Economic Progress During the First Two Years under Prime Minister Narendra Modi *

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Economic Progress During the First Two Years under Prime Minister Narendra Modi

The dominant narrative in the media during the last two years has been that the economy has remained more or less the same as under the United Progressive Alliance (UPA) government. Some go so far as to state that the UPA delivered better outcomes than during the first two years of the present government. It is also asserted that the above 7% growth during 2014-15 and 2015-16 is the artefact of the new computation methodology of the Gross Domestic Product (GDP) and that it simply does not "feel" that the economy is growing at 7% plus rate. This narrative requires a critical examination.

The Economy under the UPA

To put matters in perspective, we need to begin with a brief retrospective. Led by Prime Minister Atal Bihar Vajpayee, the first National Democratic Alliance (NDA) government had ruled from 1998 to 2004. In May 2004, when it lost parliamentary election, the NDA handed over to the UPA an economy that had grown 8.1% during its last full year, 2003-04. True, this growth came on the heels of tepid growth in the preceding years. But the critical point is that it represented a shift in the growth trajectory rather than one-off performance. Hard-fought reforms first under Prime Minister Narasimha Rao (1991 to 1996) and then Prime Minister Atal Bihari Vajpayee (1998 to 2004) had finally paid off placing the economy along a higher growth path for good. No longer would 5 or 6% growth be seen as a major accomplishment as had been the case when the economy first achieved these rates during the 1980s. India went on to robustly grow at an average rate of 8.3% for nine years from 2003-04 to 2011-12.

UPA ruled till May 2014. When it quit office, it returned to NDA an economy that had grown just 4.7 and 5% respectively during the preceding two full years, according to the GDP estimates available then. Later, methodological revisions to the estimation of the GDP led these rates to be revised to 5.1 and 6.9%, respectively.

Under UPA I, which ruled from 2004 to 2009, growth rate averaged 8.4%. While few would dispute that this was an impressive performance, the million-dollar question is precisely what policy measures under UPA I can be credited with having given rise to this growth. Beyond continuation of trade liberalization and dismantling of the small-scale industries reservation, it is difficult to find references to policy reforms in the Budget speeches and other relevant documents of the era. Indeed, there is consensus among informed commentators on both sides of the aisle that economic reform process that Prime Minister Rao had launched and Prime Minister Vajpayee had majorly accelerated came to a standstill under UPA I. Even infrastructure building, which had acquired great momentum under the Vajpayee government, saw a perceptible slowdown. Taking advantage of the revenues that the higher growth had made possible, UPA I expanded social programs but it did not take measures necessary to sustain the high growth over a longer period of time.

To its credit, with rare exceptions, UPA I did not introduce policies that would positively hurt the prospects of growth. Therefore, the potential created by the Rao and Vajpayee reforms could be actually realized. That, however, changed under UPA II, which ruled from 2009 to 2014.   Denial of clearances to major projects on environmental or other grounds became endemic. A spate of corruption charges against officers with spotless record and reputation for unimpeachable integrity froze the top bureaucracy into inaction. So deep was the freeze that a definite change of course by the present government has not fully assuaged the fears of the top officers when it comes to making decisions on major projects.

Counter-productive legislations such as those relating to retrospective taxation and land acquisition greatly undermined investor confidence. Public sector banks were encouraged to lend vast sums of money to finance poorly conceived projects. Alongside, poorly performing loans were routinely permitted to "restructure." Expenditures were allowed to expand without regard to revenues leading to large fiscal deficits during the early years of UPA II. The jump in expenditures soon after the 2008 global financial crisis was justified but once it became clear that the economy had survived the shock well, the rationale for continued accelerated expansion of expenditures was less clear.

The effect of these policy mistakes was that an economy, which had seemed unstoppable and grew at the average rate of 8.1% during the first three years of UPA II rule, descended into what appeared to be a crisis during its last two years. A story in the August 24, 2013 issue of the *Economist* magazine entitled "India in Trouble: The Reckoning" offered a disturbing picture of the economy. It noted that growth had been falling to 4-5%; consumer-price inflation had remained stubborn at 10%; the current-account deficit had soared to almost 7% of GDP at the end of 2012 and was expected to be 4-5% in 2013-14; and the rupee had dropped to an all-time low and 13% below its level just three months earlier. "It is widely agreed the country is in its worst economic bind since 1991," concluded the story.

The Economy Today

The economy today is far healthier than during the last year of UPA II. Inflation as measured by the Consumer Price Index (CPI) is down to 5% and that measured by the Wholesale Price Index (WPI) has just returned to the (barely) positive territory after declining for 17 consecutive months. The current account deficit is hovering between 1 to 2%. Foreign exchange reserves have climbed up to $360 billion. While the global economy has gone into tailspin, growth rate in India has steadily risen from 6.9% as per the new GDP series in 2013-14 to 7.2% in 2014-15 and 7.6% (Advance Estimate) in 2015-16. For the 4th quarter of 2015-16, the Advance Estimate of growth rate is 7.8%, a hair's breadth away from the magical 8% mark. Foreign investors, who were fleeing India during the last years of UPA II rule, causing the massive depreciation of the rupee noted above, have returned. Foreign direct investment (FDI) rose 24% in 2014-15 over that in 2013-14 and 40% during April-December 2015 over the corresponding period in 2014.

If certain sectors of the economy continue to exhibit weakness, it is because, at inheritance, they were in crisis and sector-level adjustments take longer than macroeconomic variables. The latter point is amply illustrated by the experience following the Rao-Vajpayee reforms. The early reforms under the Rao government stabilized the exchange rate, inflation and current account within one to two years, even returning the economy to its original growth trajectory. But a sharp break in the growth rate came only in 2003-04, after the Vajpayee era reforms had been added to Rao era reforms. Indeed, a common refrain of many reform critics in the early 2000s was that they had led to little structural change in the economy or major shift in the growth rate.

Therefore, full recovery of sectors such as steel, power generation, electricity distribution and construction, which suffered serious damage during UPA II rule, will take longer. This should not distract us from the fact that many sectors including auto, auto parts, two wheelers, engineering goods, infrastructure, software, civil aviation, and other services are experiencing healthy growth. Weak performance of certain sectors, which receives much greater play in the press than superior performance of many other sectors, is not the same as weak performance across the board or of the economy taken as a whole.

Some critics question the revised methodology of GDP calculation arguing that 7% plus growth does not square with sluggish corporate profits and sales. But this is a phenomenon most intensely associated with sectors that had suffered the most under UPA II. It has also partially spread to other sectors due to declining prices as reflected in the decline in the Wholesale Price Index for 17 consecutive months and poor sales in the export markets. Sluggish profits and sales are entirely consistent with rising output in the face of declining prices. It needs to be underlined that the sales and profits crucially depend on nominal prices whereas the real GDP growth captures the change in output. Those questioning the revised methodology for the calculation of the GDP have failed to find any real fault with it. It is a matter of record that Chief Statistician T.C.A. Anant has satisfactorily answered all the questions raised on the revised methodology including those by the Reserve Bank of India.

The government's accomplishments are, of course, varied and go far beyond GDP growth and macroeconomic stability, which I have highlighted above. In sectors in which the government plays an active and direct role, progress is loud and clear in the data. But even in the private economy, sectors that were not damaged under the previous government or have not been battered by the decline in the global prices have shown healthy growth.

Transport Infrastructure

There has been visible turnaround in the area of infrastructure. The allocation of expenditures to roads and railways at Rs. 2.18 lakh crore in 2016-17 is by far the highest ever. In terms of outcomes, there has been a major breakthrough in unblocking previously stuck projects and initiating new ones. When the government came to power, Rs. 3.8 lakh crore worth of road projects were stuck. By March 2016, approximately Rs. 3.5 lakh crore worth of these projects had been cleared. As a result, road construction has risen from 11.7 kilometres per day during the last year of UPA II to 12.1 kilometres in 2014-15 and 16.5 km in 2015-16. National highway projects awarded rose from 3500 kilometres in 2013-14 to 8,000 kilometre in 2014-15 and, as per target, 10,000 kilometres in 2015-16. Critics need to contemplate what would have happened had the rate of clearance of projects remained where it was during the last year of UPA II.

In railways, the average rate of expansion of tracks has risen to 7 kilometres per day during 2015-16 from 4.3 kilometres per day during the preceding six years.

Investment in railways during 2015-16 has been double the average during the preceding five years. The government has approved the construction of the first high-speed rail between Ahmedabad and Mumbai, modernization of 400 major railway stations, construction of dedicated eastern and western freight corridors with lengths of 1305 and 1499 kilometres, respectively, and laying down of additional new 1,875 kilometres long railway lines. Connectivity of the north-eastern region with the rest of India has been considerably improved.

In civil aviation, we have seen a major jump in the passengers carried. Domestically, the total number of passengers carried has jumped from 66.4 million in 2014 to 80.8 million in 2015. Internationally, the figure has risen from 16.9 million in 2014 to 18.4 million in 2015. Freight shows a more mixed picture with domestic freight carried rising from 4,35,339 tonnes in 2014 to 4,56,894 tonnes in 2015 and international freight carried marginally declining from 251,561 tonnes in 2014 to 247,415 tonnes in 2015. The latter decline is most likely reflects a slowdown in international trade.

Finally, major initiatives have also been taken in the area of waterway transportation, a much-neglected means of transportation over the last several decades. Efficiency at major ports has improved with operating profits rising 43% in 2014-15 over 2013-14 and 16.2% in 2015-16 over those in 2014-15. In 2015-16, addition to port capacity at 93 million tonnes was the highest ever. The Prime Minister has given port-led development a high priority and launched the Sagarmala project that proposes to modernize existing ports, improve port connectivity to roads, railways and inland waterways and develop new waterways. It also proposes to launch a number of Coastal Economic Zones that can potentially transform the country by bringing China-style large-scale manufacturing to India. A new Special Purpose Vehicle named Indian Port Rail Corporation Ltd has been launched to improve rail evacuation from ports. Under National Waterways Bill 2015, cleared by the Cabinet, 106 waterways will be declared National Waterways compared with just five National Waterways during the last 30 years.

Energy

Energy is another major sector in which the government plays a crucial role and progress in it has accelerated as well. When the government came to office, there was near crisis in the availability of coal with serious negative implications for power, steel and cement production. The government quickly passed an ordinance (later replace by a legislation) and auctioned coal blocks to alleviate the shortages. It also transferred Rs. 3.44 lakh crore of revenues over the lifetime of the blocks to the states where the respective blocks were located. Rs. 1396 crore have already been transferred to the states.

Coal production has now acquired momentum with the output increasing by 32 million tonnes in 2014-15 against the increase of 31 million tonnes in the preceding four years taken together. Growth during 2015-16 is reported at 9%. The government is also making steady progress towards underground coal gasification with three lignite blocks identified as candidates.

In power, the government gave the highest priority to brining electricity to the 18,452 villages that remained without electricity. Of these, 7,654 villages have already been electrified. The corresponding figure for the preceding three years was just 5,189 villages. The Prime Minister has now announced his intention to electrify the remaining villages by 1 May 2018.

The government had inherited a major problem in the form of discom debt, which stood at Rs. 4.3 lakh crore on March 15, 2016. The debt meant that discoms were not seen as credible buyers of electricity, which undermined electricity generation and therefore availability of electricity to customers. The government has now launched the Ujwal Discom Assurance Yojana (UDAY) to transfer 75% of the debt to the state budgets while the rest is to be converted by banks into loans or bonds at interest rate not exceeding their base rate plus 0.1%. By March 2016, 18 states had given in principle consent and 9 had signed MoUs with the central government.

Alongside, the Integrated Power Development Scheme has been launched to arrest distribution losses. Under it, underground cabling, end-to-end metering and IT enabled energy accounting are envisaged. An amendment to the Electricity Act 2003, approved by the Cabinet, would give consumers the option to choose among multiple suppliers of electricity. Expansion of transmission lines has been accelerated with 30% greater expansion in 2014-15 than in 2013-14. Efforts are also under way to strengthen intra-state transmission and distribution systems with the view to facilitate 24x7 electricity to Sikkim and the six north-eastern states.

Solar power has received a major boost under the present government. Installed capacity until the end of March 2015 was 3.7 GW. During 2015-16, 1.5 GW was added. The process has gained much greater momentum recently with 32 solar parks with 20 GW capacity approved in 20 states. Land has been identified in all cases and the projects are predicted to be complete by 2019-20.

After more than one and a half decades of slow progress in oil and gas, there are signs of a revival in this sector as well. Recently adopted Hydrocarbon Exploration and Licensing Policy introduces a uniform and open acreage licensing policy. It provides for marketing and pricing freedom for gas from deep, high pressure and high temperature fields. Strict price ceiling, marketing and exploration restrictions in the past had discouraged oil and gas majors from entering into exploration of these fields.

Governance and Institutional Initiatives

A major initial task of the government was to end the paralysis in the functioning of the government including in the environment ministry. This was successfully done with numerous projects rapidly cleared, as already noted. The Prime Minister also assured officers that they could take decisions fearlessly to unfreeze the decision-making process. The government quickly moved to curtail inspector raj by introducing the Shram-Suvida portal that allows firms to self-certify compliance with central labour laws. Inspections are now done through a random selection of enterprises with inspectors required to file their reports within 48 hours.

Ending decades old practice of only gazetted officers and judges having the authority to certify copies of documents individuals submit with their applications for jobs, school and college admissions and other similar purposes, the government has introduced a system of self-certification. This single measure greatly eases up the burden of ordinary citizens, especially those from rural and remote areas who lack access to the officers and judges.

A major push has also been given to improve the ease of doing business. The success in this area has not only been reflected in India moving up in the World Bank ease-of-doing-business rankings, reports from virtually all states confirm improvements in this dimension. For example, Telangana now gives its entrepreneurs the right to time-bound clearance of business proposals. Because the World Bank collects its data in Mumbai and Delhi and not the best locations in terms of ease of doing business across Indian states, its rankings still fail to capture a significant part of the change that has actually occurred.

Prime Minister himself reviews progress in infrastructure projects in all areas every three months to ensure progress with the NITI Aayog giving such presentations in the presence of senior officials of the ministries concerned. Through PRAGATI online platform, the Prime Minister also consults Chief Secretaries of states once every month to redress grievances and de-bottleneck on-going projects. The government has repealed a total of 1178 redundant laws.

High standards of transparency have been introduced. One no longer sees wealthy businessmen lined up outside the offices of ministers and top civil servants. The result has been the absence of any allegations of corruption during the two-year tenure of the government. Remarkably, according to rankings by the Economist magazine, the wealth of crony capitalists in India has fallen to 3% of the Gross Domestic Product in 2016 from 18% of GDP in 2008. Often overlooked, this is a major achievement in a country that has seen corruption scandals break out under virtually every government in recent decades.

Innovation, entrepreneurship and skill development have been brought to the centre-stage of the policy agenda. The Atal Innovation Mission (AIM) has been setup in the NITI Aayog to give fillip to incubators, tinkering labs and grand challenges. The Action Plan of the Start Up India initiative has announced a number of reforms to ease the entry and exit of start-ups. A separate ministry is in place to give focus to initiatives aimed at accelerating skill development. Industrial training Institutes (ITIs) have begun to expand rapidly with their number increasing from 10,750 two years ago to 13,105 at the time of writing. The number of ITI seats has risen by 20% over the same period. Vocational education has been introduced in another 1100 schools benefiting 1.5 lakh students.

A consensus had emerged in recent years that the time was ripe for reinventing the Planning Commission. In his parting address to the staff of the Commission, outgoing Prime Minister Manmohan Singh had stated, "Are we still using tools and approaches which were designed for a different era? Have we added new functions and layers without any restructuring of the more traditional activities in the Commission?" Accordingly, Prime Minister Modi has replaced the Planning Commission by the NITI Aayog with a new mandate. The Aayog is gradually defining its role vis-à-vis both the central government ministries and the state governments. The Governing Council of the Aayog includes the Prime Minister, several senior central government ministers; state chief ministers; and Lt. Governors of Union Territories. A direct outcome of the institutional change has been greater equality between the Aayog and the states and enhanced role for cooperative federalism.

For many years, numerous analysts have pitched for an end to the distinction between plan and non-plan expenditures. Budget 2016-17 has announced that this will be done beginning in 2017-18. The role of planning is also poised for a change. NITI Aayog is now working on a 15-year vision plan complemented by a seven-year strategy and three-year short-run macro framework plan.

Reforms Undertaken and Under Way

Early in its tenure, the government introduced legislation to auction coal and other natural resources. The reform brought increased transparency to the process with several auctions conducted in quick succession to ease up coal supply that had been bottlenecked when the government took charge. The government has auctioned 31 coalmines and allotted another 42 mines to state entities for total proceeds of approximately Rs. 3.4 lakh crore and six mines of minerals for Rs. 18000 crore. Among early reforms was also the end to diesel subsidy with the price fully deregulated.

FDI in insurance, which had remained stuck at 26% for more than a decade, has been finally raised to 49%. The government has also opened defence to FDI, first setting the cap at 26% and later raising it to 49%. In addition, 100% FDI in defence is permitted through the approval route. FDI up to 100% has also been permitted in marketing of food products produced in India; high-tech and capital-intensive activities in railways; coffee, rubber, cardamom, palm and olive plantations; manufacturing of medical devices; e-commerce marketplace; and nonbank automatic teller machines (ATMs). Most of FDI is now on automatic approval route and the regime has been greatly rationalized.

In addition to opening defence to FDI, the government has removed 60% of the items from the licensing list in the sector. It has also done away with other restrictions including the requirement of end-use certificate for exporters. Validity period of industrial licenses in defence has been increased up to fifteen years from three years.

In the area of labour, Factories Act of 1948 has been amended to allow women to work night shifts and increased overtime hours per week permitted. Apprenticeship Act of 1961 has been amended to encourage firms to take more apprentices. The central government has also adopted a more liberal approach to giving assent to amendments by states to central laws on subjects on the Concurrent List. This has led Rajasthan, Madhya Pradesh, Andhra Pradesh and Gujarat to amend several central labour laws. For example, the Industrial Disputes Act in these states is now more liberal in allowing layoffs of workers than earlier. In Gujarat, firms of all sizes located in the Special Economic Zones, Special Investment Regions (SIR) and National Investment and Manufacturing Zones (NIMZ) now have the right to layoff workers as long as they pay the latter 45 days worth of wages for each year worked. Tamil Nadu has also enacted an amendment to exempt some of its land acquisition laws from the central Land Acquisition Act of 2013.

Soon after taking charge, the government assured that it would not initiate any new cases under the retrospective taxation law. It has made good on this promise thereby providing greater certainty of taxation. Further actions towards this end have been promised in the Budget 2016-17. Accordingly, enterprises subject to retrospective taxation in the cases initiated by the previous government have been offered a one-time option to settle their cases by paying the assessed tax with no interest or penalty applied. There also exist a total of Rs. 5.5 trillion worth of tax disputes currently. The government has offered to settle the cases involving less than Rs. 10 lakhs in dues on payment of the dues without penalty. In cases exceeding Rs. 10 lakh in dues, 25% of the minimum imposable penalty would be due.

To simplify tax procedures, the government has introduced presumptive taxation whereby companies with turnover less than Rs. 2 crore (with income assumed to be 8% of the turnover) can pay tax via a one-page form. A similar facility has been introduced for professionals with gross receipts not exceeding Rs. 50 lakh with their income presumed to be 50% of the receipts. Together, these measures have gone some distance towards increased certainty in the tax regime.

The government has announced its intention to reform the corporate profit tax by eliminating myriad exemptions and reducing the tax rate to 25%. As a first step towards this goal, Budget 2016-17 offers the option of 25% tax plus surcharge and cess to companies incorporated beginning March 1 2016.

The Action Plan under the Start Up India program, several financial and policy initiatives have been announced to create a healthy ecosystem for start-ups. It offers single window clearance with the help of a mobile application, creates a Rs. 10,000 crore fund of funds, 90-day exit window in case of failure and freedom from profit tax in the first three years. The Atal Innovation Mission at the NITI Aayog has been tasked with driving the innovation process through incubators, tinkering labs and grand challenges that would focus on innovative solutions to development problems. In parallel, the government has also launched the MUDRA Bank to bring credit to small businesses, especially those owned by women and Scheduled Caste and Schedule Tribe entrepreneurs. Loans worth one lakh crore to 2.5 crore borrowers had been disbursed by February 2016.

For long, India has lacked a modern bankruptcy law. Combined with an Industrial Disputes Act that make laying off workers extremely difficult, this makes bankruptcy process in India highly time consuming. This makes exit of firms difficult, which in turn discourages entry of new firms. Only firms that are nearly certain of survival for a long time venture to enter. While states advance labour law reforms, the central government has done its bit by bringing a modern bankruptcy law to ease the exit of firms. Thus, the government has just enacted the Insolvency and Bankruptcy Act, 2015. The Act amalgamates all existing laws on corporate and individual insolvency and bankruptcy and provides time-bound process of exit through professionals. The twin reforms (right to layoff workers and bankruptcy law) promise to substantially improve the investment climate for large-scale manufacturers in India. They will now feel more secure taking some of the investment risks that they avoided in the past.

The government has also announced its intention to return to strategic sales of public sector units (PSUs) as a part of its overall disinvestment policy. It is also considering closing down units that do not hold the promise of being revived or restructured. The NITI Aayog is now looking into both issues.

For the first time, the government has made a concerted effort at sustainable urbanization. To transform the country's urban landscape, the government has launched the Urban Rejuvenation Mission (URM) comprising of 3 major schemes: Atal Mission for Urban Rejuvenation and Transformation (AMRUT), Smart Cities Mission and Housing for All. The smart cities mission in particular aims to promote cities that provide core infrastructure, a clean and sustainable environment and application of 'smart' solutions.

Reforms and Programs for the Rural Economy

With nearly 80% of the poor living in rural areas, it is essential that special attention be paid to the rural economy. Accordingly, the government has placed the highest priority on revival and rejuvenation of the rural economy in general and agriculture in particular. I have already described the acceleration achieved in rural electrification. Similar efforts have been successfully made in connecting villages to highways though rural roads under Pradhan Mantri Gram Sadak Yojana (PMGSY). Total rural road length constructed has been 36,340 and 36,450 kilometres during 2014-15 and 2015-16, respectively. In comparison, only 24,160 and 25,320 kilometres had been constructed during 2012-13 and 2013-14, respectively. At its launch in 2000, PMGSY had identified 1,78,184 habitats that needed to be connected to highways. In March 2016, approximately 65,000 habitats remain to be connected. The present government has committed to completing the task by 2019.

There is also an initiative under way by the NITI Aayog to modernize the land-leasing laws in the sates. An expert committee has just given its report with a model land-leasing act that states may adapt to their special circumstances. The central government has also provided Rs. 150 crore in the 2016-17 Budget to speed up digitization of land records. Efforts are also under way to incentivise farmers to raise the production of pulses. A major agricultural marketing reform through the spread of e-auctions within and between mandis across the breadth and length of the nation has been launched to bring lucrative prices to farmers. The government has permitted 100% FDI in food chain as long as produce originates domestically.

To boost productivity in agriculture, Prime Minister's Krishi Sinchai Yojana (PMKSY) is being implemented in mission mode with command area development given the highest priority. Incentives are being provided to expand micro irrigation methods such as drip and sprinkler irrigation. The government is creating soil and seed testing facilities at 2000 retail outlets of fertilizer companies. The government has launched the Prime Minister's Crop Insurance program with much of the cost covered by the government.

Social Sector Reforms and Programs

Early in its tenure, the government achieved a major success in financial inclusion through the Prime Minister's Jana Dhana Yojana. The program entered the Guinness Book of Records for opening 1.8 crore accounts in one week from 23 to 29 August 2014. By May 2016, the scheme had opened 21.74 crore accounts with Rs. 37,445 crore in deposits.

Alongside, the Prime Minister not only took the pragmatic decision of retaining and rapidly expanding the Aadhaar biometric identification program but also accelerated its deployment for cutting wasteful expenditure in the delivery of social programs. Recently, legislation has been passed that empowers the government to require the beneficiary of services financed from the Consolidated Fund of India to provide her Aadhaar identity number. In turn, the government can link the beneficiary's Aadhaar identity number and bank account to which benefits are transferred. This direct benefit transfer (DBT) instrumentality backed by the unique Aadhaar identity effectively eliminates any scope for an individual receiving benefits multiple times using multiple or ghost identities.

Large social programs such as the Public Distribution System (PDS), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and subsidized sales of fertilizer and liquid petroleum gas (LPG) cylinders have been subject to massive leakages through the use of multiple and ghost accounts. These leakages can now be plugged via DBT cum Aadhaar instrumentality. The government has already successfully done this in the disbursement of the subsidy associated with the PDS, MGNREGA and LPG cylinders though the coverage remains far from complete and not all bank accounts have been linked to Aadhaar.

To-date, an estimated 3.5 crore multiple or ghost beneficiaries have been eliminated from the LPG rolls. During 2014-15 alone, this resulted in savings of Rs. 14,672 crore. In MGNREGA, similar weeding out of multiple or ghost beneficiaries resulted in a savings of Rs. 3,000 crore in 2015-16. This amount is a little below 10% of the total MGNREGA allocation. In PDS, an estimated Rs. 10,000 crore has been saved by elimination of 1.6 crore fake ration cards using the Aadhaar instrumentality.

Approximately 12 crore households in India continue to use solid biomass fuels for cooking, with its attendant harmful effects on health. To-date, no serious effort has been made to free up these households of the black carbon they inhale while cooking. For years, efficient cook stoves have been promoted but they cover less than 1% of the affected families to-date. For the first time, the current government has resolved to bring LPG cylinders to these households. The government has lunched Pradhan Mantri Ujjawal Yojana under which 5 crore BPL [below poverty line] households will be provided subsidized LPG cylinders over the next three years. The target for the current fiscal year is 1.5 crore households. The scheme is being financed in part from the savings generated through voluntary surrender of LPG subsidy by existing richer households. At Prime Minister's call, one crore richer households have already given up this subsidy.

In the Budget 2015-16, the government launched Atal Pension Scheme to provide a minimal insurance cover to workers in unorganized sector. Under the scheme, the central government co-contributes the lower of 50% of the total contribution and Rs. 1,000 per annum to each subscriber account for a period of 5 years. Depending on his contribution, a subscriber under the age of 40 receives the fixed monthly pension of Rs. 1000 to Rs 5000 at the age of 60 years.

In parallel, the central government has introduced Pradhan Mantri Suraksha Bima Yojana (insurance against accidental death) and Jeevan Jyoti Bima Yojana (insurance against death). The former provides cover for Rs. 2 lakh in case of death and Rs. 1 lakh in case of partial disability to individuals 18 to 70 years of age for a premium of Rs. 12 per annum. The latter covers individuals between 18 and 50 years for Rs. 2 lakh at a premium of Rs. 330 per year. By 9 May 2016, 9.4 Crore beneficiaries had enrolled under the Suraksha Bima Yojana and 3 crore under the Jeevan Jyoti scheme. Enrolment in Atal pension Yojana at 20 lakh was significantly lower.

The Budget 2016-17 announced three major initiatives related to health: insurance, Jan Aushadhi scheme and dialysis programme. Under the health insurance scheme, coverage for Rs. 1 lakh is provided against hospitalization expenditure. For senior citizens, there is additional coverage of Rs. 30,000. The government will cover eight crore families from economically weaker section free of charge through an Aadhaar-linked programme. Under Jan Aushadhi programme, the government will open 3,000 stores nationwide to provide low-cost generic drugs. With 2.2 lakh end stage renal disease patients added each year, the government has also announced a programme to provide dialysis services in all district hospitals.

The government has also decided to make a contribution of 8.33 per cent of the salary of an employee earning less than Rs. 15,000 towards employee provident fund for first three years of employment. This would lighten the burden of the employer and may help boost employment in the organized sector.

The government has introduced several measures towards improved implementation of MGNREGA. It has given priority to low-hanging fruits such as water ponds and de-silting of water ponds in asset creation. It has also taken a more liberal approach towards building of private assets such as houses, wells and toilets for the poor. This has created ownership of assets by respective beneficiaries and led to better supervision of work. Finally, the government has improved the convergence between MGNREGA works and schemes such as skill development, Prime Minister's Krishi Sinchai Yojana, Housing for All and Swachh Bharat Mission.

In the area of higher education, regulations have been liberalized to give greater flexibility to women to complete their M. Phil and Ph.D. degrees. Upon fulfilling certain conditions, women Ph.D. scholars relocating to other towns can now transfer to a university in the destination town rather than having to begin afresh. Rules have also been liberalized to give autonomy to colleges that receive the highest accreditation grade for three consecutive cycles from the National Assessment and Accreditation Council.

Furthermore, the government has committed to turning 10 private and 10 public institutions into world-class teaching and research institutions. Steps towards achieving this objective can lead to far-reaching reform of higher education system in India. Separately, the government has made the reform of medical education in India a higher priority, assigning the task to a high-level committee.

The discussion of social sector reform and programmes will be incomplete without a brief reference to the Swachh Bharat Mission (SBM). The mission is not only critical for a healthy India but is also essential to creating a modern India. Among other things, it proposes to make India open defecation free by 2 October 2019, the 150th birth anniversary of Mahatma Gandhi. Toilets built have risen from 5 million in 2013-14 to 5.88 million in 2014-15 and 12.7 million In 2015-16.

Concluding Remarks

Past policy mistakes have left much that needs to be changed. The government has made substantial progress in removing counter-productive regulations but the task remains incomplete. The assessment of the government must be based not on what continues to be wrong with the system but on the progress it has made during the last two years. The documentation in this article shows that the government does well on this score.

In concluding, it needs to be underlined that unlike the predecessor government, the present one has introduced no measures such as the Land Acquisition Act of 2013 or retrospective taxation that would require a reversal by a future government. Broadly speaking, all major actions by the government move the economy forward rather than dragging it backwards. Indeed, after a decade long pause, the government has returned the economy to the path of reforms. As these reforms accumulate, infrastructure bottlenecks are removed and various programs and missions progress, growth will both sustain and accelerate. No doubt, challenges such a restoration of the health of banks and accelerated growth in manufacturing as envisage by the Make in India programme to deliver accelerated job growth remain but the direction of progress is right. As the experience with the Rao-Vajpayee reforms forcefully reminds us, there are significant lags between policy actions and outcomes. Therefore, over time, we will see growth accelerate and sustain and poverty decline.