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*Editor*

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### GOVERNANCE OF NARENDRA MODI – AN OVERVIEW



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**Abstract:** Narendra Modi led the BJP in the 2014 general election, which gave the party a majority in the Indian lower house of parliament, the Lok Sabha, the first time for any single party since 1984. Modi's administration has tried to raise foreign direct investment in the Indian economy and reduced spending on healthcare and social welfare programs. Modi has attempted to improve efficiency in the bureaucracy; he has centralized power by abolishing the Planning Commission. He began a high-profile sanitation campaign and weakened or abolished environmental and labour laws. He initiated a controversial demonetization of high-denomination banknotes. Described as engineering a political realignment towards right-wing politics, Modi remains a figure of controversy domestically and internationally over his Hindu nationalist beliefs and his role during the 2002 Gujarat riots, cited as evidence of an exclusionary social agenda. The present paper explains the administration system of Narendra Modi and its impact. The necessary data was collected through various newspapers and analyzed.

**Key Words:** Governance and other Initiatives, Economic Policy, Health and Sanitation, Foreign Policy, Defence Policy, Environmental Policy, good and bad

#### Introduction

In 2000, the union government's expenditure on social services (includes education, health, family welfare, women and child development, and social justice and empowerment), rural development, and basic minimum services was approximately US\$7.7 billion (Rs. 361.7 billion), which was 11.1% of total government expenditures and 1.7% of gross domestic product (GDP).

The union and state governments maintain reserved seats in political and educational institutions for lower castes, indigenous persons, and others based on

their percentage of the population. Development programs have been produced often at state or local levels for social development and the empowerment of women and lower castes. In September 2013 Modi was named the BJP's candidate for prime minister in the 2014 Lok Sabha election. Several BJP leaders expressed opposition to Modi's candidature, including BJP founding member L. K. Advani, who cited concern with leaders who were "concerned with their personal agendas". Modi played a dominant role in the BJP's election campaign. Several people who voted for the BJP stated that if Modi had not been the prime ministerial candidate, they would have voted for another party. The focus on Modi as an individual was unusual for a BJP election campaign. The election was described as a referendum on Narendra Modi.

During the campaign, Modi focused on the corruption scandals under the previous INC government and played on his image as a politician who had created a high rate of GDP growth in Gujarat. Modi projected himself as a person who could bring about "development," without a focus on any specific policies. His message found support among young Indians and among middle-class citizens. The BJP under Modi was able to downplay concerns about the protection of religious minorities and Modi's commitment to secularism, areas in which he had previously received criticism. Prior to the election, Modi's image in the media had centered around his role in the 2002 Gujarat riots, but during the campaign, the BJP was able to shift this to a focus on Modi's neoliberal ideology and the Gujarat model of development, although Hindutva remained a significant part of its campaign. The BJP's campaign was assisted by its wide influence in the media. Modi's campaign blitz cost approximately Rs, 50 billion (US\$720 million) and received extensive financial support from corporate donors. In addition to more conventional campaign methods, Modi made extensive use of social media and addressed more than 1000 rallies via hologram appearances.

The BJP won 31% of the vote, and more than doubled its tally in the Lok Sabha to 282, becoming the first party to win a majority of seats on its own since 1984. Voter dissatisfaction with the INC, as well as with regional parties in North India, was another reason for the success of the BJP, as was the support from the RSS. In states such as Uttar Pradesh in which the BJP performed well, it drew exceptionally high support from upper-caste Hindus, although the 10% of Muslim votes won was more than it had won before. It performed particularly well in parts of the country that had recently experienced violence between Hindus and Muslims. The magnitude of the BJP's victory led many commentators to say that the election constituted a political realignment away from progressive parties and towards the right-wing. Modi's tweet announcing his victory was described as being emblematic of the political realignment away from a secular, socialist state towards capitalism and Hindu cultural nationalism.

Modi himself was a candidate for the Lok Sabha in two constituencies: Varanasi and Vadodara. He won in both constituencies, defeating AamAadmi Party leader Arvind Kejriwal in Varanasi and Madhusudan Mistry of the INC in Vadodara by 570,128 votes. Modi, who was unanimously elected leader of the BJP, was appointed

prime minister by India's president. To comply with the law that an MP cannot represent more than one constituency, he vacated the Vadodara seat.

### **Governance and other Initiatives**

Modi was sworn in as the Prime Minister of India on 26<sup>th</sup> May 2014. He became the first Prime Minister born after India's independence from the British Empire. His first year as prime minister saw significant centralization of power relative to previous administrations. Modi's efforts at centralization have been linked to an increase in the number of senior administration officials resigning their positions. Initially lacking a majority in the Rajya Sabha, or upper house of Indian Parliament, Modi passed a number of ordinances to enact his policies, leading to further centralization of power. The government also passed a bill increasing the control that it had over the appointment of judges, and reducing that of the judiciary.

In December 2014 Modi abolished the Planning Commission, replacing it with the National Institution for Transforming India, or NITI Aayog. The move had the effect of greatly centralizing the power previously with the planning commission in the person of the prime minister. The planning commission had received heavy criticism in previous years for creating inefficiency in the government, and of not filling its role of improving social welfare: however, since the economic liberalization of the 1990s, it had been the major government body responsible for measures related to social justice.

The Modi government launched investigations by the Intelligence Bureau against numerous civil society organizations and foreign non-governmental organizations in the first year of the administration. The investigations, on the grounds that these organizations were slowing economic growth, was criticized as a witch-hunt. International humanitarian aid organization Médecins Sans Frontieres was among the groups that were put under pressure. Other organizations affected included the Sierra Club and Avaaz. Cases of sedition were filed against individuals criticizing the government. This led to discontent within the BJP regarding Modi's style of functioning and drew comparisons to the governing style of Indira Gandhi.

Modi repealed 1,200 obsolete laws in first three years as prime minister; a total of 1,301 such laws had been repealed by previous governments over a span of 64 years. He started a monthly radio program titled "Mann Ki Baat" on 3<sup>rd</sup> October 2014. Modi also launched the Digital India program, with the goal of ensuring that government services are available electronically, building infrastructure to provide high-speed Internet access to rural areas, boosting manufacturing of electronic goods in the country, and promoting digital literacy.

### **Economic Policy**

The economic policies of Modi's government focused on privatization and liberalization of the economy, based on a neoliberal framework. Modi liberalized India's foreign direct investment policies, allowing more foreign investment in several

industries, including in defense and the railways. Other proposed reforms included making it harder for workers to form unions and easier for employers to hire and fire them; some of these proposals were dropped after protests. The reforms drew strong opposition from unions: on 2<sup>nd</sup> September 2015, eleven of the country's largest unions went on strike, including one affiliated with the BJP. The Bharatiya Mazdoor Sangh, a constituent of the Sangh Parivar, stated that the underlying motivation of labour reforms favored corporations over labourers.

The funds dedicated to poverty reduction programs and social welfare measures were greatly decreased by the Modi administration. The money spent on social programs declined from 14.6% of GDP during the Congress government to 12.6% during Modi's first year in office. Spending on health and family welfare declined by 15%, and on primary and secondary education by 16%. The budgetary allocation for the Sarva Shiksha Abhiyan, or the "education for all" program, declined by 22%. The government also lowered corporate taxes, abolished the wealth tax, increased sales taxes, and reduced customs duties on gold, and jewelry. In October 2014, the Modi government deregulated diesel prices.

In September 2014, Modi introduced the Make in India initiative to encourage foreign companies to manufacture products in India, with the goal of turning the country into a global manufacturing hub. Supporters of economic liberalization supported the initiative, while critics argued it would allow foreign corporations to capture a greater share of the Indian market. Modi's administration passed a land-reform bill that allowed it to acquire private agricultural land without conducting a social impact assessment, and without the consent of the farmers who owned it. The bill was passed via an executive order after it faced opposition in parliament but was eventually allowed to lapse. Modi's government put in place the Goods and Services Tax, the biggest tax reform in the country since independence. It subsumed around 17 different taxes and became effective from 1<sup>st</sup> July 2017.

In his first cabinet decision, Modi set up a team to investigate black money. On 9<sup>th</sup> November 2016, the government demonetized Rs. 500 and Rs 1000 banknotes, with the stated intention of curbing corruption, black money, the use of counterfeit currency, and terrorism. The move led to severe cash shortages, a steep decline in the Indian stock indices BSE SENSEX and NIFTY 50, and sparked widespread protests throughout the country. Several deaths were linked to the rush to exchange cash. In the subsequent year, the number of income tax returns filed for individuals rose by 25%, and the number of digital transactions increased steeply.

Over the first four years of Modi's premiership, India's GDP grew at an average rate of 7.23%, higher than the rate of 6.39% under the previous government. The level of income inequality increased, while an internal government report said that in 2017, unemployment had increased to its highest level in 45 years. The loss of jobs was attributed to the 2016 demonetization, and to the effects of the Goods and Services Tax.

## Health and Sanitation

In his first year as prime minister, Modi reduced the amount of money spent by the central government on healthcare. The Modi government launched the New Health Policy (NHP) in January 2015. The policy did not increase the government's spending on healthcare, instead emphasizing the role of private healthcare organizations. This represented a shift away from the policy of the previous Congress government, which had supported programs to assist public health goals, including reducing child and maternal mortality rates. The National Health Mission, which included public health programs targeted at these indices, received nearly 20% less funds in 2015 than in the previous year. Fifteen national health programs, including those aimed at controlling tobacco use and supporting healthcare for the elderly, were merged with the National Health Mission. In its budget for the second year after it took office, the Modi government reduced healthcare spending by 15%. The healthcare budget for the following year rose by 19%. The budget was viewed positively by private insurance providers. Public health experts criticized its emphasis on the role of private healthcare providers and suggested that it represented a shift away from public health facilities. The healthcare budget rose by 11.5% in 2018; the change included an allocation of 2000 crore for a government-funded health insurance program and a decrease in the budget of the National Health Mission. The government introduced stricter packaging laws for tobacco which requires 85% of the packet size to be covered by pictorial warnings. An article in the medical journal *Lancet* stated that the country "might have taken a few steps back in public health" under Modi. In 2018 Modi launched the Ayushman Bharat Yojana, a government health insurance scheme intended to ensure 500 million people. 1 lakh people had signed up by October 2018.

Modi emphasized his government's efforts at sanitation as a means of ensuring good health. On 2<sup>nd</sup> October 2014, Modi launched the Swachh Bharat Abhiyan ("Clean India") campaign. The stated goals of the campaign included eliminating open defecation and manual scavenging within five years. As part of the program, the Indian government began constructing millions of toilets in rural areas and encouraging people to use them. The government also announced plans to build new sewage treatment plants. The administration plans to construct 60 million toilets by 2019. The construction projects have faced allegations of corruption, and have faced severe difficulty in getting people to use the toilets constructed for them. Sanitation cover in the country increased from 38.7% in October 2014 to 84.1% in May 2018; however, usage of the new sanitary facilities lagged behind the government's targets. In 2018, the World Health Organization stated that at least 180,000 diarrhoeal deaths were averted in rural India after the launch of the sanitation effort.

## Foreign Policy

Foreign policy played a relatively small role in Modi's election campaign and did not feature prominently in the BJP's election manifesto. Modi invited all the other leaders



of SAARC countries to his swearing-in ceremony as prime minister. He was the first Indian prime minister to do so.

Modi's foreign policy, similarly to that of the preceding INC government, focused on improving economic ties, security, and regional relations. Modi continued Manmohan Singh's policy of "multi-alignment." The Modi administration tried to attract foreign investment in the Indian economy from several sources, especially in East Asia, with the use of slogans such as "Make in India" and "Digital India". The government also tried to improve relations with Islamic nations in the Middle East, such as Bahrain, Iran, Saudi Arabia, and the United Arab Emirates, as well as with Israel.

During the first few months after the election, Modi made trips to a number of different countries to further the goals of his policy and attended the BRICS, ASEAN, and G20 summits. One of Modi's first visits as prime minister was to Nepal, during which he promised a billion USD in aid. Modi also made several overtures to the United States, including multiple visits to that country. While this was described as an unexpected development, due to the US having previously denied Modi a travel visa over his role during the 2002 Gujarat riots, it was also expected to strengthen diplomatic and trade relations between the two countries.

In 2015, the Indian parliament ratified a land exchange deal with Bangladesh about the India–Bangladesh enclaves, which had been initiated by the government of Manmohan Singh. Modi's administration gave renewed attention to India's "Look East Policy", instituted in 1991. The policy was renamed the "Act East Policy", and involved directing Indian foreign policy towards East Asia and Southeast Asia. The government signed agreements to improve land connectivity with Myanmar, through the state of Manipur. This represented a break with India's historic engagement with Myanmar, which prioritized border security over trade.

### **Defense Policy**

India's nominal military spending increased steadily under Modi. The military budget declined over Modi's tenure both as a fraction of GDP and when adjusted for inflation. A substantial portion of the military budget was devoted to personnel costs, leading commentators to write that the budget was constraining Indian military modernization.

The BJP election manifesto had also promised to deal with illegal immigration into India in the Northeast, as well as to be firmer in its handling of insurgent groups. The Modi government issued a notification allowing Hindu, Sikh, and Buddhist illegal immigrants from Pakistan and Bangladesh to legalize their residency in India. The government described the measure as being taken for humanitarian reasons but it drew criticism from several Assamese organizations.

The Modi administration negotiated a peace agreement with the largest faction of the National Socialist Council of Nagaland (NSCM), which was announced in August

2015. The Naga insurgency in northeast India had begun in the 1950s. The NSCM and the government had agreed to a ceasefire in 1997, but a peace accord had not previously been signed. In 2015 the government abrogated a 15-year ceasefire with the Khaplang faction of the NSCM (NSCM-K). The NSCM-K responded with a series of attacks, which killed 18 people. The Modi government carried out a raid across the border with Myanmar as a result and labeled the NSCM-K a terrorist organization.

Modi promised to be “tough on Pakistan” during his election campaign and repeatedly stated that Pakistan was an exporter of terrorism. On 29<sup>th</sup> September 2016, the Indian Army stated that it had conducted a surgical strike on terror launchpads in Azad Kashmir. The Indian media claimed that up to 50 terrorists and Pakistani soldiers had been killed in the strike. Pakistan initially denied that any strikes had taken place. Subsequent reports suggested that Indian claim about the scope of the strike and the number of casualties had been exaggerated, although cross-border strikes had been carried out. In February 2019 India carried out airstrikes in Pakistan against a supposed terrorist camp. Further military skirmishes followed, including cross-border shelling and the loss of an Indian aircraft.

### **Environmental Policy**

In naming his cabinet, Modi renamed the “Ministry of Environment and Forests” the “Ministry of Environment, Forests, and Climate Change.” In the first budget of the government, the money allotted to this ministry was reduced by more than 50%. The new ministry also removed or diluted a number of laws related to environmental protection. These included no longer requiring clearance from the National Board for Wildlife for projects close to protected areas, and allowing certain projects to proceed before environmental clearance was received. The government also tried to reconstitute the Wildlife board such that it no longer had representatives from non-governmental organizations: however, this move was prevented by the Supreme Court.

Modi also relaxed or abolished a number of other environmental regulations, particularly those related to industrial activity. A government committee stated that the existing system only served to create corruption and that the government should instead rely on the owners of industries to voluntarily inform the government about the pollution they were creating. Other changes included reducing ministry oversight on small mining projects, and no longer requiring approval from tribal councils for projects inside forested areas. In addition, Modi lifted a moratorium on new industrial activity in the most polluted areas in the countries. The changes were welcomed by businesspeople but criticized by environmentalists.

Under the UPA government that preceded Modi’s administration, field trials of Genetically Modified (GM) crops had essentially been put on hold, after protests from farmers fearing for their livelihoods. Under the Modi government, these restrictions were gradually lifted. The government received some criticism for freezing

the bank accounts of environmental group Greenpeace, citing financial irregularities, although a leaked government report said that the freeze had to do with Greenpeace's opposition to GM crops.

Apart from the above policies, growth in toilet construction, road and railway construction, electricity connections are at an all-time high. The tourism industry is at its peak because of Visa on Arrival given to many countries. International relations are much better with China, Russia, the US, now. Income Tax for the salaried class has reduced by more than 60% since 2013-14.

### **Other Land Events in Modi Government**

On 26<sup>th</sup> May, Prime Minister Narendra Modi completes four years as the head of India's first majority government since 1984. While campaigning for the 2014 general elections, Modi's Bharatiya Janata Party (BJP) had made a slew of promises to end the 10-year rule of the Congress-led United Progressive Alliance. A corruption-free regime, 10 million new jobs a year and doubling farm incomes by 2022 were among those promises. With less than a year to go before the next election, VCCircle takes a look at the Modi government's four big achievements and failures during its tenure and four major opportunities it can still tap into.

**Goods and Services Tax:** Although the landmark legislation that overhauled the country's indirect tax regime had been in the works for more than a decade and a half, the Modi government does deserve credit for getting the GST implemented in July 2017. However, the GST was not without its controversies that stretched India's federal fabric to the hilt, resulting in strained center-state relations at various junctures.

Moreover, what finally emerged was a complex multi-slab system instead of the one tax regime it was initially envisaged to be, even as key commodities like fuel and liquor remain outside the ambit of the GST. Further, owing to implementation glitches, tax numbers took a hit, at least in the initial few months following the GST rollout. Yet, the implementation of the GST did alter the country's indirect tax regime for good.

**Insolvency and Bankruptcy Code:** The Modi government can pat itself on the back for implementing a comprehensive bankruptcy law, India's own version of the Chapter 11 regulation in the US Bankruptcy Code. Ever since its implementation in 2016 though, the IBC has been the subject of legislative and regulatory tinkering by parliament, the Insolvency and Bankruptcy Board of India and the Reserve Bank of India.

These encumbrances notwithstanding, available data analyzed by BloombergQuint show that operational creditors have overwhelmingly outnumbered corporate debtors in using the provisions of the law by as much as 87% so much so that the latter are beginning to pay them even before they trigger the IBC.

Also, in the news have been 12 large cases of defaulters as identified by the RBI. Just last week, debt-laden Bhushan Steel was acquired by Tata Steel for Rs 35,200 crore,

making it the first big settlement under the IBC, with several other big deals set to close in the coming months.

No allegations of big-ticket corruption: The Manmohan Singh-led UPA was under fire during the last leg of its tenure as several of its ministers and members of parliament were embroiled in corruption cases. The Modi government can take some heart from the fact that no one among its top leadership or the cabinet has been accused of serious corruption thus far.

Rival political parties and some media reports have sought to target BJP leaders, but the charges haven't really stuck enough for investigating agencies to get involved. Having said that, the Modi government has been accused of being in cahoots with some top industrial houses and going soft on high-profile defaulters like diamond merchants Nirav Modi and Mehul Choksi and former liquor baron Vijay Mallya.

**Aggressive foreign policy:** In March, the Foreign Policy magazine reported that, until then, Modi had made 35 foreign trips as prime minister, having visited 53 countries, rubbing shoulders with nearly all of the world's top leaders. Although Modi has been accused by foreign policy wonks of conflating action with achievement, he has succeeded in making a significant rapprochement with key neighbors like China, evidenced by the amicable settlement of the Doklam standoff, which was threatening to snowball into a major armed skirmish.

However, Modi's Pakistan policy and his overtures of peace, including an impromptu visit, have not paid off, as the Pakistani intelligence and army continue to back insurgent groups in the Kashmir valley. Moreover, the government's trade policy, too, has seen average success at best, with the country actually reducing tariffs and ceding ground much beyond what the World Trade Organization guidelines had demanded.

## Backdrops

**Make in India /Start-up India:** The Modi government had promised to make India a global manufacturing hub catering to both the export and domestic markets. The government followed through on this promise by launching its flagship 'Make in India' program in a bid to significantly boost local manufacturing and creating a new skills development ministry to provide vocational training to unskilled youth. It also launched a much-hyped 'Start-up India' program with the ostensible goal of making India the start-up capital of the world, just like Israel. But none of these initiatives seem to have gone very far. In fact, how dismally India has done in export terms is borne out by the fact that the country's trade deficit with China remains skewed in the latter's favour by a ratio of four to one. According to a status report on the Start-up India website, only 74 start-ups had been identified to receive tax benefits as of January first week.

**Black money:** On 8<sup>th</sup> November 2016, Modi banned the use of high-value notes, sucking 86% of the currency in circulation in one swoop, with the ostensible aim of delivering a body blow to black money hoarders. But the government had perhaps not

factored in the fabled Indian ingenuity to subvert the system. So, while the government had hoped that as much as a third of India's unaccounted wealth would go out of the system, in the end, nearly all the currency found its way back, riding pillion on hundreds of thousands of poor Indians who acted as mules, for a cut, filling up their hereto dormant Jan Dhan accounts, or simply exchanged cash over the counter. The move brought the country's informal economy to a standstill and dented growth.

**Bad loans:** This was a problem the Modi government inherited and promised to resolve. Bad debts—now at more than Rs 9 trillion—continue to weigh heavily not just on government-controlled banks but also on its fiscal health. Last year, the government implemented a massive Rs 2.11 trillion recapitalization plan to keep public-sector banks afloat. But its efficacy is in doubt, especially after Punjab National Bank was hit by an Rs 13,000-crore fraud.

The government also merged the State Bank of India with its subsidiary banks and could merge several of the remaining 22 state-owned banks among themselves. But it remains to be seen whether these measures will take the massive load of bad debt off their books. It can, however, be safely said that the next regime too will inherit this problem, only at a much bigger scale.

**Agriculture:** One of Modi's key poll promises in 2014 was to double farm incomes by 2022. Instead, farm incomes have fallen in real terms, primarily on account of food price deflation and the breakdown in the cash-based rural economy in the wake of the November 2016 demonetisation. In fact, if one compares India's real GDP growth to the expansion of its farm sector, the latter has consistently lagged the former since 2012.

Moreover, the 2018 pre-budget Economic Survey notes that on account of climate change, farm incomes could see a further 25% decline in the long term. Not only has farm distress exacerbated the issue of farmer suicides, but it has also brought farmers on to the streets, as happened in Mumbai when in March this year 20,000 farmers converged upon India's wealthiest city demanding a complete waiver of loans and power dues. Farmer unrest could cost Modi dearly especially in areas of rural Maharashtra, Karnataka and even Uttar Pradesh, where the BJP's rival political parties could be quick to cash in on it.

## Opportunities

**Direct Tax Code:** After GST, the Direct Tax Code is the other big tax reform that the Modi government is reportedly looking at implementing. News reports say a draft bill could be introduced in the upcoming monsoon session of parliament. The code could introduce new income tax slabs and cap the corporate tax at 25%.

With these changes, Modi aims to bring some cheer to middle-class Indians by reducing their actual tax outgo and make corporate houses more competitive by reducing their tax liability. If he does manage to pass the direct tax code, the BJP could reap rich dividends in the 2019 elections.

**GDP growth:** India's economic growth slumped in the quarters following demonetization. However, the momentum seems to be back in the recent past, with the December quarter clocking 7.2% growth and India reclaiming the tag of the world's fastest-growing economy from China. The Modi government would do well to try and keep this momentum going.

But there are some risks ahead. Global crude oil prices have topped \$80 a barrel and are unlikely to go down by much in the near term. This could hurt the balance of payments, and lead to a spike in inflation and interest rates. In fact, consumer prices in April rose 4.58% reversing a three-month slide. The Modi government will have to keep its fiscal math in check amid a tough global economic scenario before the next general elections.

**Infrastructure (Roads/ Railways// Power):** In September 2017, Modi and his Japanese counterpart Shinzo Abe laid the foundation stone for the Ahmedabad-Mumbai bullet train project, which is to be completed by 2022. Although the Modi government has been criticized for prioritizing the Rs 1.1 trillion projects over other necessary development projects, it does underscore the fact that India's infrastructure needs an urgent facelift.

In fact, the 2018 Economic Survey says India faces a \$526 billion infrastructure investment gap by 2040. In October last year, the government had said it planned to build 83,000 km of roads at a cost of Rs 7 trillion. Railways, power, and ports are the other major infrastructure sectors where the government will invest in a bid to kick-start the country's sputtering economy. Now, if only it could follow through with these lofty promises.

**Jobs:** If the Modi government plays its cards well, this could well be its biggest trump card yet, even as four-fifths of its time in office is already gone. In 2014, during its election campaign, the government had promised to create 10 million jobs a year. Instead, it ended up creating less than a million in the four years it has been in power.

In the 2018 budget, the government was widely expected to announce a National Employment Policy, which would lay a comprehensive roadmap for job creation, but that did not happen. The government could usher in such a policy now to focus on employment-intensive sectors, especially in the small and medium enterprises space.

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