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The Hits and misses

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As the Modi government at the Centre complete three years, one is expected to see a flurry of comments and opinions from academics and analysts on how the government as fared. While the opinions could be widely divergent, when it compared to the last part of UPA-II, atleast on the economic front, in the heart of hearts, one is expected to have some unanimity in many of the economics issues (and not getting into non-economic issues here). The unanimity about this government's performance on the face of 'policy paralysis' (which, in my view, was largely due to prevailing external conditions as well as domestic fiscal situation around that time as well as 'inertia') in implementing many long pending reforms as well as some new initiatives. As economic reforms by nature is a continuous process and many of the reforms that are implemented in last three years where there on table prior to this, it is heartening to know the reforms in India are largely bi-partisan (this was visible even during 2004). Having said this, last three years has seen many hits as well as some miss as well, although there was some favourable external conditions in terms of substantially low oil prices.

On the positive side, this government, with various reforms initiatives (in areas such as GST, banking laws, digital initiatives, FDI, energy, infrastructure, fiscal policy, etc.) has brought back stability in macroeconomic conditions (fiscal, growth, inflation as well as in external balances), improve the investment climate, enhance financial access (core for addressing growth and poverty issues), stimulate infrastructure sector (rural housing, roads, airports, smart cities, etc.), focus on agriculture (surplus in pulses production is one example), and energy sector (phenomenal shift from deficit to surplus in electricity production). With these changes, the outlook on India has increased substantially. In 2014, many commentators teased about BRICS as a fragile five and some even suggested that India could be replaced by Indonesia in BRICS. Three years down the lane what is surely seen is the shift from fragile five to fabulous 'I' (for India), with India being the fastest growing major economy in the world. What went wrong in India in last three years? One of the major anticipations about the Modi government was increase in job opportunities. The NDA manifesto itself promised that the government would thrive for generating 10 crore jobs per year.

However, the government's recent quarterly employment survey (by the labour bureau) paints a bleak picture. For the period April to December 2016, there was only an addition of 2.21 lakh jobs, with most happening in the October-December period (by 1.22 lakh jobs). The employment generation is high in demonetisation period than in April-September, 2016 period. Of course, this is only from selected non-farm industrial sector. But obviously quite far from the NDA manifesto target. This is a serious issue and could become much more serious. With the protectionism across the developed world and jobs becoming an emotional issue, the jobs creation in services sector could take a major hit — we have already seen how software giants trying to adjust of late.

One of the major decisions that were taken is the demonetisation. Officially, there were different narratives on this episode. However, ultimately, people would like to see what would be the tangible outcome of such a massive policy action. And this is still an open question. As in the past, following election cycle, one is expected that the government from now on to

focus its economic policy keeping in view of 2019 elections through 'election budgets'. The recent history does not suggest that such a strategy should indeed lead to electoral gains. Rather, it is the macro stability (with low inflation) with higher jobs opportunities that helps the political economy rather than populist measures. One can only hope that this government would do it differently.

As a student of Indian economy, one issue that worries most is the weakening of Indian macroeconomic data, and, thus, making the research irrelevant for policy purposes. The top economist of the government recently criticised the domestic researchers for not countering the government's views.

While it is too narrow a position (views against demonetisation is one example), this problem is also due to government policies. Lack of reasonably long time series data on GDP (based on new estimation methodology), poor employment statistics, no official poverty numbers, demonetisation, etc., could only hinder evidence-based policy making in the country. There are also attempts to shift the fiscal year to January-December calendar. While the benefits of such shift are not clearly known, such shift could potentially lead to the death of Indian macroeconomics research for time-being.

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