

Working for a Vikasit Bharat

Address by Dr. PK Mishra, Principal Secretary to Prime Minister at the 19th Convocation of Indira Gandhi Institute of Development Research (IGIDR)

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Shri Shaktikanta Das, Governor, Reserve Bank of India and President IGIDR; Dr. Basanta Kumar Pradhan, Director and Vice Chancellor; Dr. J.M. Pandit, Registrar; Prof. Vijay Laxmi Pandey, Dean; esteemed faculty and staff of IGIDR; distinguished guests; dear students and their parents,

At the outset, I would like to thank Shri Shaktikanta Das and Dr. Basanta K. Pradhan for giving me an opportunity to be amongst all of you today.

Prologue

The IGIDR, during the last few decades of its existence, has emerged as an influential centre of research and teaching in a wide range of development issues. It is one of the few centres of higher learning that focuses on teaching and research from an inter-disciplinary perspective.

Its academic programmes lay emphasis on combining theory with hands-on experience. The two journals: *Journal of Quantitative Economics*, and *Macro Economics and Finance in Emerging Market Economies*, are very well respected in the country and outside.

My dear students, I congratulate all of you who have received MSc, MPhil, and PhD degrees and awards today. This is an important milestone in your life, which you would undoubtedly cherish and celebrate. However, you must look to the future, to the accomplishment of many such milestones.

Also remember what you have achieved today is an outcome of not just your own efforts, but also the contributions of your parents, teachers and many more around you. Each one has played a role in your success. Always remember that no person is successful just by himself or herself.

Today, as you step into a new phase in your life, you are at the cusp of immense possibilities and opportunities. The nation is witnessing a new sense of dynamism and awakening.

Recent Developments

As you step into your new roles, it is an appropriate time to reflect on the recent developments in global and Indian economy, and what the future may hold for our country.

In recent years, the global economy has seen a period of unprecedented turbulence and uncertainty. Some of these are: the devastation caused by the Covid-19 pandemic to lives and economy, trade war between two largest economies, geopolitical tensions in Ukraine and in the Middle East, challenges of climate change, and impact of transformational technologies such as Artificial Intelligence (AI).

The challenges had far-reaching economic impact: cost-of-living crisis caused by persistent and broadening inflation pressures, especially of food and energy; looming slowdown in several large economies; shift in global supply chain; rising economic nationalism; and social polarisation. All these are eroding trust and cooperation among countries and within societies.

These challenges require bold and innovative actions that can foster inclusive and sustainable growth, while also addressing the root causes of inequality and instability.

A new world order is likely to emerge.

This is the context in which students, faculty members, researchers and institutions such as the IGIDR need to define their roles and responsibilities, not only for themselves but for the country. These challenges also provide immense opportunities to the country and to all of us.

We need to analyse what we have done so far, particularly during the last nine years, assess our strengths and weaknesses, capacities and constraints and prepare ourselves for the coming years.

Prime Minister's Vision of India 2047

Our Prime Minister has a grand vision for India 2047, that he has articulated on various occasions. India should achieve the status of a developed country, while caring for both nature and culture.

It will not only adopt and implement technology, it will be a thought leader in science and technology.

It will be *atmanirbhar* in all sectors.

Women will be leading India's development story.

The economy will be even more inclusive and innovative.

Corruption, casteism and communalism will have no place in our national life.

Approach to Economic Development

In this context I would like to highlight some salient aspects of our approach to economic development during the last nine years.

The approach of our Prime Minister to economic policy can, I would hypothesise, be described as Schumpeterian in nature. He believes that we need to continuously innovate and reinvent ourselves to remain competitive and grow in this fast-changing world. I will illustrate this approach with the help of four aspects:

- Promoting competitiveness of the economy
- Promoting use of technology
- Meeting global challenges and India's global role
- Effective delivery and reaching the last mile

Reform Measures

Starting from the incorporation stage of a company, Government introduced a single SPICE+ (Simplified Proforma for Incorporating Company Electronically Plus) form which combines 10 services such as labour, PAN card, and GST registration.

Efforts were made to resolve the NPA problem by measures such as recapitalization and governance reforms in public sector banks, along with schemes such as MUDRA and Stand-up India to ensure availability of credit to firms.

The Goods and Services Tax (GST) – to have a single indirect tax in place of many – that was discussed for decades, became a reality in 2017 because of Government's commitment and boldness. Reducing compliances has been a priority: more than 40,000 compliances across Central and State Governments have been rationalised. The Insolvency and Bankruptcy Code (IBC), a comprehensive resolution framework, helped early resolution of loans and continuity of firms.

In the context of the Covid-19 pandemic, when most countries were focused on huge stimulus packages, we chose the path of reforms. Examples are: articulating a clear policy for public sector enterprises (PSEs); opening several sectors such as defence, space and atomic energy to private sector; and further liberalisation of FDI. Labour reforms had been much talked about for decades. We took a balanced approach of overhauling the entire framework of labour laws along with providing safeguards for the rights of workers.

These second-generation reforms were possibly much more difficult requiring significant investment of political capital than just opening up of the economy. Also, this was by choice and not by compulsion.

In the context of the Covid-19 pandemic, RBI took very timely steps in announcing monetary measures which created confidence in the financial sector and even the real economy.

Sound macro-economic fundamentals such as relatively low inflation, strong balance of payment and high forex reserves were possible because of a rational approach.

A crucial part of enhancing the competitiveness of the economy and laying the foundation for accelerated growth has been the focus on infrastructure. The scale of infrastructure expansion in the last 4 or 5 years is well known.

Initiatives such as the PM Gatishakti and National Logistics Policy are critical elements for optimum use of resources and enhancing competitiveness. The use of GIS based tools and convergence of efforts of various infrastructure ministries have not only led to saving of time and cost, but also enabled seamless multi-modal connectivity thereby reducing both logistics cost and time.

In order to utilise the opportunities in the context of the geopolitical tension and make India a global manufacturing hub by helping our companies integrate into the global value chain, we lowered the direct tax rate, liberalised FDI norms, introduced PLI schemes to incentivise investment in sunrise sectors such as electric vehicles (EVs), solar energy, semiconductors and electronics. India concluded three Free Trade Agreements (FTAs) and several more are under negotiations.

Human Capital

Several initiatives have been taken to develop human capital for faster, inclusive and more equitable growth. The National Education Policy 2020, use of technology in education (e.g. Diksha platform and PM e-Vidya platform), the PM-

Awas Yojana to construct 4.1 crore houses in rural and urban areas, the Ayushman Bharat programme aiming to provide health coverage of up to Rs.5 lakhs per family to 6 crore families, the Jal Jeevan Mission aiming to provide functional household tap connections to every household (about 8.65 crore households already provided with tap water connection), the Ujjwala Yojana providing free gas connections to about 10 crore families and focus on skill development are measures for human resource development.

The Startup India initiative launched by the Prime Minister in January 2016 has evolved into the launchpad for ideas to innovation in the country. Several support measures to entrepreneurs have resulted in a robust startup ecosystem. It has the potential to transform India into a country of job creators rather than job seekers. Today there are more than 1.14 lakh startups that have reported creation of more than 12 lakh jobs with an average of 11 jobs by a startup.

PM-SVANIDHI scheme enabled loans to more than 58 lakh street vendors. It also promoted use of digital transactions and brought them into formal economic system and increasing their opportunities.

The PM Vishwakarma scheme has a comprehensive approach envisaging support to artisans and craftspeople, who work with their tools. The components of the scheme include financial help for improved tools, upgrading their skills and marketing of the products.

Use of Technology

An important area of focus has been on use of technology with a view to improving governance and also promoting innovation by economic players. Initiatives such as the JAM trinity (Jan Dhan, Aadhaar, and Mobile) and Unified Payments Interface (UPI) have fundamentally changed not only the delivery of benefits directly to the citizens but also in their financial inclusion and empowerment.

During the Covid-19 pandemic, the use of technology enabled real time monitoring of testing and vaccination of millions of individuals. It was possible to administer over 200 crore vaccine doses within a few months. The development of Co-Win platform was a landmark development.

Efforts are being made to extend the use of drones for agriculture, that can bring about transformative changes in farmers' efficiency and welfare.

Meeting Global Challenges

As per India's first Nationally Determined Contribution (NDC), it had a target of reducing emissions intensity of its GDP by 33 percent from the 2005 level and achieving about 40 percent cumulative electric power generation capacity from non-fossil fuel-based energy sources by 2030. These two targets have already been achieved.

There is a greater realisation that climate change is leading to more frequent disasters such as cyclones, floods, and excessive rainfall in areas which have not seen such phenomenon before. The economic impact in terms of loss and damage is increasing. India's initiatives such as the Coalition for Disaster Resilient Infrastructure (CDRI) and International Solar Alliance (ISA) are important landmarks in our efforts to address some of the challenges of climate change.

India's G20 Presidency has been globally acclaimed for its unprecedented scale, spread and success. Apart from its excellence in management, it has been instrumental in emphasising the importance of adopting new concepts towards nurturing a sustainable and better future for the world.

The New Delhi Leaders' Declaration underscores the importance of concepts such as Lifestyle for Environment (LiFE) and Going beyond GDP. This concept which was introduced by the Prime Minister of India during the CoP26 promotes environmentally conscious lifestyle that focuses on "mindful and deliberate utilisation," instead of "mindless and wasteful consumption."

The world leaders underscored the importance of committing to the implement the G20 High Level Principles of Lifestyles for Sustainable Development, thus presenting opportunities for conducting further research on issues regarding sustainability.

In the domain of digital public infrastructure, the declaration also welcomes the plan to build and maintain a Global DPI Repository (GDPIR), a virtual repository of DPIs and has also proposed One Future Alliance (OFA), a voluntary initiative aimed to build capacity and provide technical assistance and adequate funding support for implementing DPIs in low and middle-income countries.

The New Delhi Leaders Declaration also outlines the importance of leveraging Artificial Intelligence for public good.

Effective Delivery and Reaching the Last Mile

Traditionally, the Government of India focuses on policy measures, broad-based programmes and schemes. Implementation is largely left to the State governments and district administration. Prime Minister Modi puts great emphasis on effective delivery of benefits and services, and reaching the last mile. With the use of technology, he tries to ensure that schemes reach the intended beneficiaries and areas accurately and effectively. This aspect distinguishes his approach from his predecessors.

The Aspirational Districts programme and recently introduced Aspirational Blocks programmes are examples of reaching the last mile and giving special focus on areas that are disadvantaged.

Further, he aims at “saturation”, which means covering all those who are eligible to get benefits of a scheme.

The approach today is an all-of-the-government and in many cases an all-of-the-nation approach. The idea is to involve and ensure participation of all the relevant agencies and people. This was evident in managing the Covid-19 pandemic and even organising the G20 events with more than 200 meetings at 60 locations across the country.

India's Future

The initiatives I have outlined indicate that India is at an inflection point. Among economies and among rating agencies there is a feeling that the Indian growth story is at a structurally higher path. However, on this journey we will face a number of challenges both domestic and international.

India has many strengths and opportunities that can help it overcome these challenges and achieve its vision. It is a vibrant democracy, a resilient economy, a young population, a large domestic market, rich civilizational heritage, and a strategic location. It has a visionary leadership, a spirit of entrepreneurship, innovation and aspiration that drives its progress.

The reforms and initiatives of Government of India in the last nine years have set the base for making India a developed nation by 2047. They have created conditions for faster and more inclusive growth, better governance and enhanced social welfare.

As Prime Minister Modi said in his speech at the UN General Assembly in 2019, “India’s voice will always rise in support of peace, security and prosperity.

This will be an India that is in tune with its past but also looking towards the future; an India that will always strive for the well-being of the entire humanity.” This is the India that we hope to see as a Developed Nation by 2047.

Role of Economics Research

As I mentioned earlier, research institutions and researchers can contribute a great deal to achieving the goal of Viksit Bharat, a developed India. Successful implementation of the vision of Viksit Bharat requires sound public policy that is transparent, accountable, and effective.

As Kurt Lewin, a German-American social psychologist, said: "No research without action, no action without research."

Economic research, particularly quantitative and empirical research provides insights into complex and dynamic realities of societies. They enable policy makers to assess the needs and preferences of their citizens, evaluate the impact and effectiveness of their interventions, and design policies that are responsive, inclusive and sustainable.

Economic research can help policy makers identify and understand the problems and opportunities that they face. As Albert Szent-Györgyi, a Nobel laureate in medicine, said: “Research is seeing what everybody else has seen and thinking what nobody else has thought.”

By applying rigorous methods and analysis to data, economic researchers can uncover new patterns, trends, relationships, and causalities that can inform policy decisions. For example, economic research can reveal the drivers and consequences of poverty, inequality, migration and many other phenomena that affect the well-being of people and societies.

Second, economic research can help policy makers formulate and implement policies that are based on facts and logic rather than perception and intuition. Use of data to test hypotheses, evaluate alternatives, monitor progress, and measure outcomes, is very critical.

It can enable policy makers to ensure that their policies are aligned with their objectives and responsive to changing circumstances. For example, economic research can help policy makers design optimal tax systems, social protection schemes and regulatory frameworks that can achieve desired goals, while minimising unintended consequences.

Third, economic research can help policy makers communicate and justify their policies to the public and other stakeholders. By providing clear and convincing evidence for their policies, policy makers can enhance their legitimacy, credibility, and accountability. They can also foster public trust, participation, and support for their policies.

In the context of Five-Year Plans, since 1950s economists tried to use theoretical frameworks and economic models. The first Five Year Plan, which was essentially a collection of several projects, contained a Harrod-Domar type of exercise. It sought to examine the growth rates that could be achieved based on marginal savings rate and the resultant average saving ratio.

The second Five Year Plan adopted the Feldman-Mahalanobis type of structural model. It emphasised the physical aspect of investment and analyses, subject to certain restrictive assumptions, transformation possibilities, domestically and through foreign trade. It was based on the presumption that raising of domestic investment requires increased domestic manufacturing of capital goods.

The third Five Year Plan marked a shift away from the simple decision models. An attempt was made for inter-industry consistency in some detail. The models became more comprehensive during the fourth Five Year Plan. They involved finite time horizon linear optimisation model involving explicit inter-sectoral and inter-temporal relationship. There were policy debates relating to aspects such as physical planning in contrast with financial planning.

Thus, there was a steady evolution of economic thinking during the early decades after independence. Of course, the linkage between economic thinking and actual plans were often tenuous. Sometimes, designing of models were to provide post-facto justification of investment decisions taken on political grounds.

Another example of impact of economic thinking was a widely used term the 'Washington consensus' coined in 1989 by economist John Williamson, which became much more prominent in the 1990s. It recommended 10 policy reforms such as reducing budget deficits, reforming tax system, liberalisation of financial sector, competitive single exchange rate, reduction of trade restriction, abolition of barriers to foreign direct investment, privatisation of state-owned enterprises, etc.

Though economists were divided on its applicability to developing countries for two decades, it was widely recommended.

It was in this context that globalisation became a buzzword in international arena. In recent times, in the context of the geopolitical developments leading to disruption in trade, investment and value chains, and also political efforts at reshoring and friend-shoring, some analysts predict death of globalisation, some others feel that globalisation is alive and will continue to remain relevant.

The emergence of big data, new technologies like blockchain, new market models like decentralized finance and need for interdisciplinary research to address emerging challenges have made the task of economists very difficult. However, while reinventing ourselves with new ideas and new technologies, utilizing the latest AI and Big Data research tools, and fostering a synergistic ecosystem between universities and policy research sectors, we can effectively respond to the demands of our times.

Research institutions such as IGIDR may consider reaching out to universities with training programmes and modules in quantitative methods for building capacity of the upcoming PhDs. The University Connect programme launched by the Ministry of External Affairs in collaboration with a Delhi based think-tank can be one of the approaches. They conducted lectures in 101 universities nation-wide ahead of the G20 Summit introducing young students to the ideas of prominent thought leaders. The think-tank has also launched a new scholarship programme aimed at training PhD scholars in research methods and statistics.

As economists you have a vital role to play in advancing the frontiers of knowledge and informing the decisions that shape our society. Whether you pursue careers in academia, government, or the private sector, you can contribute to the common good by applying your skills and insights to the complex problems of our time. I urge you to use your talents and passions to make a positive difference in the world.

Congratulations and best wishes for your future endeavours.
