

## PERSPECTIVE

# Astonishing feats of Modi Govt

Four years into power, Modinomics has worked wonders. Most crucial among a plethora of reforms undertaken by the Narendra Modi Government has been its resolve on the NPA mess — the worst legacy of the erstwhile Congress-led dispensation which deliberately did not classify umpteen bad loans as NPAs, thanks to dubious evergreening of such loans. Therefore, the ₹36,400 crore takeover of the beleaguered Bhushan Steel by Tata Steel in May 2018 that had Indian public sector banks laughing all the way to the bank is a shining example of how Modinomics is winning the NPA war and showcases how political will can surmount any bad legacy.

Be it amendments to the Chit Fund Act 1982, operationalising the Benami Transactions (Prohibition) Amendment Act, 2016, or the NPA Ordinance that was promulgated in May 2017 to authorise RBI to intervene directly in directing banks to resolve default cases under the Insolvency and Bankruptcy Code (IBC) — the Modi Government has, in a short span of four years, brought sweeping economic reforms to uproot corruption, with the IBC having successfully resolved more than 655 default cases via the National Company Law Tribunal. However, it is the Fugitive Economic Offenders Bill 2017 that gives the authorities the power to confiscate and sell the assets of wilful defaulters, which is by far, one of the boldest reforms by the Narendra Modi dispensation to nail scamsters who wish to evade the due legal process in India.

However, the most disruptive and yet the most successful reform that Modinomics will be remembered for by posterity is demonetisation. It changed forever the mindset and attitude of people towards corruption that had become a way of life under the erstwhile UPA Government.

So what if the 99 per cent of the ₹15.44 lakh crore that was demonetised is back with the banks? Not all of that 99 per cent is white! Also, a large part of the money that is back with the banks is unaccounted for! This is evident from the fact that 18 lakh bank accounts are under probe by the ED, as money deposited is not in sync with the tax profiles concerned. Hence, critics of demonetisation seem to have completely missed the plot.

The Central Board of Direct Taxes (CBDT) and the Financial Intelligence Unit (FIU) have identified two sets of people and entities. In the first set, they identified people who made cumulative cash deposits between ₹2 lakh and ₹80 lakh during the first 50 days of demonetisation, in which a total of ₹5.4 lakh crore of cash was deposited via 99.40 lakh transactions. In the second set, the super rich made cash deposits worth more than ₹80 lakh via 1.41 lakh transactions.

The biggest success of demonetisation, therefore, is the fact that anywhere between ₹2 lakh crore and ₹5.4 lakh crore of money that was outside the ambit of the tax net and largely

unaccounted for, is now a part of the formal banking system. In other words, gross domestic product (GDP) between 1.3 per cent and 3.6 per cent that was outside the formal banking channels is now very much a part of the formal system.

The more underrated and yet significant positive aspect of demonetisation, however, is the perceptible shift from physical to financial savings, which is evident from the fact that in April 2018 alone the Indian mutual fund industry attracted ₹1.4 lakh crore worth of inflows, taking the total Assets Under Management (AUM) to ₹23.3 lakh crore, a new high!

Post demonetisation, more than 77 lakh new portfolios were added to the mutual fund industry, largely from tier-II towns, in 2016-17 against a little over 35 lakh portfolios in 2015-16 — a 120 per cent growth. That positive trend continues.

Of course, no discussion on Modinomics is complete without an ode to GST, which finally became a reality on July 1, 2017, after an inept Congress-led UPA establishment sat on the Kelkar Committee recommendations for 10 long years without being able to forge a consensus even on basics like compensation to States. From 36 lakh businesses that filed GST returns in July 2017, to more than 1.05 crore unique taxpaying entities that have enrolled with GST network currently, with GST collections in April 2018 at a new high of ₹1.03 lakh crore, India's "One Nation One Tax" initiative bodes well for tax efficiency without tax terrorism.

GST is hugely pro-poor and pro-middle class, and this is amply evident from the fact that items of daily and regular use, from milk, curd, eggs, fish, chicken and flour to rotis, milk powder, tea, coffee, medicines, frozen vegetables, LPG, biogas, stents, kerosene, sanitary napkins and, eating out in both AC and non AC restaurants, are charged either 0% or 5% tax! Barely 50 items, largely sin goods and luxury products are charged at 28%.

In fact, the huge pro-middle class tilt of Modinomics is best amplified by the fact that average home loan rates have fallen from 11.75% in 2013 to barely 8.35% now, which effectively means, on a ₹50 lakh loan for 20 years, the EMI savings would be in excess of ₹12,000 every single month! Of course, the fact that homebuyers-friendly RERA weeds out unscrupulous developers and middlemen, ensures timely delivery of property to the end user, failing which huge penalties come into play. This has promoted the cause of the homebuyers.

The biggest and most unfounded allegation against the Modi Government is that Modinomics is all about jobless growth. Modi's critics, however, need to be reminded that the economist at IHS Markit, Aashna Dodhi, has said, job growth as on March 2018 is the highest since 2011, driven by strong demand, output growth in manufacturing and higher staffing in service related sectors,

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thanks to greater formalisation of the Indian economy.

This is corroborated by the Ghosh & Ghosh report also which states that 45.5 lakh and 55.2 lakh new contributing members were added to the EPFO in 2016-17 and 2017-18. Extrapolating this data, they concluded that at least 70 lakh new jobs were added in 2017-18. Opposition parties and pseudo intellectuals were quick to debunk Ghosh & Ghosh, saying the new member additions to EPFO which grew by 20-23% in 2017 & 2018 were higher than the growth of 7-8% in 2015 & 2016, which simply implied that informal jobs had now become formal and not that new jobs had necessarily been created.

However, the truth is the 70 lakh job figure is very conservative and the actual addition to jobs may be 1.4 crore people, in 2017-18. The rule of thumb is, for every payroll job that is supported by EPFO data, that there is a corresponding job that is created either in the unorganised sector, in MSME, in the farm sector or allied ancillaries. Also, the EPFO data only takes into account jobs/payrolls for entities employing 20 or more people but, if one were to account for jobs in entities employing less than 20 people, the job addition is not 70 lakh persons but could well be 1.4 crore people or more in 2017-18 alone. But the left-leaning media and an electorally vanquished Opposition finds hard to digest!

It is amazing what you can accomplish if you do not care who gets the credit, said Harry S Truman. Modinomics has done precisely that. It has sought to bring development to the doorstep of the last man standing to help him aspire for the impossible and as they say impossible is nothing, especially when you have a leader like Modi at the helm. (Concluded)

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