

# Why reforms undertaken by Modi's India are not an illusion: Improving governance is the biggest structural reform

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There is plentiful evidence that refutes the claim made by the Economist magazine, that Modi's India suffers from 'The Illusion of Reforms'. Most recently, in an article for this column Jayant Sinha, India's junior minister for civil aviation, has cited six structural reforms that are changing the economic landscape of the country ('The Big Bang Has Come', June 30). These are breakthrough measures like GST; bankruptcy code; law against benami properties; India Stack; statutorily guaranteed autonomy for the RBI for inflation targeting; increasing use of the JAM trinity; and demonetisation for rooting out systemic corruption.

Suffice it to say that these measures do not reflect 'tinkering at the margin'. They are disruptive and have transformative potential. The Modi government's steps for qualitatively improving governance range from installing biometric attendance machines at government offices; eliminating foreign junkets by sundry netas and babus; holding bi-monthly meeting of the PRAGATI group with top ranking bureaucrats in major provincial capitals for de-bottlenecking infrastructure projects; coating urea fertiliser with neem, thereby eliminating leakages; direct transfers of government subsidies to actual beneficiaries' bank accounts; linking MGNREGA to infrastructure development, etc.

This large number of seemingly



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marginal measures are beginning to have a significant cumulative impact on making governance more efficient, accountable and transparent. They will ensure that growth is more inclusive and benefits are not confined only to the well-heeled, well-connected and the corrupt.

The other goal is PM Narendra Modi's resolve to minimise the marked differential between public and private sector performance. In essence it implies, perhaps for the first time since Indepen-

dence, establishing a 'development state' in Delhi. There is today a conscious, consistent and clear-headed attempt to improve the delivery of public services; make bureaucracy more accountable; and reduce and steadily eliminate leakages from government expenditure by better targeting of subsidies through the effective use of the JAM trinity.

In the Indian context, improving governance is a key structural reform. This effort has evidently disappointed those who perceived Modi as a Thatcher-Reagan clone. To be fair Modi himself lent credence to this perception by talking of 'maximum governance and minimum government'. However, having learnt from his own ground level experience in Gujarat, Modi has realised in quick time that a development state is a necessary critical condition for the success of further liberalisation.

A development state, which is the antithesis of the 'soft and rent-seeking state' that has characterised India through all its post-Independence decades, is essential for ensuring efficient provisioning of basic necessities for the poor who are excluded by the market. It will also reverse the hitherto dominant trend of substituting private solutions to palpably public problems. This outsourcing of basic public services has resulted in an exclusionary pattern of development since 1991. The break down in public schooling; basic health; public transport; power transmission networks; are all testimony to the ruinous outcomes of the soft and rent-maximising state.

Modi's effort is to put in place a

governance system that efficiently delivers public services to the poor and promotes ease of doing business in a non-discriminatory, transparent and accountable manner. This is certainly not easy. Vested interests are entrenched and they fight back at each step. Modi is trying to overcome this resistance with recourse to digital technology and centralised, purposive and persistent monitoring and regular feedback.

When successful, this difficult but necessary structural reform will generate an inflexion point in India's growth trajectory, both by raising GDP growth rates and making it qualitatively more socially beneficial. It will remove the substantial and unfair advantage that large domestic corporate houses presently enjoy vis-à-vis the small and medium domestic enterprises as well as foreign investors. This will be a game changing move for spurring investment.

Modi has also chosen to not take steps that will result in powerful political coalitions ranged against him. His is a calibrated stance that combines continuous governance improvement with political stability. This rankles with the opposition who rightly sees this as shutting them out from success in the next elections. Modi can hardly be faulted on that.

Modi's India is in the throes of a paradigmatic shift in its development experience. Going by present approval levels in opinion polls and frenzied state of equity markets, one could surmise that common Indians have bought into this story. This is not an illusion of reform.

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