



EDITORIAL: INDIAN EXPRESS

GENERAL STUDIES 3: ECONOMY
TOPIC: ECONOMIC GROWTH

DATE: 10.03.2025

Modi 3.0 wants to take India to new economic heights. Where is the roadmap?

Modi Government's Economic Strategies

Modi 1.0 (2014-2019): Focus on Macroeconomic Stability

- **Objective:** The primary goal of Modi 1.0 was to stabilize the Indian economy, which was struggling after the fiscal mismanagement during the United Progressive Alliance (UPA) years.
- **Key Economic Challenges Inherited:**
 - **Slowing Economy:** Growth had slowed significantly.
 - **High Inflation:** Inflation was high, affecting the purchasing power of citizens.
 - **Widening Current Account Deficit:** Falling savings and high investment levels led to a rising current account deficit.
 - **Investor Confidence:** Retrospective tax policies and bad loans in the banking sector shook investor confidence.
- **Key Economic Actions:**
 - **Fiscal Consolidation:** Finance Minister Arun Jaitley's 2014 budget aimed at reducing fiscal deficits to 3% of GDP, signaling fiscal discipline and better economic management.
 - **Inflation-Targeting Framework:** Introduced a clear framework to control inflation, focusing on price stability as a key economic objective.
 - **Tax Regime Predictability:** The government promised a stable and predictable tax regime to restore investor confidence.
 - **Structural Reforms:** Major reforms included the introduction of Goods and Services Tax (GST) to simplify the tax structure and the Insolvency and Bankruptcy Code (IBC) to improve business exits and reduce the burden of non-performing assets (NPAs).
 - **Banking Sector Cleanup:** The RBI undertook efforts to clean up the balance sheets of banks, addressing issues related to bad loans and ensuring long-term financial sector stability.

Modi 2.0 (2019-2024): Addressing Growth Slowdown and the Impact of COVID-19



PL RAJ IAS & IPS ACADEMY

MAKING YOU SERVE THE NATION

- **Focus:** The focus of Modi 2.0 was to boost growth by addressing sluggish private sector investments, stimulate demand, and manage the economic fallout from the COVID-19 pandemic.
- **Key Actions:**
 - **Corporate Tax Cuts:** In September 2019, the government reduced corporate tax rates significantly to 22% for existing companies and 15% for new investments to incentivize businesses to invest and grow.
 - **Production Linked Incentive (PLI) Scheme:** This scheme was introduced to boost manufacturing and attract investment in various sectors, helping to increase domestic production and export capacity.
 - **Pandemic Response:** The government rolled out large-scale economic relief measures in response to the COVID-19 crisis, including:
 - Free food distribution to vulnerable populations.
 - Direct cash transfers to marginalized groups.
 - Credit support for small and medium-sized businesses to keep them afloat during lockdowns and restrictions.
- **Challenges Faced During Modi 2.0:**
 - **Sluggish Private Investments:** Despite efforts to incentivize investments, the private sector remained cautious, and investments did not pick up as expected.
 - **Rising Fiscal Deficits and Government Debt:** The pandemic relief measures, while necessary, led to a sharp rise in fiscal deficits and government debt, moving away from earlier targets.
 - **Weak Wage Growth and Low Household Consumption:** Wage growth remained weak, limiting household consumption, which is a significant driver of economic growth.
 - **Reverse Structural Transformation:** The economy witnessed a worrying trend where more workers were moving back into agriculture rather than transitioning to higher-productivity sectors, indicating a failure in creating enough high-skill job opportunities.

Modi 3.0 (2024-Present): Unclear Economic Roadmap and Emerging Focus Areas

- **Lack of a Clear Economic Strategy:** As Modi's third term nears its first anniversary, there has been no clear, articulated economic roadmap to address India's long-term economic challenges. Unlike in earlier terms, where specific reforms were laid out, Modi 3.0 has yet to clarify its strategy on critical issues like job creation, income growth, and India's transition to a high-income economy.



- **Emerging Areas of Focus:**

- **Trade Expansion:** The government appears to be keen on expanding trade agreements, particularly with key global players like the US, the European Union (EU), and the United Kingdom (UK). However, negotiations for these trade deals have been ongoing for a long time, and there are doubts about their immediate impact or success.
- **Deregulation:** Another potential focus for Modi 3.0 is deregulation. The government's Economic Survey highlighted the need for regulatory reforms to reduce bureaucratic hurdles for businesses. The Union Budget proposed the creation of a high-level committee to streamline business regulations. However, compared to countries like the US, Argentina, and Vietnam, where deregulation efforts have been more aggressive, India's pace appears slower, with concrete recommendations expected only within a year.

Conclusion: Key Observations and Way Forward

- **Modi 1.0:** Focused on stabilizing the economy and implementing key foundational reforms, such as the GST and IBC, which helped in addressing structural issues.
- **Modi 2.0:** Attempted to stimulate economic growth through tax cuts, the PLI scheme, and pandemic relief measures. However, growth remained sluggish, and the country faced rising fiscal deficits, debt, and job creation challenges.
- **Modi 3.0:** While the government has initiated discussions around trade and deregulation, it has yet to present a clear, comprehensive economic strategy to address India's most pressing economic concerns. Areas like job creation, income growth, and transitioning to a high-income economy remain undefined and require a more focused approach. The government's plans for boosting trade and reducing regulatory barriers, though promising, need clearer articulation and faster implementation to drive meaningful economic change.
- **Need for a Defined Economic Vision:** As India aspires to become a high-income economy, the government must define and articulate a clear roadmap for long-term growth, sustainable job creation, and income expansion. Without a comprehensive strategy, it will be difficult to overcome the persistent economic challenges and maintain growth momentum.

Source: <https://indianexpress.com/article/opinion/columns/modi-india-economy-9873610/>