

Performance of UPA Vs NDA Governments from 2010-11 to 2017-18 - A Critical Evaluation

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Introduction

There are varying reports on the performance of the National Democratic Alliance (NDA) since it took power on May 25th 2014. The analyses of the analysts provide a range from non-performance to the best performing government since independence. While it is incorrect to compare over irregular time period, it is equally important to realize that all performed Governments have set some definite trend keeping social and economic objectives set forth. The Planning Commission then had formulated plans which is now substituted by Niti Aayog. Five year and Roll on plans were formulated under earlier regimes while we have Niti Aayog directing us on the path way to progress. The thrust of development was on Agriculture earlier in the formative years of the Nation (1950-55), it made a shift towards Industry by Mahalanobis model of development planning (1956-61). LPG era made a drift towards services which made Indian Economy gather momentum and faster growth ever experienced.

Now the time has come to elucidate the happenings in growth between two time periods 2010-11 & 2017-18 with a median time slot at 2014-15. The theme here is

on analysis of macro performance of Indian Economy during NDA & United Progressive Alliance (UPA) Governments. Only three time periods are considered with truncation in between. The time slots are: 2010-11, 2014-15 & 2017-18.

The method of comparative statics is used to have a photographic analysis of trend set in. There is, however, appropriate linkage provided to events that happened at domestic and beyond National Boundaries. Trends, break ups and continuity are identified to project wherever necessary. As many as, twenty macro-economic indicators are considered for analysis. The indicators are: 1. GDP (Market Prices), 2. GDP (Constant Prices), 3. Gross Savings (% of GDP), 4. Capital Formation (% of GDP), 5. Per Capita Net National Income (PCNNP) at current prices, 6. Production of Food Grains (in MTs), 7. Index of Industrial Production (%), 8. Electricity Generation (%), 9. Prices Inflation (WPI Avg-% change), 10. Prices Inflation (CPI Avg-% change), 11. External Sector Exports US\$ (% change), 12. Import US\$ (% change), 13. Current A/C Balance (% of GDP), 14. Foreign Exchange reserves US\$ Billion, 15. Average Exchange Rate (Rs/US\$), 16. Money and Credit-

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Broad Money M3 Annual (% change), 17. Scheduled Commercial Bank (Growth-% change), 18. Gross Fiscal Deficit (% GDP), 19. Revenue Deficit (% change) and 20. Primary Deficit (% GDP).

The economic Survey Reports of Government of India will form the data base of the indicators to be discussed in the present essay.

GROSS DOMESTIC PRODUCT (GDP)

The GDP at market and at constant prices have made a definite decline. The GPD at market prices which was at 7.9% in 2010-11 dropped to 7.5% in 2014-15 and is now at 6.5% in 2017-18. A million jobs have lost due to demonetization on 8th of November 2016. This means wealth creation had hiccough due to a decision for non-economic reasons. The government is making concerted efforts to boost growth. The economy is still adjusting to the vacuum created by an action warranted for administrative corrections. An Economy can gather momentum only when people join voluntarily for system correction.

The GDP at constant prices show the same trend of consistent fall and it is obvious that it stood at 6.1% in 2017-18 after falling from 7.8% to 7.2% in 2014-15 & 2010-11 retrospectively.

The fall of GDP began with UPA regime and continued in NDA rule for reasons beyond economics. The trend in the economy got dented because of lukewarm response of economic agents to changes initiated by them by a change in the Government. Government cannot change the characteristics of people, however, vice versa is true.

GROSS SAVINGS

The gross savings in the economy declined from 32% of GDP in 2010-11 to 29.0% in 2017-18. There was a marginal increase in gross savings to 33.1% in 2014-15. Less savings will not generate investments for the economy to generate wealth. This leads to dependence on foreign investments at a higher cost and at transfer of funds by market rate of interest. The wealth generated will get transferred to investors from outside who will enrich the source economies. Economic projects cannot be initiated under downward savings scenario. How can any government trigger growth without increase in savings? The economy is now poised for a

low spiral to be reversed by high return projects such as infrastructure and high employment generation oriented and high return projects. MSMEs are at a critical stage of their upsurge. Savings led investment projects are not at all there as a movement amongst people for acquiring wealth. There is an urgent need to address this issue of augmented savings activities to generate wealth.

CAPITAL FORMATION

Since savings rate was low during the period under reference, capital formation got dented. The effect of this is seen in the decline of capital formation as a % of GDP from 35.1% to 34.4% to 26.4% during 2010-11, 2014-15 & 2017-18 respectively. Non-conversion of savings for productive economic activity as investment is a sign of failure of the investment apparatus to channelize savings. Investment banks should embark upon ideas of routing investments for optimizing growth. Development banks in India are short of ideas. There is, however, more intervention of the governmental apparatus for their convenience in the working of banks at the operations level in spite of tighter regulatory control by the Reserve Bank of India. This will lead to more unsuccessful expeditions in the area of production. How can we think of Indians short of bright ideas; they float around and no one there to pick for production and value generation.

PERCAPITA NET NATIONAL INCOME (PCNNI)

PCNNI at current prices is growing consistently. It has increased from Rs.35,993/- in 2010-11 to Rs.86,454/- in 2014-15. It further increased to Rs.1,11,782/- in 2017-18. There is spiral growth in PCNNI to 140.20% & 22.66% in 2014-15 & 2017-18 with respect to previous base periods. The rate at which PCNNI is increasing has fallen in the NDA regime. The people are accumulating income at the rate at which they had during UPA regime. This is surely a cause of concern. The poverty levels of people will increase if the same trend were to continue. There is little or no spread effect of the earnings of citizens. The purchasing power of people is on the decline. This suggests that job generation has not happened at the expected level. Unless the situation is corrected, in the next forthcoming years, people suffering cannot reduce. This calls for expansion

of job creation activity by developing skills of people. Skills training has been a thrust by the Government. Training people for jobs by induction of skills is to be on top priority of the Government. Is our Governmental machinery ready for an uphill task of production of skilled personnel?

PRODUCTION OF FOOD GRAINS

This is another sector of positive growth since last eight years under consideration. The food grains production has increased from 241.6 MMTs in 2010-11 to 252 MMTs in 2014-15 - an increase of 4.3%. The increase between 2014-15 & 2017-18 is 9.7%. That is, production has increased from 252 MMTs in 2014-16 to 276.5 MMTs in 2017-18. Monsoon has favoured people with food grains; not the market. Agricultural prices crashed during the post demonetization period. Farmers have been suffering have multiplied across States. The number suicides of farmers since several years is a sign of failure of the market to realize better prices. Agriculture being a State subject, movements of farmers for scrapping loans and political promises by leaders for getting waivers are no signs of market improvement. There is need to develop market entrepreneurs to integrate agricultural markets by a robust supply chain systems. The role of Food Corporation of India, Ware Housing Corporation and commodity marketing boards, functional institutions are in existence with sufficient levels of success. More such successes must be replicated to ensure system success.

INDEX OF INDUSTRIAL PRODUCTION (IIP)

There is global doom for the manufacturing sector. Indian manufacturing sector also suffers from the fall in growth rate. The index of industrial production (IIP) has decreased from 7.8% in 2010-11 to 4.0% in 2014-15. It fell further to 3.2% in 2017-18. The only way is to explore the possible areas of manufacturing of goods. Infrastructure development of large scale projects, production of necessities for improvement of quality of life, production of supplements for improvement of health and so on are the possibilities one can think of. Oil exploration is still an exercise yet to gather momentum. Tourism industry needs a big boost through its infrastructure well set for attracting foreign tourists. India has the potential but not social leadership to take on.

ELECTRICITY GENERATION

Power generation is a core critical product to accelerate the economy. Indian economy has a huge gap between demand for and supply of power. Electrification of villages is tall task undertaken by the Government. Power in large scale is required for the industries to operate successfully. What is more needed is quality power which is uninterrupted and at the same voltage. There is shift from hydrogeneration to non-conventional sources of energy such as thermal, nuclear, solar and so on. Research and Development activity in the area of power generation is needed to filling the gap between demand and supply. Electricity generation has increased from 5.56% in 2010-11 to 14.8% in 2014-15 and dipped down to 3.9% in 2017-18.

Accelerating the supply of power is the need of the time. GDP cannot grow faster unless momentum of generation is picked up. There is need to review policy documents on power industry to facilitate growth to pick faster than it is now. Power Grid for distribution and power generation- by large and small entrepreneurs- must be tuned up for effective toning up of growth rate.

PRICES INFLATION (WPI Average % change)

Inflation at the whole sale level is on the decline for the worse to happen for agricultural sector. The average inflation with WPI as the base was at 4.8% in 2010-11 and dived to 1.9% in 2014-15. It rose to 2.9% in 2017-18. It is revival of agricultural markets in 2017-18. However, farmers suffered from price crash during 2014-15. The prices of food grains crashed in spite of good monsoon. A bounty in production will feed millions not the grower. What a paradoxical situation? Grow more for better income has never been realized due to failure of agricultural marketing system functioning. Neither there is a transfer of fall at the consumption level. Inflation with CPI as the base stood at 5.9% in 2010-11 & 2014-15, while it was at 3.3% in 2017-18. Barring some transfer of vegetable and fruit prices of other commodities remained as it they were. What a fallacious situation in an emerging economy? Quality governance of institutions will enable change to happen. AMUL like organizations would solve the problems of farmers and consumers by meeting their functional requirements. How many AMULs do

we need to strengthen marketing system? As many we can establish and see them through the success. Unfortunately, the best days are yet to come.

When market fails, Governance is supposed to take over. That is not happening in India. Markets are made to fail to reflect on the inefficiency of the Government. Non-political players who are not professionals create a distort leading to instability. This will not augur well for an emerging economy. Action oriented results are accepted and stability is inherent in it.

EXTERNAL SECTOR

External sector consists of exports and imports. Exports grew at 4% in 2010-11 while it was -1.3% in 2014-15. At the time of taking over, the NDA has negative exports. This was reversed to 12.1% in 2017-18. Export led growth has shown results. At the same time, imports are at -2.6% in 2010-11 & -1.3% in 2014-15 & to +1.8% in 2017-18. There is a parallel trend in both imports and exports. The governmental efforts are in boosting exports and have 'Make in India' strategy at work. This has not made much impact in production of local material for exports. However, sincerity in efforts cannot be denied. Made in India must be our goal. Trade relations and political leadership to accelerate trade will enable generate more employment. We are still on the formulation stage. Indians are everywhere to bring in such an effort of positive growth.

CURRENT ACCOUNT & FOREIGN EXCHANGE

The current account balance as % of GDP dwindling with negative trend. It moved from -2.65 in 2010-11 to -1.3% in 2014-15. The number stood at -1.8% in 2017-18. Similar trend is normally expected with good foreign exchange reserves. The reserves is continuously moving from US\$ 304.8 billion in 2010-11 to US\$ 341.6 billion a rise of 12.1% where as it was at US\$ 409.4 billion in 2017-18 an increase of 19.85%. The country is strong to make transactions for a good period without hindrance. This is unfortunately followed by a fall in Average Exchange rate. The rupee value has decreased from Rs.45.50 to Rs.61.14 in 2014-15. It has further come down to Rs.64.49 per US\$ in 2017-18. While reserve situation is favourable, exchange is on the fall. What money value can be more stable? An Indian rupee to a

US\$! The money market situation is worsening. Is this for good? India is strong when products and value for the products are favourable. A robust monetary system would enable us to move faster and better. Markets are not be established; they are to be built by fundamentals. Monetary fundamentals are to be strengthened to make things better, stronger and robust.

MONEY, CREDIT & BANKS

The broad money M3 is annually changing in double digits. It was at 14.7% in 2010-11 and stood at 10.9% in 2014-15. In 2017-18 it was at 10.5%. The money flow appears stable in terms of annual change. This has to be supplemented by effective growth of scheduled commercial banks. The growth of commercial banks has declined from 17.2% in 2010-11 to 9.0% in 2014-15. It was at 9.3% in 2017-18. The banks are in an unstable condition because of instability by select borrowers whereas Institutions are to be strengthened in the context of changing scenario in business. RBI as a monitor of all Banks need to reverse bank growth rate by performance.

FISCAL INDICATORS

The gross fiscal deficit, revenue deficit and primary deficit as % of GDP are pegged to enable growth achieve a stable rate. All three types of deficits are under effective supervision of Ministry of Finance. Revenue deficit is at 1.9% and Primary Deficit is at 0.1% 2017-18. The financial vigilance of the government will lead to financial affirmative action to make things happen. How should that be done is the question.

CONCLUSION

The economy has not made any significant head way in any sector under consideration. Under UPA some parameters of study had declined; under NDA reversal has just begun.

The GDP declined under NDA mainly because of the demonetization of currency in November 2016. The economy is poised towards growth with a clear trajectory. However, indicators do not in any way reflect significant differences in the sector parameters.

Good days are expected to come. When it will come is a big question!

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Sl. No.	Indicator	2010-11	2014-15	2017-18
1.	GDP (MP)	7.9	7.5	6.5
2.	GDP (CP)	7.8	7.2	6.1
3.	Gross Savings (% GDP)	32.3	33.1	29
4.	Capital Formation (% GDP)	35.1	34.4	26.4
5.	PC / VNI (current prices in Rs.)	35993	86454	111782
6.	Production food grains in	241.6	252	276.5
7.	Index of IP (%)	7.8	4	3.2
8.	Electricity generation (%)	5.56	14.8	3.9
9.	Prices Inflation (WPI avg % change)	4.8	1.2	2.9
10.	Prices Inflation (CPI avg % change)	5.9	5.9	3.3
11.	External (Sector expert US % change)	±4	-1.3	12.1
12.	Import US (% change)	±2.8	-0.5	1.8
13.	Current A/C balance (%GDP)	-2.6	-1.3	-1.8
14.	Foreign Exchange Reserve US \$ billion	304.8	341.6	409.4
15.	Average Exchange rate / USD	45.5	61.14	64.49
16.	Money and Credit - Broad money M3 annual (% changes)	14.7	10.9	10.5
17.	Scheduled Commercial Bank (growth) (% change)	17.2	9	9.3
18.	Fiscal Indicators - Gross Fiscal Deficit (% GDP)	4.8	4.1	3.2
19.	Revenue Deficit (% GDP)	3.2	2.9	1.9
20.	Primary (%GDP)	1.7	0.7	0.1

Source: www.rbi.org