

# **CRITICAL ANALYSIS ON IMPACT OF RECENT GOVERNMENT POLICIES ON GROWING ECONOMY OF INDIA**

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## **ABSTRACT**

From the initial pages recorded in the history of mankind, Autocratic kings to the present democratic government, all governments took an initiation to empower the public and to promote economic growth by developing various fiscal policies, amending the existing policies related to fiscal empowerment or promoting restrictive economical aspects such as banning currency notes to eliminate fake currency, avoid funds to illegal activities, bringing new ideas into market, imposing restriction on few scarce resources, liberalizing the economy or introducing new technology to simplify the working conditions. Former prime minister late Rajiv Gandhi, during his tenure he liberalised the economy, allocated more resources to develop science, technology and associated industries to reduce the dependence on foreign countries for goods and services. Taxes and tariffs were also reduced on various technological industries, airlines, telecommunication and defence. He also highlighted the national policy on education for offering quality education to the Indian.

This paper is aimed to address the various amendments made in economic and fiscal policies during the last five years. After the Bharatiya Janata Party formed the government, many innovative policies such as demonetisation, Goods and Services Tax, Bank transaction charges, Real Estate Act, Make in India and Digital India have been put forth in order to: bring transparency in all dealings, financial resource allocation, providing services to the public digitally and to provide opportunities for excelling and adding value to the Indian economy. But, the public response and satisfaction level is not up the mark due to abrupt implementation of the decisions made without proper arrangements of adequate infrastructure and resource allocation. Many times, during the initial introduction of policies, government of India has experienced very tough spot to answer the questions posted by opposing parties and public in general. Based on the reviews and survey, it was proved that most of the policies were not very successful even after they were taken up as very powerful innovative policies. Overall success of the all the policies lies between below average and good.

***Key Words: Fiscal Policies, Economic Policies, Demonetisation, Make in India, Digital India, GST***

## **Objectives of this study**

1. The Impact of demonetisation, bank charges, digital India, Goods and service Tax, and Make in India on Indian economy
2. To know whether the targeted growth rate was achieved through implementation of above policies.

### **Scope of the study**

This study covers diamond industry, Jewellery industry, academicians and small business people who deal with financial resources on daily basis for payments or receipts were taken to ask oral questions and not done on national basis.

### **Data collection**

Secondary method of data collection was used to gather the data. The data was collected from various Journals, News Papers, Magazines and Medias. A descriptive method of research design is used for the results determination.

### **Literature review**

*According to Indian Express, Manmohan Singh*, the former prime Minister of India has stated that Demonetisation is an organized financial loot by which BJP is trying to strengthen the corrupted people and only poor and agriculture sector will be harmed. It will also damage the small and informal sector of the Indian economy. Due to demonetisation, GDP fell down by 2 plus points. It is completely a monumental mismanagement.

*According to Indian Express, Mr. Arun Jaitley*, Present finance minister of India, Demonetisation is good for India as its banks don't have enough cash due to more NPA for lending to the corporate sector in order to expand their operations and create job opportunities for Indian unemployed people. Indirectly, he has quoted that demonetisation was used as a tool to pull money from public and lend it to the corporate through which we can attain more growth rate.

*According to The Hindu newspaper, Arun Kumar*, demonetisation was started as means to handle the black money but in the end it was destined to fail. Government thinks black money is cash while actual it is not. As per the RBI cash is one of the components of black wealth about less than 1% of it.

*According the times of India Manmohan singh*, imposing Goods and services tax (GST) amounted to tax terrorism and caused India to run for low priced Chinese products at the cost of Indian jobs. During 2016-17, imports from China were 1.96 lakh cores. It increased to 2.41 lack cores during 2017-18. Approximately 45% imports were increased. It's led to the deflation of the rupee value in the international market.

*According to Shefali Dani, Director, Institute of Business administration, GSL University*, Goods and service tax is defined as the greatest tax structure designed to eradicate the multi tax systems and support and enhance the growth in all the sectors in India. Across the globe more than 150 countries have implemented.

## Data analysis:

### 1. Demonetisation:

Act of stripping the currency note of unit of its value, status as legal tender. It is not new to us it took place before independence for Rs: 1000, Rs: 5000 and Rs: 10000. All these notes were later reintroduced. In 1970's Wanchoo Committee suggested demonetisation to handle the black currency circulation in India. Morarji Desai also stipulated that Rs: 1000, Rs: 5000 and Rs:10000 notes were illegal for exchange or circulation. On 8<sup>th</sup> November, 2016 honourable prime minster Mr. Narendra Modi ji announced the demonetisation of Rs: 500 and Rs: 1000 currency notes with an aim to decrease the terrorist funding activities, tracing the black money and minimise the fake currency notes from circulation. This action showed a negative impact on Indian stock markets which are generally used to measure the growth and current financial position of the country. It indirectly showed some impact on our Forex reserves and in return our rupee value deflated in international markets. If you observe closely the stock market took a hit of approximately 2000 plus points within one-month time which is around 7+ % lower. It took three months to recover previous level of 28000 points. This shows how negatively demonetisation functioned. And there was hardly any fake currency accounted for and seized during this period. Below graphs will show you how the status of stock markets and currency rates.



Source: [https://www.bseindia.com/sensexview/indexview\\_new.aspx?index\\_Code=16&iname=BSE30#](https://www.bseindia.com/sensexview/indexview_new.aspx?index_Code=16&iname=BSE30#)



Source:

<https://www.google.co.in/search?q=nse+nifty&oq=NSE+NIFTY&aqs=chrome.0.0j69i61l2j0l3.10362j0j7&source=id=chrome&ie=UTF-8>

31 Oct 2016	66.728455
30 Nov 2016	67.73135
31 Dec 2016	67.81351
31 Jan 2017	68.067231

Source: <https://www.ofx.com/en-au/forex-news>

Overall the demonetisation didn't not a show positive impact rather, showed a negative impact on Indian economy.

## **2. Bank transaction charges and Digital India**

During demonetisation, the bank transaction, minimum balance charges and digital India concepts were discussed and later brought into implementation with an aim to bring transparency and to handle illegal transactions. By implementing these two policies together banks were in a position to manage their operations and all the major transactions of individuals and as well as corporate sector with available human resources and were able to generate additional revenue from the depositors and bank account holders if they avail the service more than the limited times given to them. Various banks have given various limits for transactions and different amount of charges for using the service additionally. But if you observe the banking functionality and interest rates those have remained unchanged even

after getting additional revenues from the transactional charges and few banks are not even in position to provide better services. Even for the digital India advertisement expenses are more than the technological up gradation cost. All major banks such as ICICI, SBI, HDFC, AXIS and etc, charge nearly Rs: 150 per transaction if the limit is crossed. SBI itself declared that it has collected Rs: 1771 crores from its customer for not maintaining the minimum balance set by the bank. Just imagine how much banks could have earned without providing any service.

There was a rumour that these schemes were introduced to promote some private firms which are close to government. And some people claimed that to fill the corporate agent pockets, government is using the banks as medium to collect money from the public in order to provide loans to business entities for boosting the economy.

### **3. Goods and Services Tax (GST)**

Goods and services tax was introduced to abolish the multi tax system and provide the goods at lower price so that the middle and poor class also will be able to afford quality goods and services. But the core Indian people purchasing and earning capacity were barely taken into consideration while setting the tax rate slabs. During the implementation of GST many sectors and state governments were not enthusiastic as it increases filing procedure and lack of infrastructure facilities would lead to a decrease their revenue. If really GST decreases the prices of the product, India would have seen more growth by increasing exports and decreasing imports but it led to have a negative impact on the India economy by an increase of imports by 20% and trade deficit was at \$150 bn. By not bringing the petrol and diesel under GST the slogan of ***“One Nation One Tax”*** became questionable.

### **4. Make in India**

It was launched on 25<sup>th</sup> September 2014 by Mr. Narendra Modi Ji, Prime Minister as an initiative to encourage companies to manufacture their products and also increase their investments in the country. As of now we don't see any great project or any success story as it was taken as political game and not for changing the future of the Indian economy. This scheme was basically aimed to produce goods in India with foreign investments which in return take away more financial resources from the home country. And if all organisations are to use more natural resources to manufacture products in India, our future generations will have to face huge crisis for basic necessities. It seems this government is only looking for a solution to the current situation. In most of the cases, policies were not liberalised to bring innovations into reality.

Overall, all the innovative schemes introduced by the government couldn't generate expected benefits. It has been proven that introduction of schemes without proper ground work and demonetisation caused death toll to raise up to 100. The period of demonetisation and action by the government are called as ***“Dark and Dismal Year”***. At last, the government itself couldn't say that all the policies benefited the Indian's and added huge monetary value to the

Indian economy. All these policies couldn't stop skilled people from immigrating to various other parts of the world to start new ventures or to make a living. Due to ineffective policies and corruption, India is still struggling to find its place in the list of developed countries. With immense technological development and huge young human capital, India can be a leader among the developed countries, if India can eradicate corruption and bring transparency in its political system.

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