



**EGROW Foundation**  
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# EGROW POLICY PAPER

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**Sabka Sath, Sabka Vikas, Sabka Prayas**  
**Bharatiya Model of Inclusive Development**

Arvind Virmani

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# Sabka Sath, Sabka Vikas, Sabka Prayas Bharatiya Model of Inclusive Development<sup>1</sup>

Arvind Virmani <sup>2</sup>

India has recorded steady growth despite domestic and global challenges, including, once in a century pandemic COVID-19 followed by an oil price shock. Many of the ideas that have motivated Indian policy makers are also gaining acceptance in the developed countries and across the World. India's indigenous development strategy has not been static, but has evolved & developed with experience and changing national & international environment. It is therefore an appropriate moment to attempt a formalization of this development model. The Indian model of inclusive growth, viewed from a development economics perspective, has three pillars: (1) Market economics, (2) Empowerment, and (3) Pragmatism.

## 1. Indic Market Economy

Private initiative & competition is driver of growth & productive employment. Business has a key role in the economic life of the nation, producing & selling goods & services and creating/generating jobs. All forms of business are part of this economic life: Companies, Micro, small & medium enterprises, self-employed, traditional and modern, domestic and foreign business.

Government is creating, and will continue to create, the economic and social environment, so that such entrepreneurship can thrive and grow in every community, social & socio-economic group, residing in every region, geography, of this vast and varied sub-continent.

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<sup>1</sup> The first article of the Constitution of India states that "India, that is Bharat, shall be a union of states," implicitly codifying "India" and "Bharata" ( Hindi: भारत, romanized : Bhārata) as equally official short names for **the Republic of India**.

<sup>2</sup> Author is the non-executive, founder chairman (on leave), of EGROW; He is currently serving as Member, NITI Aayog. The author thanks @vlalit8 (twitter), MV, NV, PsK for comments on earlier drafts of the policy note. Special thanks to Dr Charan Singh for comprehensive reviews of several version of the paper. Any remaining errors are those of the author.

Experience has shown that Govt monopoly over resources and economic & social activity, is inefficient, because the nature and incentive structure of Government, inevitably produces risk averse behaviour which is the opposite of entrepreneurship /innovation. “Government has no business to be in business”, and “minimum Government maximum governance,” are phrases which capture the essence of this point. Unless the government’s role in the economy is carefully restricted to selected areas, it is likely to result in crowding out of private initiative & activity, which is generally more effective, efficient and sustainable intergenerationally. Sustained, inclusive growth, is the primary objective; Short term exigencies are carefully managed to minimise the impact on long term investment and growth.

Private Social initiative (NPOs, NGOs) are welcome & essential part of a democracy, as such social organisations can supplement and support the public in areas in which a humane, personal touch is required at the community level. The government can & must provide financial support, but bureaucracies are generally not very effective in providing sustained assistance to those requiring personal, emotional & social interaction, such as orphans, disabled, mentally challenged, widows & aged. Individuals & NGOs rooted in the local community are best positioned to do this. In addition, NGOs and NPOs can also complement government in areas in which it is ineffective or inefficient in providing basic services to the less advantaged members of society,<sup>3</sup>

This approach is flexible and consistent with *market economics, but with greater concern for market failure, externalities, information asymmetry and bounded rationality.*<sup>4</sup> In particular, the approach incorporates issues of -

- (a) Market competition, oligopoly & monopoly.<sup>5</sup>
- (b) Public & Welfare economics: Public goods provision by Government & externalities [positive in infrastructure, requiring govt incentives or subsidies and negative externalities (pollution) requiring dis-incentives].
- (c) Neo-classical growth dynamics: Importance of Physical capital/investment; human capital (job skills), technology(R&D)/ knowledge (portals), efficiency/productivity (TFP).

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<sup>3</sup> For instance, SEWA imparted job skills and provided marketing support to women during 1970-1990.

<sup>4</sup> Bounded rationality is the theory that economic agents (consumers, producers, labor) have **limited rational decision making**, driven by three main factors – cognitive ability, time constraint, and imperfect information.

<sup>5</sup> With import liberalization and tariff reduction, market competition in India was increasingly seen in an international context; first by large capital-intensive industries directly affected by import competition and increasingly by all others.

(d) Schumpeterian entrepreneurship, to drive new technology (R&D) and disruptive innovation.<sup>6</sup>

These considerations motivate the government to create a conducive policy and institutional environment for private entrepreneurs to raise capital, build enterprises and compete; and policies that attract & facilitate private sector to do what it can do best. Given the control mentality and complex web of laws, rules & regulations created by Indian socialism (1950-1980), the first & most critical task has been to identify and remove these controls from every product, natural resource & factor input, and replace them with modern regulations where economically justified. The business reforms action plan has systematically reduced and/or simplified 40,000 compliances to ease regulatory compliance. Building on reforms done earlier (FIT-MPC, IBC, GST), GOI initiated during the last 10 years, a series of reforms that rival those undertaken during the 1990s. The basic idea is to promote private competition, dismantle policy created monopolies, use modern regulations to regulate natural monopolies, externalities & information asymmetries, and retain (limited) government production & services only in sectors/industries/areas, which have a direct bearing on national security. These include liberalisation of the goods and services markets & factor markets (which were untouched by earlier reforms), exploration & mining of natural resources, private construction and maintenance of infrastructure, reform of public sector enterprises, banks and financial institutions, and promotion of digital & green economy (details in Appendix 1).

This approach is the opposite of the *communist-socialist*, command & control approach to economy, which many educated intellectuals and academics favoured for almost half a century after independence. Individual initiative, including involuntarily formed groups, are the drivers of economic growth & employment generation, not the government. Government can be the enabler & facilitator and must ensure equal opportunity for all.

Government has thus created more space for itself to focus on filling gaps and addressing issues which private sector is unable or unwilling to do - Public goods provision, financing, and regulation of infrastructure. An important role for the government is to ensure that the transport, energy, communications, industrial, urban & rural infrastructure is built and provided to the

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<sup>6</sup> To some extent, the role model is a local/regional language speaking, risk taking and hardworking, small entrepreneur, who has ventured out from his home state, to spread all over India and all over the world and is thriving in most developed countries like UK and USA.

economy & citizens, in the most efficient way feasible. This has resulted in unbundling most infrastructure into parts which are virtual public goods, quasi-public goods & services, and are amenable to market competition. The unbundled parts are further disaggregated into the financing, construction and service provision segments as needed to maximise competitive supply. At one end, mobile telecom infrastructure & services and electricity generating plants, can be financed and built by the private sector, but need to be regulated by a modern, professional regulator & regulations which promote competition & protect reasonable consumer interests. At the other end, pure public goods such as village link roads and local roads, have to be financed completely by central or state government, but can be built by the private sector and maintained by local governments. Competitive bidding has been widely & effectively used for construction of such public goods. However, quasi-public goods & services like railway lines & signalling systems, electricity transmission & distribution; or major ports, are financed and largely built & run by the central & state governments.

In the middle are a range of construction activities, maintenance and services and equipment related to highways, railways, airports, ports, waterways, power & telecom for which different combinations of Public Private participation (PPP) have been used. Infrastructure services which are amenable to collection of user charges by the private sector & are profitable, such as airports, minor ports, berths at major ports & railway stations are auctioned. Subsidy auctions are used, where the infrastructure is not profitable because of low population density or remoteness.<sup>7</sup>

Indian government has pioneered the area of digital public goods & soft infrastructure. This includes the development of Unique ID for all citizens/residents (Aadhar), a universal payments interface (UPI) for payments, Digi Locker, India Stack and Health stack. It has promoted electronic markets like Government e-market (GeM) for purchase of goods and services by GOI (later opened to all State govts), National Agricultural Market (eNAM), and Open Network for Digital Commerce. (ONDC).

Human capital development has been promoted through a number of information/knowledge platforms.<sup>8</sup> The medical education and General public education policies have been completely revised for the demands of the 21<sup>st</sup> century. Vocational education & Skill development is an

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<sup>7</sup> The winner is the one requiring the lowest subsidy.

<sup>8</sup> Platforms like Skilling India, Shaksat, E-Pathshala, National Knowledge Network, Online Labs, India Agricultural platform & Farmer Portal were formed.

integral part of this policy as well as the Skill Development and Entrepreneurship Policy (2015).<sup>9</sup>

A number of schemes have been launched to stimulate innovation among different groups. The Atal innovation mission is a first of its kind scheme to fire the imagination of students and spark innovation. at the ground level.<sup>10</sup>

The traditional entrepreneurs and the informal sector (MSMEs) are being nudged & supported (UDAYAM portal) to transition from the informal to the formal sector, through a number of initiatives. These cover training, credit systems, guarantees and account aggregators (RBI), technical assistance & technological upgradation, skilling (MCY), innovation, infrastructure and connectivity to national & international markets.<sup>11</sup>

## **2. Antodaya Welfarism**

The government's effort to celebrate every festival, every birthday of national/regional/local leaders who took part in freedom struggle, is an attempt to connect to the daily life of every citizen of the country, and thus create an indirect connection among them. In this context, Prime Minister, Shri Narendra Modi's regular, monthly radio talk, "Mann Ki Bat," has the same goal of connecting personally with every Indian, including youth & students. This can form the foundation of mutual empathy & understanding between every citizen, no matter how diverse the background, dress, food habits, spiritual orientation, cultural symbols and lifestyle. Social compassion is one outcome of this mutual empathy and communication. Another is social empowerment through recognition and celebration of their ancient heritage.

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<sup>9</sup> Skilling is promoted through the PM Kaushal Vikas Yojna (PMKVY), Jan Shiksha Sansthan, Craftsman training program (ITI) & National Apprenticeship Promotion scheme and the fee-based, private demand sensitive, model of the National Skill Development Corporation.

<sup>10</sup> It has several components like Atal Tinkering labs, Atal incubation centres, Atal New India & Grand challenges, and Mentor India. Schemes to promote entrepreneurship and Start-ups include SAMRIDH, Start-up India Seed fund, Start-up leadership program, scheme for promotion of innovation, rural industries and innovation (ASPIRE), credit fund for start-ups (MUDRA) and CHUNAUTI challenge for motivating innovation.

<sup>11</sup> ATI, DCMSME; TReDS; CGTMSE, ISEC; SFURTI, CVY, CUY, QMS, QTT ; ASPIRE, IPR, TCPSP ; MSE-CDP, DPI, TIRFSS; RAMP programme, MPDA, Bar Code, MATU, MDA, ODOP, OSOP.

Antyodaya Empowerment<sup>12</sup> is the Indian competitor to the “European Welfare state.” The Bharatiya Welfare State focuses on the lowest rungs of society, socio-economic development, and income levels; As Mahatma Gandhi said, “Recall the face of the poorest and weakest man you have seen and ask yourself if this step you contemplate is going to be any use to him.” This is something on which an overwhelming majority of the public, every community, socio-economic group, and political party has agreed-on.<sup>13</sup>

The Bharatiya approach to social welfare is multi-faceted, including direct transfers to recipients & indirect subsidies through services provider, cash transfers & in-kind transfers such as free or below market price provision of goods and services (such as scholarships) and broad range of “basic needs.”<sup>14</sup> Development economists have since formalised & quantified some of these Bharatiya welfare & development practices in terms of outcomes, termed “multi-dimensional poverty”.

Welfare of the poorest, less-abled, aged and those facing personal tragedy/misfortunes, is then a part & parcel of India’s cultural history adapted to the modern world and given a modern face. Targeted, selective safety nets are for those affected by natural disasters and macro shocks, beyond their control, and for medical tragedies beyond the ability of even the most prudent households to cope with! The provision of free food (mainly cereals) to 2/3<sup>rd</sup> of the Indian population (> 900 million people) during the pandemic, is an example of this approach. The National health insurance protection scheme, covering 100 million poor and vulnerable families is still another example.<sup>15</sup>

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<sup>12</sup> Shri Deen Dayal Upadhyaya formulated it into a philosophy called “Integral Humanism” which also resulted in a welfare program named Antodaya. For Indian concept of empowerment. See also, Arvind Virmani, “A New Development Paradigm: Employment, Entitlement and Empowerment,” Economic and Political Weekly, Vol. XXXVII No. 22, June 1-7, 2002, pp. 2145-2154.

<sup>13</sup> John Rawls formalized some of these ideas, and Daniel Chandler has reframed some of the ideas into a version relevant to contemporary conditions in Developed countries. India has always incorporated Mahatma Gandhi’s concepts into its development policy, though they weren’t formalized in the context of a mixed (socialist-capitalist) economy model which India followed till 1990.

<sup>14</sup> In political parlance, these were sometimes referred to as, “Roti, Kapda, Makaan.”

<sup>15</sup> PM-JAY provides a cover of Rs 500,000 per family for secondary and tertiary hospitalization to about 550 million beneficiaries. The Pradhan Mantri Suarksha Bima Yojna (PMSBY) is a Govt backed accident insurance scheme, which provides Rs 200,000 in case of accidental death or disability and is invaluable to families of informal sector workers,



The concepts and the prioritization of programs & projects has changed & evolved over time and existing schemes have been revamped, relaunched and pursued with much greater vigour and shortened time lines.<sup>16</sup>

Many new programs have been introduced in new areas.<sup>17</sup>

A related area of evolution has been in terms of development, strengthening and refining of, the concept of empowerment (JDY, JAM, PMBSY), and implementation of “equality of opportunity. This has been influenced by,

- (a) The incredible diversity among the people of Bharat- Diversity of (group) backgrounds, and individual aspirations & goals. This contrasts with the uniformity of the European Nation States and many African & Asian countries. India’s diversity is consistent with the legacy of millennia of cultural-civilisational unity going back thousands of years, to Vedic times.
- (b) The differential opportunity for different groups of people and across different parts of India, and
- (c) Bharat Varsha’s ancient culture as well as its legacy of divisions & distortions.

This leads to a conviction among those grounded in ancient philosophy, culture & history, that modern Indian society (government, NGOs) must empower people in every group (ethnic, caste, religious, tribal), and give them an equal opportunity to fulfil their personal interests/ambitions. But also, the belief that personal motivation and individual hard work, is a very important element of success once equal opportunity is provided. In the Bharatiya concept of empowerment, social welfare and “equality of opportunity,” have a large overlap. There are also layers of general all India schemes, and schemes specially directed at disadvantaged

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<sup>16</sup> The Deendayal Antodaya Yojna was integrated into the SGSY in 2015. The mid-day meal scheme was relaunched as PM-Poshan, an overarching scheme for holistic nourishment. The Swachh Bharat mission, has ensured that all citizens have a toilet in their home or access to public toilets, including adequate toilet facilities in government schools. The Jal Jeevan Mission is Har Ghar Jal scheme, are in striking distance of providing clean tap water to every citizen in the country. The PM Awas Yojna has provided an opportunity to every household to construct and live in a pucca house. The Deendayal Upadhyay Gram Jyoti Yojna for rural electrification has been energised and complemented by PM Saubhagya, Shaij Bijli Yojna to provide electricity to every village; and the Unnati Jyoti Yojna to provide energy efficient LEDs to every household in the country.

<sup>17</sup> In order to extend financial inclusion and provide the maximum benefits from the same Jan Dhan, JAM Trinity was introduced. The Ujjwala Yojna has brought cleaner cooking fuel to households which were earlier completely dependent on highly polluting wood stoves or kerosene. The Deendayal Upadhyaya Gram Jyoti Yojna and Bharat lamp Yojna, were energised and complemented by the PM Saubhagya: Shaj Bijli Har Ghar Yojna and the Unnat Jyoti Yojna to provide electricity connections and energy efficient LEDs to every household.



regions and socio-economic groups. Such a “saturation approach”, can however, lead to overlap and wastage if not periodically evaluated.

The agenda of inclusion and empowerment of disadvantaged areas (e.g., rural) and groups (e.g. women) is being pursued vigorously with an outcome oriented approach.<sup>18</sup>

Gender imbalance are sought to be corrected and women empowered through the “Beti Bachao, Beti Padhao: Mission Shakti, social movement, Bharat Ayushman, One Nation One helpline & Emergency response support service (ERSS), safe city project and strengthening women’s help desks and recruitment of Women police officers.<sup>19</sup>

This recognition & understanding is reflected in PM Modi’s celebration of all occupations and achievements (including sports-formal/informal, art/crafts, social service/work, Yoga, Ayurveda, technology development, start-up innovation, academics achievement). Aspirations extending from the most local to the highest Global level must be encouraged & supported.

### **3. Pragmatism**

The current government instinctively gives priority to experience and evidence, over theory and ideology. Evidence must be based on the experience of credible, trustworthy, interlocutors. Finding out which policies work and which don’t, what is more effective/efficient in achieving goal is almost a necessary condition for reform. The result is pragmatic policy formulation which gives weight to theory, formal & anecdotal evidence and an iterative approach in policy making, with feedback loops to improve policies. PM is very eclectic about the source of the evidence; but alert to selection bias arising from ideology or self-serving theory.

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<sup>18</sup> The Rashtriya Gram Swaraj Abhiyan (RGSA), Svamitra Yojna, Sanjhi yojna address village development, PM Jan Vikas Yojna addresses multi sectoral development, while National Career service and Garib Kalyan Rojgar Abhiyan, Deendayal Upadaya Grameen Kalyan Rojgar Yojana, Deen Dayal Upadaya Rural Skills schemes attempt to bridge the gap in job skills of the poor & rural areas.

<sup>19</sup> A number of schemes like, Sukanya Samridhi Yojna, Mahila Samman Certificate, PM Matritva Vandana Yojna, complement the general schemes like house construction, private & public toilets, clean drinking water, and LPG, help remove the drudgery of women’s life & work. Children’s programs like Poshan Abhiyan, CMPO also lighten the unequal burden on women. Many rural programs like PMGDISHA, NRLM & entrepreneurship programs are being reformed to ensure equal focus on women.

Another side of this coin is pragmatism, including in defining the government's role. As the unbundling of infrastructure and its financing, facilitates the assignment of different bundles to the private sector, the public sector and to public-private partnership (PPP), based on effectiveness, efficiency, cost minimisation, and quality maximisation. This approach is pursued with unprecedented vigour, to accelerate the development of viable, high-quality infrastructure

Experience based pragmatism also leads to fiscal conservatism; Conservative principle of household finance & business investment are applied to Government finance, minimising unproductive expenditures, and borrowing for investment in productive assets in which return is higher than the cost of borrowing. Empirical evidence on fiscal multipliers is given due weight in fiscal policy. The empirical estimates showing that the Govt capital expenditure multiplier in India is 2.5 times the revenue expenditure multiplier, has led to an annual 33% growth in capital expenditure allocation in each of the last three GOI budgets. Despite international conventional wisdom, and internal pressures, GOI did not undertake a large fiscal stimulus in 2020, but carefully targeted expenditure and financial support to those who needed it most. Given the lockdown & pandemic related uncertainties, it also adopted a phased approach; introducing new measures to new information which clarified the nature & dimension of the problem (e.g. which sectors & segments were most affected, and whether the problem was on demand or supply side).

Pragmatism also dictates that monetarist obsession with inflation targeting be balanced with the importance of GDP growth, given India's experience with supply shocks, historically arising from monsoon failure. Credit policy is also used to aid fiscal & monetary policy, based on Indian experience with fragmented (informal) & missing financial markets. Credit measures were carefully targeted during the pandemic given the positive & negative demand-supply imbalances across different sectors and geographies. The monetary-credit measures were also co-ordinated with fiscal measures, such as credit guarantees by GOI. The success of the iterative approach to policy, with feedback loops, was thus demonstrated in the management of fiscal, monetary and credit policy under the unprecedented Pandemic shock.

Macroeconomics, unlike microeconomics, is extremely heterodox, with no universally accepted theory or unambiguous empirical evidence, on all major macro-economic variables. In most cases, theories have been formulated based on research conducted in Advanced economies (AEs) but their applicability to Emerging market economies (EMEs) and Least

Developed Countries (LDCs) has to be further validated. Empirical evidence is largely from AEs, as the quality of research in EMEs & LDCs is constrained by scarce availability and poor quality of data. There are therefore differences between the efficacy of various policies in AEs and EMEs. Consequently, empirical evidence can vary by stage of economic development, time, place and nature of shocks. There are no policies that work universally to accelerate growth, only a set of policies that can be probabilistically slotted into good/positive, bad/negative & neutral.

There are also many development/growth narratives which sharpen intuition and provide guidance. A pragmatic approach to economic growth and short-term macro-management can therefore be justified, especially in EMEs and LDCs. This does not mean, ignoring the wealth of theoretical work and empirical evidence, but combining it with practical experience of macro-economic management and intuition. There is however, one limitation of the pragmatic approach; complex macro-economic linkages, such as those arising from the structure of indirect taxes (import tariffs, export duties & VAT/GST), and the Direct tax code, work below the surface, and are not obvious/visible.<sup>20</sup> Consequently, they may receive lower priority.

From the limited historical evidence available, we know that in ancient & medieval India, Bharat's prosperity was positively correlated with the vibrancy of international trade. However, the colonial experience of manipulation of trade policy to promote colonial industry & income, while eviscerating local industry, has left a big question mark in the minds of many citizens! International trade policy has therefore fluctuated between autonomy/self-sufficiency and Openness, with different definitions of these two extremes contending for primacy.

The evolution of trade policy, from Make in India to Atman Nirbhar to FTAs with developed countries, is an example of pragmatism. The experience of Korea, Singapore, Hong Kong, Taiwan (NICs), Thailand and Malaysia shows that, a broadly free trade policy can be selectively tweaked in the early stages of development to, (a) give temporary subsidies & tariff protection, provided it increases competition in medium term (not reduces it), and (b) The importance of FDI in internal trade networks of MNCs, and its critical role in export supply chains. Communist China's experience of asymmetric trade (NTBs) & FDI policy can however be applied only to China (not democratic, free market economies); whence the decision to keep

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<sup>20</sup> The measurement and understanding of these effects in different sectors/industries, and different groups of economic agents, requires theoretical and empirical modeling. Besides this, it also requires knowledge and intuition of the macro economy of the specific country. There are a series of papers on EGROW Website.

out of China dominated RCEP, ban Chinese apps, use tariff policy selectively with respect to Chinese intermediate inputs & capital goods, and allow FDI to facilitate shift of supply chains.

Another manifestation of experience-based pragmatism is seen in the approach to industrial structure. All organisations promoting competition, such as CCI, TRAI, SEBI, RBI etc are fully supported in their regulatory goals. However, the conventional approach is pragmatically adapted to new developments in industrial structure (e.g infrastructure) and special conditions of India (even largest companies are small compared to USA, EU), and its stage of development. As only established, diversified conglomerates can raise the capital needed to compete with large, well established foreign companies (infrastructure, construction, mainstream media, social media), in long gestation projects, characterised by regulatory & policy risk, provision of some support to promote the formers entry can increase competition (instead of reducing it).<sup>21</sup> Another example is the Aspirational District program (ADP), where high level governance attention and leveraging of technology has been successful in closing the development gap with much more developed districts in the same State.

A third aspect of PM Modi's personal approach is a greater focus on outcomes relative to inputs and policy changes per se. All policy reforms meet resistance from vested interests who have gained from policy distortions and bad policy. There are vested interests against policy & institutional reform, in a pragmatic manner, e.g., digitisation of forms and compliance to minimise bureaucratic, political, business corruption!<sup>22</sup> Policy reforms whose effective & timely implementation is in doubt, may be pushed lower down in the reform agenda.

The broad approach of experience-based pragmatism is consistent with, and justified by the economics of information, behavioural economics and bounded rationality i.e., human beings' limited availability of information, thinking capacity & time constraints. This is particularly relevant to India's informal/unorganised sector, which forms a very large part of the Indian economy. Theoretical constructs based on assumptions of full information and rational behaviour, are accepted only if they have been empirically verified or accord with practical experience.

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<sup>21</sup> Start-ups like Oyo, Ola & Nyika can raise enough capital to match, similarly positioned foreign start-ups operating in India, but this is partly because the Venture capital is also coming largely from foreign VCs

<sup>22</sup> This goes hand in hand with introduction of several anti-corruption laws such as, Black money (undisclosed foreign income & assets) act, RERA (2016), Prevention of Money Laundering amendment act (2022).

#### **4. Atman Nirbhar Bharat to Vasudhaiva Kutumbakam**

How is the Bharatiya model likely to evolve over the next decades, as the size and strength of the Indian economy grows and the World economy undergoes a major transformation from the certainties of the 20<sup>th</sup> century to the uncertainties of the 21<sup>st</sup> century?

In their quest for just in time efficiency, and cost reduction, the votaries of globalization, forgot the basic lesson of portfolio diversification and industrial structure (monopoly). The implications become apparent during the pandemic. With the result that China, the “Factory of the World’s”, share of world exports (2020) of textiles is 47%, Electronic data processing & office equipment is 40%, Telecommunication equipment is 33% and clothing is 32%. Within the rest of manufacturing (machinery, transport equipment, chemicals, miscellaneous) it has equally high shares of many exports. Diversification of merchandise trade is now accepted by the votaries of globalization, and countries like Vietnam, Thailand, India and Mexico have already benefited from the fall in China’s share of imports since January 2018.<sup>23</sup> In the long-term India is the only country with the labor, land, skills and size, which can provide an alternative for sustained, substantive, diversification of manufactured exports over the next few decades It will therefore play a critical role in de-risking US, EU & UK value chains..

India, UK & USA have had a balance of trade deficit, which adds to World demand for goods and services, while China, Germany and KSA had surplus on trade account since the 1990s. The former set add to the demand in the Rest of the World, while the latter have a depressing effect on world demand. Since the Global financial crisis (2008) the global balance has shifted from excess demand to excess supply. India’s contribution to Global demand will grow with its economy.

Given the shift in global demography, India will become a major supplier of semi-skilled labor to the developed countries in the next 10-15 years, and a major supplier of skilled labor to the middle & high-income countries in the next 20-25 years.

Global demographic changes and the ageing of population in many high income (HIC) and upper middle-income countries (UMIC), will add to the momentum generated by the Pandemic to the Work from Home & work from anywhere movement. India will become the Service Centre to the World, including for R&D and business services. India’s share of World business

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<sup>23</sup> According to a Morgan Stanley study (march 2023) , between January 2018 and October 2022, China’s share of US imports has declined by -4.32%, with gain accruing to Vietnam(+2.07%), Thailand (+0.57%), India(+0.55%), Mexico(+0.33%) and Malaysia(+0.14%).Indonesia is attracting natural resource(minerals) related investment, while Mexico benefits from closeness to US market, Vietnam & Thailand from closeness to Chinese suppliers. Malaysia was among the first countries in Asia to attract US MNCs.

service exports is currently about 2.1%. Even if this quadruples by 2050, it will only be 8.4% of World business services exports. India may, however, have a larger share of new online service exports, like medical services and Government services, given the projected aging & decline of working age population in many HICs & UMICs. As India's share of total service exports is about 4.2%, a quadrupling of total share would be 17% in 2050.

USA is the pioneer in the development of digital companies, while the European Union has led the development of futuristic regulations for the digital economy. India has pioneered the development of Digital Public goods and Quasi-public goods and services. India also has the additional advantage of a growing semi-skilled and skilled digital work force, which will power the global digital economy, both through online availability and GVCs and R&D centers in India.

Between half to two-thirds of countries are small in terms of population or GDP, and do not have a voice in multilateral Global governance institutions (Global South). India with its millennial history of trade relations, solidarity with de-colonization movements and economic co-operation with developing countries, and the largest democracy with no history of colonialism or neo-colonialism, will be in the best position to represent these countries in the global governance system.

The Indian Ocean region (IOR) stretches from Gulf of Iran, Suez Canal and Africa in the West, to Malacca Straits, Indonesia and Australia on the East, and India in the North to Antarctic in the South. India is best positioned to act as a “net security provider” in the region and to ensure equal rights of access to all, within and outside this region. India's democratic political system will be reflected in its foreign policy, furthering the spiritual philosophy of, “one universe, one earth, one family, one future”.

## **5. Conclusion**

This brief note has outlined the Bharatiya development model. Its objective can be summarized as, “sustained, fast, inclusive growth,” where “inclusive” means all round development of the society and empowerment of every citizen, to develop own capabilities & competence through application of mind and effort.

The appendix gives a sample of the extensive policy reforms and welfare measures undertaken by the Indian Government in recent years. It has not analyzed the impact & outcome of the policies and programs. An elaboration of the concepts and an analysis of the policy, institutional and welfare reforms undertaken by the Union Government from 2014 to 2022, is left for further research. The policy & institutional reforms can be divided into the following sections: (1) Macro-economic [Fiscal, Monetary, BOP, Int Trade, Capital market, Human capital, TFP (R&D, Innovation, Higher education)], (2) Infrastructure & Quasi-Public goods, (3) Public sector & public institutions, (4) Natural Resources & environment, (5) Output sectors/industries, (6) Factor markets & entrepreneurship, (7) Pure Public Goods (Public, security, legal system, Defense). (8): Urban planning & local public goods. Further, social welfare can be divided into the following: (a) Empowerment/Capability development (basic education, skills, finance, information), (b) Antodaya/Poverty elimination & multidimensional poverty, (c) Public health, health insurance & access to health services, (d) Govt interface (govt services, programs, subsidies & transfers). The impact of these reforms needs further analysis.



## Appendix 1: Policy & Institutional reforms: 2014-23

### Product & Service Markets

- FDI liberalization: Equity limits
  - in Defense raised to 100% (74% automatic)
  - in insurance raised to 74%
  - Single brand retail (& e-commerce): 51% free, 1005 with 30% domestic sourcing.
- Deregulation of petrol, diesel, Kerosene & LPG prices (targeted subsidy)
- Real Estate (Regulation and Development) Act, 2016 aimed at regulating the real estate promoting transparency and accountability in real estate transactions
- Digital Public goods: E-commerce platforms
  - GeM – Government e-Marketplace, digital government to platform(G2B)
  - National Agricultural Market (eNAM), managed by SFAC.
- Agriculture Reforms
  - Agriculture: Essential Commodity (amend)Act proposed
  - Farmers’ Produce Trade & Commerce (P&F) Act proposed.
  - Farmers Agreement of Price Assurance & Farm Services proposed.
  - Withdrawn: Could have raised farmers income by 38% on avg, up to 50% in some places)
- The Production Linked Incentive 2020-21: incentivize domestic production in strategic growth sectors where India has a comparative advantage
- Information Technology Rule 2021: three-tier grievance redressal process, “child” = any person below 18 years of age
- Repealing and Amending Act (2015), Repealing and Amending (second) Act(2015) of obsolete laws (245). About 1500 outdated laws repealed. 40,000 compliances reduced/ simplified
- Jan Vishwas Bill (2022) proposes to decriminalize penal provisions under 42 Central Acts.
- Electricity(amend) bill: Distribution reform.
  - Consumer choice; Industry: eliminate tax on industry.
- Strategic Industry Policy (2020)
  - Framework for Privatization
- National Geospatial policy (2022).
- Drone usage rules and drone services policy
- National Space Policy (2023)

### Infrastructure & logistics

- Gati-Shakti: National Master Plan for multimodal connectivity
- National logistics policy (2020); Halve logistics costs
  - Logistics hubs
- National Highway: Bharat Mala, NHDP
- Railways: Dedicated Freight corridors, private tourist trains, stations
- Mass transit systems for Metro cities:

- Ports: Private minor ports & fishing harbors, Pvt berths & other services in major ports
- Airports: Private airports (PPP) & Pvt services
- Waterways, river ports & jetties, cargo barges, cruise ships

### Natural Resources & environment

- The Land Acquisition R&R act de-bureaucratized to some extent.
- Natural Resources auctions (oil, coal, minerals, spectrum)
  - Open to private bidders
- Telecom spectrum auctions
- Environment: Int Solar alliance, BS6 norms, Electric Vehicles policy
- Govt Monopoly of mining & minerals abolished; private competition introduced.
- Private sector Coal, Oil; Defense; Space, Atomic energy
- Renewables incentives, push for solar power,
  - Global solar alliance.
- National Hydrology Project (Multi-pronged project to improve hydrology related practices, started in 1995 and expanded in 2016).
- FAME India (Faster Adoption and Manufacturing of Electric (& Hybrid) Vehicles in India Scheme, 2015).

### Factor Markets: Labor, Capital, Technology, Management

- India Bankruptcy Code (IBC): Competition in Management, market oriented bad debt resolution process
- Priority Sector Lending (PSL) Reforms: undertaken by RBI, improve the credit flow to priority sectors such as agriculture, micro, small and medium enterprises (MSMEs), and housing.
- Digital Finance:
  - Mobile payments, wallets and saving accts.
  - Unified Payment Interface (UPI)
  - Aadhar incorporated into KYC for Banking and finance
  - FinTech allowed by regulator
- Education Policy (incl Medical): Private & foreign entry, inclusion of for 0-5 years.
  - National Curriculum framework
- National Education Mission (To improve overall effectiveness of schools subsuming the Sarva Shiksha Abhiyaan, 2018),
  - World Class Institutions Scheme (Aims to create Institutes of Eminence, 2017),
  - Strengthening Teaching-Learning and Results for States (STARS, 2020)
- Apprenticeship Act amendment to facilitate learning by doing;
- National Skill Development Corporation
  - E-skilling platform
- Startup India; Tech Startups: modern, quality jobs.

- Labor Codes (4<=44/29):
  - 25/29 States & UTs have written rules for implementation
- Public Sector Bank (2) privatization accepted.
- Bank Nationalization Act (1969): 50-yr old act to be reformed.
- PSB regulatory risk (CAG)
- Asset Reconstruction Company & AMC
- IDBI privatization
- Insurance
  - GIC privatization of ¼ companies accepted.
  - LIC disinvestment accepted.

### Macroeconomic: Fiscal, Monetary, BOP

- Monetary Policy Committee: Flexible Inflation targeting.
- Goods & Services Tax (constitutional amendment)
- Corporate tax simplification: Elimination of deductions combined with rate reduction and rate reduction to 25%.
  - Lower rate (15%) for 3 years, to incentivize shift of manufacturing supply chains.
- PIT digitization & automatic seeding of returns.
- PIT simplification: Lower rate, no -deduction option
- Government e-marketplace (GeM)
- Direct Benefit Transfers (DBT) , DCT-farmers
- E-gov: Online access to rules & forms; Digitization of forms and compliances
- UID/Aadhar implemented. Applied to welfare schemes,
  - Extended to financial sector (KYC).
- Regulatory Impact Assesment (RIA): Draft framework developed. Nationwide cost of regulation (CoR) survey proposed
- Monetization of Assets
  - Unbundling infrastructure assets (Airport, port, railway, waterway)
  - Pvt Servicing & Management (PPP)
  - Highway (NHAI)
  - Gas pipelines (GAIL): Direct access, public carrier
  - Urban infra: Sports stadia (=> private management)

## Appendix 2: Social Welfare measures

### Poverty elimination & inclusion

- Deendayal Antyodaya Yojana (originally launched as NRLM in 2011, consolidated with SGSY in 2015),
- Subsidized food for 2/3<sup>rd</sup> of population (NFSA(2013), improved in 2014-19).
  - Free cereals during pandemic for 50% of urban, 75% of rural residents.
- PM Poshan Shakti Nirman Abhiyaan (PM-POSHAN, Prime Minister's Overarching Scheme for Holistic Nourishment, Free lunch for school children, revamped version of 1995, launched in 2021)
- Rashtriya Gram Swaraj Abhiyan, RGSA (National Village Swaraj Campaign, Rural Development, 2018), Svamitva Yojana (Rural development, 2020), Sansad Adarsh Gram Yojana, SAGY, Saanjhi, Member of Parliament Model Village Scheme (To develop model villages, 2014)
- PM Jan Vikas Karyakaram PMJVK, PM People Progress Programme, (Multi-sectoral development, 2018)
- Atal Mission for Rejuvenation and Urban Transformation AMRUT (Water based project to cover urban water ecosystem including taps, conservation and reducing flooding, preceded by Jawaharlal Nehru National Urban Renewal Mission started in 2005, launched in 2015).

### Basic Needs:

- Fuel: LPG connect to everyone, everywhere (Ujjawala yojna)
- Housing: PM Awas Yojna– Rural and Urban (Housing for all, original form 1985, revamped in 2015).
- Electricity:
  - PM Saubhagya: Sahaj Bijli Har Ghar Yojana (Universal electricity connections, 2017),
  - Deendayal Upadhyaya Gram Jyoti Yojana (Rural Electrification, 2015 initially launched in 2005),
  - Unnat Jyoti by Affordable LEDs for All (for energy saving and reduction of emissions, replaced Bachat Lamp Yojana, 2015).

## Public Health

- Swachh Bharat Mission
  - Private toilets, school toilets, public toilets,
  - Cleanliness, waste management, sewage treatment
- Jal Jeevan Yojana (clean drinking water),
  - Har Ghar Nal (tap water for rural households),
  - Atal Jal (Atal Groundwater Scheme, 2019), Namami Gange Programme (Clean and protect river Ganga, 2014),

## Personal Health

- National Health Policy:
  - Ayushman Bharat-Health and Wellness Centres (AB-HWCs); Digital Mission (ABDM)
  - Comprehensive Primary Health Care (CPHC)
  - Pradhan Mantri Jan Arogya Yojana (PMJAY)
  - PM Bhartiya Jan Aushadhi Kendra PMBJK (PM Indian Public Medicine Scheme, 2015)
- Enactment of the Mental Healthcare Act 2017
- Health Insurance: Subsidized insurance for the poor. PMJAY, Jan Arogya, Ayushman Bharat, PM Suraksha Bima yojna.

## Basic Education & Job Skills

- Skill India Mission: Vocational training & certification programmes (40 cr trained):
  - Jan Shikshan Sansthan (JSS) Scheme
  - Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
  - National Apprenticeship Promotion Scheme (NAPS)
  - Development of India International Skill Centres (IISCs)
  - Advanced Vocational Training Scheme (AVTS)
  - the Skills Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP)
  - PM Kaushal Vikas Yojna (Skill Development Scheme, 2015),
  - Rajiv Gandhi Scheme for Empowerment of Adolescent Boys (Saksham, Skill Development, 2014),
  - Deendayal Upadhyaya Grameen Kaushalya Yojana, DDU-GKY, Deen Dayal Upadhyaya Rural Skills Schemes, (Skill Development, 2014)
- National Career Service (2015), Garib Kalyan Rojgar Abhiyaan (Poor Welfare Employment Campaign, 2020)

## Financial Inclusion

- JAM trinity, Jan Dhan bank acts
- PM Jan Dhan Yojana (Financial Inclusion, access to banking services, launched in 2014, replacing Swabhiman), Atal Pension Scheme (based on voluntary contributions of the people, 2015), PM Suraksha Bima Yojana (PMSBY, PM Safety Insurance Scheme, for accident insurance, 2015), PM Jeevan Jyoti Bima Yojana (PMJJBY, Life Insurance Scheme, 2015), PM Shram Yogi Mandhan (Social security to unorganized sector and through voluntary contribution and monthly pension after 60 through direct benefit transfer. Implemented by LIC and CSCs, 2019)
- Sukanya Samridhi Yojana (Girl Child Prosperity Scheme, 2015), Mahila Samman Savings Certificate (MSSC, Women's Financial Empowerment, 2023), PM Matritva Vandana Yojana (PM Maternity Support Scheme, launched in 2010, renamed in 2017)

## Empowerment

- Bharat Net (Digital Connectivity, Phase I: 2011 – 17, Phase II: 2017 onwards), Digital India (Including Aadhar, BBNL, CSCS, BHIM, Digital AIIMS, E-PANCHAYAT, 2015)
- Multimodal Connectivity for every citizen, anywhere in the country (Gati Shakti)
  - Highways (interstate) & village roads
  - Railways: corridors, higher speeds, better quality
  - Air connectivity: Airports
  - Water connectivity: Inland waterways & costal shipping, cruise ship
  - Urban Metro: Mass transit rail
- Facilitating Entrepreneurship among every group/sub-group (women, SC, ST, etc.)
  - Atal Innovation mission: ATL (tinkering labs), AIC (innovation centers).
  - Mudra Yojna (PMMY), push for female entrepreneurs
  - Targeted subsidy schemes for SC, ST entrepreneurs (quality, MSME-ZED, Technology acquisition)