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Performance of concerted reforms: Arvind Panagariya on three years of Modi sarkar

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Modi government has taken many specific initiatives to improve governance.

After a pause of 10 years, economic reforms returned to the policy agenda in 2014. In the last three years, the Narendra Modi government has moved on nearly all fronts: macroeconomic stability, infrastructure, energy, corruption, direct and indirect taxes, foreign direct investment (FDI), closure of sick units, disinvestment, agriculture, urban development, cooperative federalism and social spending.

Perhaps the most consequential reform since the new telecom policy launched by Prime Minister Atal Bihari Vajpayee has been the goods and services tax (GST). The reform replaces myriad indirect taxes, currently imposed by the Centre and states, by a single countrywide tax.

It also ends the cascading of tax, whereby the current system imposes a tax on tax in many cases. The largest gain from the reform would come from the unification of fragmented localised and regional markets into a single national market for most products and services.

Critics have made much of the differential rates structure whereby the GST imposes different tax rates on different commodities and services. But this misses the point that the first-order gains are to come from having a single tax rate on any given commodity or service across the entire nation. Moreover, there is no theorem in economics that says that a single tax rate on all commodities and services for raising revenue is optimal. The second major reform has been all-around improvement in the efficiency of social spending.

The decision to retain Aadhaar and its rapid expansion, the successful launch of the Jan Dhan accounts, the passage of the Aadhaar Act, and seeding of bank accounts with Aadhaar numbers have made it possible to deliver many subsidies as direct benefit transfers (DBT). The result has been the elimination of millions of ghost and multiple accounts held by beneficiaries.

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The savings in liquefied petroleum gas (LPG) subsidy so generated, complemented by voluntary surrender of the subsidy by richer consumers following the 'Give It Up' call by the prime minister, has permitted the government to rapidly expand LPG distribution among below-poverty-line households in rural areas.

Wages of workers under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme are now being paid into Aadhaar-seeded bank accounts, thus, curbing corruption.

Employing labour to build private assets such as toilets and wells for the poor has further enhanced the efficiency of MGNREGA. Use of the socio-economic caste census to identify beneficiaries has resulted in better targeting in programmes such as 'Housing for All' in rural areas.

Third, the Modi government has taken many specific initiatives to improve governance. Early in its term, it put an end to the paralysis in bureaucracy. The government went on to introduce self-certification of copies of certificated diplomas and degrees when submitting applications for jobs or other purposes. It also created a digital portal through which enterprises can self-certify compliance of many central labour laws.

A concerted effort has been made to improve the ease of doing business at the level of the states. The government has repealed 1,175 redundant laws. It has replaced the Five-Year Plans by a Three-Year Action Agenda, seven-year strategy and 15-year vision. It also ended the distinction between Plan and non-Plan expenditures, merged the railway budget with the Union Budget, and advanced the date of the presentation of the Budget by a month to cut delays in the allocation of expenditures to ministries and states.

Above all, a number of measures have been taken to curb corruption, with not a single case of highlevel corruption surfacing during the last three years under the current regime. Fourth, an effective programme of reforms has been launched with respect to public sector units (PSUs). After a pause of more than a decade, the Cabinet has approved the closure plans for nearly a dozen sick PSUs.

The Cabinet has also approved a list of nearly 20 PSUs for strategic disinvestment on the recommendation of the Niti Aayog. The finance ministry is now looking for transaction advisers to complete these sales.

Finally, a programme for listing currently unlisted PSUs is being actively pursued. This will open the door to strategic sales of many of these units. The government has taken decisive steps to tackle the problem of NPAs of banks head-on.

Having passed a modern Insolvency and Bankruptcy Act, it has recently enacted an Ordinance empowering the Reserve Bank of India (RBI) to give direction to recalcitrant banks to take the necessary action to resolve their NPAs. The process of resolution of NPAs is now picking up momentum.

Along with many other reforms by the Centre, states, too, have been introducing reforms in the state and concurrent list areas of the Constitution. No wonder the mood towards India as an investment destination is so upbeat.

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It would do less than justice to assess the Narendra Modi government based merely on economic growth and job creation. While India today is the world's fastest-growing large economy, it owes more to China's slowdown than to any wild acceleration of India's growth rate. What has been truly transformed under the present government is the economy's growth potential, thanks to systemic reforms that will have far-reaching impact in the days ahead. The goods and services tax will boost both growth and tax revenues. Financial inclusion and the combination of Aadhaar and increasingly ubiquitous mobile phones with data connectivity will not just make public finances more efficient but also catalyse entrepreneurship at the bottom of the pyramid.

Political commitment to sanitation will win the battle against intestinal parasites and boost nutrition levels, on the basis of which the new health policy promises to deliver health for all. The Niti Aayog's framework of rigorous outcome monitoring encourages states to compete in good governance. Allowing market forces to take up the space vacated by subsidy in energy prices, even while vastly raising the share of renewable power in the energy mix, will strengthen energy security and availability. Scrapping state monopoly in coal breaks new reform ground and, once the rules are finalised to commence merchant mining of coal, India will see a boom in mining that will eliminate coal imports, except for coking .

Yet, the political economy of power remains fraught, with state governments yet to learn Gujarat's lesson on the benefits of making people pay for the power they consume. The government is yet to resolve the legacy problem of banks' dud loans but the Banks Board Bureau and the latest Ordinance to resolve bad loans are steps in that direction.

A healthy parallel development has been growth in corporate bond issuance. Give me 10 years of social peace to transform this country, the Prime Minister had said, in August 2014. Yet, social peace is at risk, from his own selfstyled supporters. They test the government's will, three years on, more than the Opposition does.