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Team Modi wobbles a bit but hasn't lost its balance

ET CONTRIBUTORS Last Updated: Mar 11, 2019, 05:46:00 PM IST

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Infrastructure is key, and the wheels of industry will start spinning only when they are oiled again by easy capital, imported technology and equipment.

**Chaitanya Kalbag**

Change comes stealing in on padded feet in the **Narendra Modi** government, and change is starting to happen in the offices of his ministers. One of them told me that when he took office, at least eight officials had to sign off on any file that came to him for approval; he has cut that down to four layers.

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He said he does not sign off on any file that relates to any individual or company; he is confining himself to policy directives. "All we have to do is be honest and work hard, and we will start to fly soon," he says earnestly. Like his predecessors must have, however, he still has to juggle several phone calls, and assistants scurry in every few minutes with one of those, or with pieces of

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paper. The minister has one eye cocked towards the [Lok Sabha](#) TV channel, where his senior colleague is fulminating against the “opposition coalition”. Outside his office, one young man who could be mistaken for a bank executive sits at a desk piled high with cell-phones that have to be deposited before visitors go in. It is clear that Modi and his cabinet want to keep a very tight grip on information and will go to any length to keep eavesdroppers, interlopers, spies and “news traders”, a term Modi coined during his campaign, at bay: probably a wise decision that will keep the leaks down. The prime minister’s website dribbles out information selectively. He did not take journalists along to the BRICS summit in Brazil. He had no reporters tailing him when he witnessed a rocket launch last month, or visited the Bhabha Atomic Research Centre this week.

Change is more evident in process transformation and in the intent to make governance different, if not transparent. Among the signals: loss-making public sector companies to be sold off or shut down; more bank accounts, both rural and urban; direct transfers of subsidies to go up alongside Aadhaar; telecom firms to be allowed to share spectrum; and plans for coastal highways, roadrail-oil corridors, and mini-grids for electricity. All this will take time and a lot of grinding work.


Infrastructure is key, and the wheels of industry will start spinning only when they are oiled again by easy capital, imported technology and equipment, and the extinction of the Inspector Raj and the Re-Licence Regime. How the Modi government will do this while beset by very tight fiscal resources is a challenge that even seasoned economists would blanch at. For years, the government has crowded out the private sector in borrowing money to finance its deficits. For instance, net market borrowings by the government in 2013/14 totalled

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This will finance about 87% of the 2014/15 fiscal deficit. Will the private sector have access to enough bank credit? Subsidies need to be pruned relentlessly. Even before the National Food Security Act was passed last year, the food subsidy bill totalled Rs72,822 crore in 2011/12, rose to Rs85,000 crore in 2012/13 and jumped to Rs92,318 crore in 2013/14 before the full effects of the NFSA even kicked in. That is the equivalent of about Rs770 for every man, woman and child in India. And it is going to only go up.

The phantom of infrastructure can be both expensive and deceptive. Take the number of schools in rural India that are empty and devoid of teachers. Or the 115,000 mw of electricity-generating capacity that are lying idle for lack of coal; they have become “stressed assets” that work out to about \$1 billion for every 1,000 mw. In other words, the banks are saddled with about \$115 billion of non-performing loans to power projects. Or take the fact that surplus electricity generated by some states is dissipated because we lack the means to transfer the surplus into a national grid.

Or the fact that the Rajiv Gandhi Grameen Vidyutikaran Yojana, which aims to bring light to India's poorest people, defines an electrified village as one where just 10% of households have connections to a weak supply.

How will Modi and [Finance Minister](#) Arun Jaitley find the wherewithal for the infrastructure they so covet? When he was chief minister, Modi pushed the PPPP (people public private partnership) model of development where schemes like Vanche Gujarat (reading and literacy) and Samaydan (donating one's time to community projects) drew support. Plans like Akshansh

(latitude) highways slicing across the breadth of the nation are attention-grabbing. How will the government work its way through land acquisition, or draw in foreign and domestic private investment, when we haven't sorted out our revenue-sharing models?

The other day I was listening to a young third-generation politician argue with some passion that we need our institutions, and our bureaucrats, because our politicians are just too busy being politicians.

They were forever in "campaign mode". The big event, the Lok Sabha election, has just passed by, but tension is rising like the rainless humidity in the air with state assembly elections, or elections to municipalities or panchayats coming up. You almost feel sorry for the politicians; they have to constantly work to woo, beguile, convince or befuddle the shrimans and shrimatis who keep them in their jobs. It does not help that we have rampaging herds of [Shiv Sena](#) MPs, or Tamil politicians in high dudgeon over judges retired or dead. Somewhere in that noise and drama, the government is trying to get its head around the fact that it is no longer in opposition.

(Originally published on Jul 24, 2014)

(Disclaimer: The opinions expressed in this column are that of the writer. The facts and opinions expressed here do not reflect the views of www.economictimes.com.)

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