F1v8tQKSap0crJ9YxL/How-labour-regulations-affect-manufacturing-in-India.html>

<sup>30</sup> Simon Deakin and Antara Halder, "How Should India Reform Its Labour Laws?," *Economic and Political Weekly*, no. 12 (2015): 48-55.

Both protectionism and strict labour laws have increased inefficiency and incompetence of Indian firms. They are now lagging behind in effectively competing against international competitors in the international market. This is also one of the reasons why India's exports have fallen over the years. The Indian textile industry has lost a substantial amount of its market share to firms from Bangladesh, Vietnam and China.

### *COVID-19*

As the economies all over the world are at a halt due to the spread of COVID-19, it has severely impacted the economic growth of countries. The IMF has slashed India's economic growth rate for the fiscal year 2021 from 5.8 per cent to only 1.9 per cent due to the impact of coronavirus on the Indian economy. According to estimates, India lost US\$4.5 billion every day during the lockdown as only a quarter of its US\$2.8 trillion economy was operational.<sup>31</sup> Industrial production has also declined sharply as only a few industries such as steel, food, fertilizers, mining, medicines, petroleum products and electricity generation are exempted from the lockdown. Its unemployment rate increased to 27 per cent in April after one month of lockdown.<sup>32</sup> Daily wagers are being affected the most. There are around 400 million workers in India who depend on daily wages for survival.<sup>33</sup> It is expected that the impact of COVID-19 will reverse the development gains achieved during the past decade by forcing people back into poverty. The Indian government has announced a relief package of US\$ 266 billion which also includes cash transfers and food ration to poor households and financial support to small and medium scale businesses. COVID-19 has now put further pressure on the Indian economy from which it will take years to recover.

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<sup>31</sup> Preetha Reddy, "Fighting COVID-19 with Facts not Fear: How India can Get Back to Work after Coronavirus Lockdown," *Business Today*, April 26, 2020, <https://www.businesstoday.in/opinion/columns/covid-19-coronavirus-lockdown-how-india-can-get-back-to-work-indian-economy-gdp/story/402041.html>

<sup>32</sup> Centre for Monitoring Indian Economy, <https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=2020-04-21%2010:40:01&msec=873>

<sup>33</sup> International Labour Organisation, "ILO Monitor 2nd Edition: COVID-19 and the World of Work," April 7, 2020, [https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_740877.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_740877.pdf)

## Impact of Modi's Policies on the Indian Economy

The extremist policies being pursued by the Modi regime are also affecting the Indian economy and inclusive growth. The budget for various welfare programmes has been cut down. The education budget dropped by 24.68 per cent under the BJP government. The budget for Mid-Day meal Scheme and Sarva Shilpa Abhiyan (Education for All Movement) was reduced by 16.41 per cent and 22.14 per cent, respectively.<sup>34</sup> The BJP government is more inclined towards 'saffronising' the education sector and is investing in educational projects that promote Hindutva ideology. The school curricula are being changed accordingly and RSS ideologues are being hired on senior academic positions.<sup>35</sup> All this is threatening the secular credentials of India, narrowing the space for free-thinking, freedom of speech, creativity, pluralism and diversity.

Evidence shows that the Modi Model of development was pro-business and non-inclusive that only benefited specific strata of the society while marginalising the poor and the minorities especially Muslims. The poor performance of BJP, especially delivering on socio-economic indicators was also one of the reasons it lost the Delhi elections to Aam Admi Party led by Arvind Kejriwal who unlike BJP emphasised on the provision of basic services, especially education and health during his previous term and the election campaign. This shows that Modi may have won the 2019 Lok Sabha elections by spinning his electoral campaign around security issues but would not be able to ignore the economic problems for long. The Citizenship Amendment Act (CAA) has already created unrest in the country, in addition to it, economic dissatisfaction would provide fuel to the fire.

Many renowned economists like Amartya Sen believe that a country cannot achieve sustainable development unless its citizens have freedom of expression and to make informed choices, access to justice, health, education and gender equality. However, in Modi's India, we can see that all these basic human rights are under attack. Minorities, especially Muslims are being marginalised, discriminated against and made targets of mob

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<sup>34</sup> Joseph Tharamangalam, "Moditva in India: a Threat to Inclusive Growth and Democracy," *Canadian Journal of Development Studies*, July (2016), <https://www.tandfonline.com/doi/abs/10.1080/02255189.2016.1196656?journalCode=rcjd20>

<sup>35</sup> Ibid.

lynching and violence. NGOs, environmentalists and human rights activists who criticise the BJP government or its extremist Hindutva policies are charged with sedition cases and termed as anti-national. Around 332 people were arrested under this colonial-era law between 2016 and 2018.<sup>36</sup> Activist Sharjeel Imam, Ex JNU Students' Union President Kanhaiya Kumar, filmmaker Mani Ratnam and editor of *Face of the Nation*, Dhaval Patel are few names from a long list of people registered under the sedition law during BJP government. International NGOs are monitored e.g. the funds of Greenpeace India were frozen by the government. Even the business community feels threatened when it comes to openly criticise Modi government's economic policies.

## Conclusion

In order to summarise the present study, it can be concluded that despite a promising start, the Indian economic growth under Modi has decelerated sharply. The slowdown in India's economic growth can be attributed to many cyclical, structural and global factors such as demonetisation, GST reforms, falling private consumption, protectionism and strict labour laws and a global pandemic. However, the Modi government was successful in enhancing the toilet coverage rate, providing electricity to a number of villages, speeding up infrastructure creation, improving its ranking on ease of doing business, and containing inflation. Thus, India's economic growth is not a myth as it did grow initially, but due to Modi's ill-timed and ill-conceived policies and other cyclical, structural and global factors, it could not sustain the upward trajectory and lost momentum.

Although the Modi government has announced many high profile programmes, it has not been able to develop a coherent policy that would help in materialising them. It needs to not just overcome the cyclical factors that have slowed down the economic growth, but also needs to fix and come up with sustainable solutions to structural problems of India's economy. The BJP government needs to deliver its promises of '*Sabka Saath, Sabka Vikas*' ('Together with all, Development for all') and for that, it needs to ensure that the development gains are inclusive across all religious communities, castes and socio-economic classes. The Keynesian Model of

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<sup>36</sup> Sheikh Saaliq, "Critics of India's Modi Government Face Sedition Charges," *The Diplomat*, March 6, 2020, <https://thediplomat.com/2020/03/critics-of-indias-modi-government-face-sedition-charges/>

Growth prescribes increasing government expenditure as a cure to unemployment and slower economic growth. However, increasing government expenditure to increase aggregate demand to spur consumption would not be easy and may come at a cost of increased fiscal deficit.

There is a need to relax labour laws to encourage investment in the country. It needs to provide vocational training to its workforce and modernise its manufacturing sector to make its exports competitive in the international markets. India also needs to improve its performance in areas such as “Enforcing Contracts” and “Registering Property” on the World Bank’s Ease of Doing Business Index to improve the business environment and encourage FDI.<sup>37</sup> However, all this will have to be done in tandem with other fiscal, monetary and structural reforms. It is expected that India’s economic growth will further slowdown as COVID-19 has affected the Indian and the global economy. COVID-19 has pushed thousands of people down the poverty line. It will take some years to overcome the economic losses worldwide.

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<sup>37</sup> Aman Thakker, “With India’s Economy Facing a Slowdown What Tools Does the Modi Government Have?,” *Diplomat*, September 12, 2019, <https://thediplomat.com/2019/09/with-indias-economy-facing-a-slowdown-what-tools-does-the-modi-government-have/>