

Modi-nomics: Analysing India's Economic Transformation Under the Modi Regime (2014-24)

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DOI: <https://dx.doi.org/10.47772/IJRISS.2025.91100118>

Received: 10 November 2025; Accepted: 20 November 2025; Published: 02 December 2025

ABSTRACT

India has witnessed significant economic transformations under the leadership of Prime Minister Narendra Modi, and his economic policies—popularly known as “Modi-nomics”. This paper examines the key aspects of Modi-nomics, exploring its successes, challenges, and implications for the nation’s development in the two subsequent terms of the regime from 2014 to 2024. The paper begins by providing an overview of the policy framework introduced during the Modi regime, highlighting key reforms aimed at fostering economic growth, attracting foreign investment, and boosting industrial development. It investigates the role of structural reforms, including the implementation of Goods and Services Tax (GST) and the Insolvency and Bankruptcy Code (IBC), in reshaping India’s economic landscape. The paper also analyses the complex relationship between diplomacy and economy and how Indian diplomacy has shaped the prospects of its economic growth under the Modi regime’s active economic diplomacy.

Keywords: Economic Diplomacy, GST, IBC, Modi-nomics

INTRODUCTION

From being one of the ‘fragile five’ (Yazar Soyadı et al., 2015) to regaining the mantle of the world’s fastest growing major economy, India has come a long way. In 2013, Morgen & Stanley included India in the fragile five economies who were vulnerable to capital flight due to large current account deficits and heavy reliance on foreign investment. However presently, Indian economy is proudly a bright spot on a global dark horizon. (Georgieva, 2023) Today, it is the fourth largest economy in nominal terms and set to become the third largest in coming years. (The Hindu, 2025) India’s dream of having a five trillion economy is just imminent. Its forex reserve and per-capita income have doubled in last a decade. (PTI, 2025a)

However, this journey has not been the easy one. Indian economy for its natural and obvious reasons has gone through constant ups and downs but has shown exemplary resilience after every shock it has faced in the new millennium. The global financial crisis of 2008 and the Covid-19 induced economic turmoil in the recent past had hampered the India’s growth story but the pace of recovery in both these cases demonstrate the resilience and bouncing-back capability of the Indian economy. The global financial and economic crisis of 2008 significantly dented the growth prospects of the Indian economy, largely negating the decoupling theory which argues that owing to the rapid expansion of intraregional trade over the past few decades, high savings ratios and a burgeoning stockpile of international reserves, business cycles in a number of emerging-market economies had become decoupled from those of the developed economies. (Sebastian Dullien et al., 2010) India like other economies, was hit by the spillover effects of the crisis due to its increased integration into the global economy. The crisis led to a slowdown in global demand, affecting India’s export-oriented sectors like textiles and Information technology (IT) services. Gross Domestic Production (GDP) growth rates declined, impacting job creation and consumer spending. Indian stock markets experienced sharp decline and foreign

institutional investors withdrew funds. The rupee depreciated against major currencies, causing volatility in the foreign exchange market.

The crisis left a profound impact on the trajectory of Indian economy but the aftermath of the crisis was evenmore critical than the crisis itself. The initial impact of the crisis on India was relatively milder compared to some other countries due to its limited integration with global financial markets at the time. India's financial system, despite a significant integration, was 'largely insulated from the toxic assets' and hence it resisted (to some extent) the initial shocks but the recovery from the crisis in the developed markets led to the outflow of investments from the developing and emerging economies, including India.(Sebastian Dullien et al., 2010) Therefore, the Indian economy in 2012-13 was facing sudden outflow of foreign capital (as the investors redirected their funds from emerging nations back into the U.S. dollar) combined with high crude oil prices, higher inflation, high fiscal and current account deficits, widespread corruption and a perception of policy paralysis.

Thus, when Narendra Modi took charge as the Prime Minister of India in 2014 and promised to transform the landscape of India's economy, he inherited an economy facing several challenges including slow economic growth, infrastructure bottlenecks, unemployment, wide spread corruption and most importantly a perception of policy paralysis. Multiple cases of corruption had eroded the public trust and confidence in the government. The perception of policy paralysis in the previous government was hindering decision-making and implementation of reforms required to overhaul the economy. There was a need to improve governance and transparency. Narendra Modi became the prime minister of the country amid this gloomy political & economic scenario. Hence, the challenges for the new government were widespread and a strong political will was required to bring structural changes and overhaul the economy.

Modi-Nomics: The Economic Transformation on the Way

Modi-nomics is a term often used to refer to the economic policies and reforms implemented in India under the leadership of Prime Minister Narendra Modi. It is defined as set of policies which attempt to ensure 'everyone's participation, everyone's progress (Sabka Saath, Sabka Vikas). These policies aim to boost economic growth, attract investments, simplify tax structures, encourage entrepreneurship, and promote manufacturing and digital initiatives. These policies have aimed to propel the country towards higher growth and transform India into a developed country by 2047 when it will be celebrating its 100th years of Independence. Over the years, Modi-nomics has been a subject of both praise and criticism, making it imperative to analyse and assess its impact on India's economic landscape. Therefore, this paper discusses some key aspects of Modi-nomics reflected in various policy reforms structural changes initiated during the period, to evaluate the achievements and failures of Modi government's economic policies.

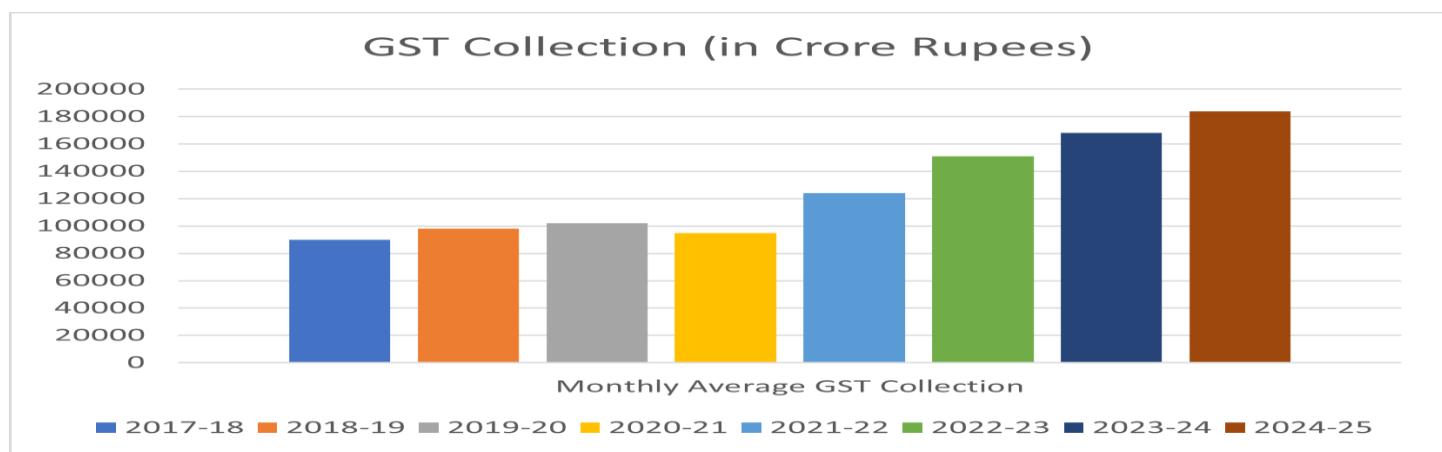
Policy Reforms and Structural Changes

One of the cornerstones of Modi-nomics has been the implementation of structural reforms. Initiatives like the Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), New Labour Code etc. has been adopted to simplify India's complex tax structure, enhancing ease of doing business, fostering a more unified market, streamline labour laws and attract foreign investment have sought to create a more business-friendly environment.

Goods and Services Tax

The Goods and Services Tax (GST) in India has played a significant role in shaping the country's economic landscape. It replaced a complex system of multiple indirect taxes, streamlining the taxation structure and promoting a unified market. GST has led to improved tax compliance, reduced tax evasion, and increased government revenue. The all-round benefits of the indirect tax regime are 'exemplary' and the GST revenue buoyancy for states has improved to 1.22 after its implementation from 0.72 before the rollout of GST. (The Indian Express, 2023). Further, the below mentioned graph shows that the GST collection which stood at 92,283 crore in July 2017 has gradually raised to 1,95,936 crore in October 2025 marking a significant growth in revenue generation.(PTI, 2025b).

Figure-1; Monthly Average GST Revenue in ₹ Crores, Source: Compiled by the Author using data from the Press Information Bureau, Ministry of Finance.



However, though, recently India has streamlined its tax structure under GST 2.0 reforms with two primary rates, 5% and 18% and a 40% rate for luxury and sin goods replacing the complex four-slab system (5%, 12%, 18%, and 28%), it is still far from being a true ‘good and simple’ tax. V Shacheendran identifies 13 recurring issues with the GST regime in India including poor tax acceptance, enhanced compliance cost, delay in refund, issues of online compliance, poor IT infrastructure, problems regarding e-way bill, high penalties for non-compliance, items outside GST (e.g. petroleum products) etc. (Shacheendran, 2024)

Insolvency and Bankruptcy Code

The Insolvency and Bankruptcy Code (IBC) was brought in 2016 to overhaul the corporate distress resolution regime in India and to deal with the issue of growing Non-Performing Assets (NPAs) of the banking sector. The IBC is a ‘creditor-in-control model as opposed to the debtor-in-possession system’. (Munjal, 2022) The formation of ‘National Asset Reconstruction Company Limited’ (NARCL) popularly known as the ‘Bad Bank’ is another significant move to deal with the NPAs and help banks to clean up their balance sheets. These comprehensive measures taken by the government and the Reserve Bank of India (RBI) to recover and to reduce NPAs has enabled an aggregate recovery of ₹10,16,617 crore. (Jayaswal, 2023)

Despite its successes, the IBC faced challenges like prolonged delays, case backlogs, asset value erosion, and gaps in handling complex corporate structures and cross-border issues. (Mittal, 2025) A major concern is that the insolvency process has seen less recovery and more hair-cuts. (New Indian Express, 2025) According to the July-September (2025) newsletter of the Insolvency and Bankruptcy Board of India (IBBI) the creditors have realised Rs 3.99 trillion under the resolution plans, against the total claims of Rs 12.31 trillion. Creditors took a haircut of around 67 per cent on their admitted claims on the realisation made till September 2025 under the corporate insolvency resolution process (CIRP) of the Insolvency and Bankruptcy Code (IBC). (Chitravanshi, 2025) Thus, though IBC marks a significant milestone in the insolvency resolution process in India, it is still far from realising its intended goals.

MSMEs: The Backbone of India’s Economic Landscape

Micro, Small and Medium Enterprises (MSMEs) form the backbone of India’s economic landscape and serve as the cradle of entrepreneurship. (NITI Aayog, 2025) In the last ten years of the Modi government, small and informal businesses—including MSMEs—have experienced significant formalisation, expanded credit access, and expanded integration into export value chains. The most visible structural change has been large-scale formalisation: Udyam and Udyam Assist Platform registrations crossed 4 crores by March 2024. (PIB, 2024) MSMEs continue to contribute around 27–31% of India’s GDP and nearly half of merchandise exports, indicating stable macro-economic relevance. (PIB, 2025) To help MSMEs scale operations and access better resources, the investment and turnover limits for classification have been increased by 2.5 times and 2 times, respectively. This is expected to improve efficiency, technological adoption, and employment generation. (PIB, 2025)

Table: 1, Revised Classification Criteria for MSMEs. Source: Press Information Bureau.

Rs. in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

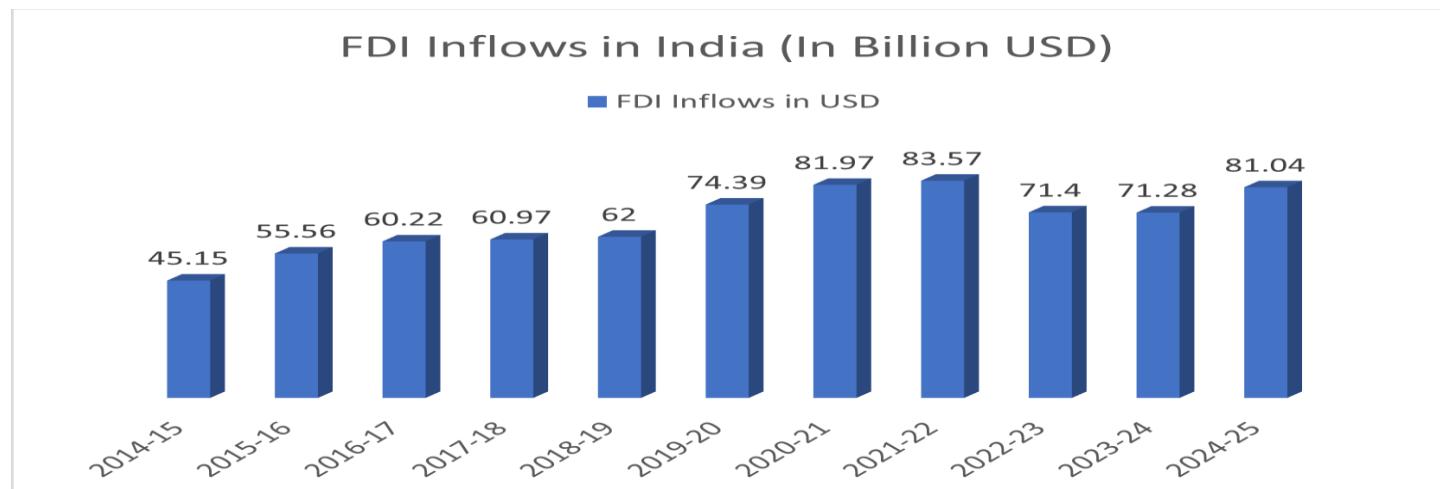
However, MSMEs still face issues of delayed payments, high compliance burdens, uneven access to affordable working capital, and slower productivity gains. Self-reported employment on the Udyam portal (20.39 crore as of July 2024) shows expanded enterprise coverage but does not necessarily reflect stable or high-quality jobs. (PIB, 2024)

The situation of informal economy is even bleaker. India is home to the largest informal economy in the world and remains a chronic conundrum for scholars and policymakers. (Harriss-White, 2024) Despite, decent attempts and policy response by the government to formalize economy, informal sector is still growing in India. The Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2023-24, shows that the number of unregistered establishments shrank from 6.3 crore in 2015-16 to 6 crore by 2021-22. Thereafter, however, the number of such informal establishments grew to 6.5 crore in 2022-23 and 7.3 crore in 2023-24. (Raghavan, 2025) Informal workers are still amongst the most vulnerable section in India. They suffer from widespread issues including the lack of social security benefits and legal protection, low wages, precarious working environment, poor safety standards and vulnerability to economic shocks. Therefore, mere isolated schemes are not sufficient. The informal economy requires a comprehensive and sustained policy measure backed by strong political will and a curated and targeted universal basic income in the form of direct benefit transfers.

Make in India and Aatmanirbhar Bharat: Driving Self-Reliance & Economic Growth

India's journey towards self-reliance and economic growth has been prominently shaped by two major initiatives: Make in India and Aatmanirbhar Bharat. These programs reflect the nation's determination to transform into a global manufacturing hub and reduce dependency on imports, fostering domestic industries and innovation. The 'Make in India' scheme aims to encourage both foreign and domestic companies to invest in India's manufacturing sector. The initiative seeks to enhance India's position on the global economic stage by promoting local production, creating jobs, and attracting foreign investment. It emphasizes ease of doing business, infrastructure development, and skill enhancement, making it easier for businesses to establish and operate in India. The initiative along with other measures and reforms has helped India to attract enhanced FDI inflow in India. The figure below shows a significant improvement in the FDI inflow in India in the last ten years.

Figure – 2; FDI Inflows in India, Source: Compiled by the Author using data from the Press Information Bureau, Govt. of India.



Building on the foundation of Make in India, 'Aatmanirbhar Bharat' was introduced in 2020, during the global COVID-19 pandemic. Translated as 'Self-Reliant India', this initiative focuses on reducing import dependence, strengthening local supply chains, and promoting indigenous industries. It encompasses various sectors, including manufacturing, agriculture, technology, and healthcare. The vision is to create a self-sustained ecosystem where India produces goods and services domestically, reducing vulnerabilities to global disruptions. By emphasizing self-reliance and reducing imports, India can bolster its manufacturing capabilities and foster innovation. As domestic industries grow, they can compete effectively on a global scale, creating a favourable trade balance and boosting employment opportunities. Both initiatives have brought about significant policy reforms and incentives. These include the Production-Linked Incentive (PLI) scheme, (PIB, 2025) designed to boost domestic manufacturing in key sectors by providing financial incentives based on production targets.

Balancing Aatmanirbhar Bharat with the Global Trade

The quest for the 'Aatmanirbhar Bharat' (Self-Reliant India) should not be misunderstood with the trade protectionism or efforts towards de-globalisation. It is about national self-dependence. It attempts to mitigate the vulnerabilities of the Indian economy by diversifying supply chain, promoting domestic production and boosting growth and consumption. The initiative does not attempt to insulate India from the global economy instead re-calibrates the terms of engagement. It endeavours to make Indian economy more vibrant, resilient and meaningfully integrated with the global economy. Thus, there is a careful attempt to balance the goal of self-reliance with global integration. In fact, this self-reliance is focused on 'self-confidence' rather than 'self-sufficiency', aiming to increase exports and the depth of technological knowledge in the country.(Goyal, 2024) Thus, there is a nuanced approach towards balancing self-reliance with the globalisation and its economic variables.

Financial Inclusion and Digitalization

Modi-nomics has recognized the significance of financial inclusion and digitalization in promoting equitable growth. Initiatives such as Jan Dhan Yojna, aimed at providing financial services to the unbanked population, and Digital India, which seeks to connect rural areas through technology, have had far-reaching impacts on financial access and service delivery. The trinity of JAM (Jan Dhan–Aadhaar– Mobile) combined with the UPI has significantly improved the financial inclusion in India. Digitalization has rapidly transformed various aspects of Indian society, economy, and governance, ushering in a new era of connectivity, convenience, and innovation. Over the years, India has made significant strides in embracing digital technologies, leading to profound changes in how people communicate, transact, and access services. In recent years, the "Digital India" initiative has played a pivotal role in accelerating the country's digital transformation. Launched by the government, this comprehensive program aims to ensure that digital technologies reach every corner of the nation, bridging the digital divide and enabling inclusive growth. One of the most visible impacts of digitalization is the exponential growth in internet penetration and smartphone usage. According to the 'Internet in India Report 2022' published by the Internet and Mobile Association of India (IAMAI) and Kantar, 759 million Indians which constitute 52% of the population are active internet users. (PTI, 2023) As per Comprehensive Modular Survey: Telecom (CMS: T) 2025, In India, approximately 85.5 percent of households possessed at least one smartphone. Around 86.3 percent households have access to internet within the household premises (Results of Comprehensive Modular Survey, 2025).

However, challenges persist in the journey towards complete digitalization. Despite significant progress, there are still segments of the population without access to digital technologies, particularly in rural and remote areas. Digital literacy remains a concern, as not all individuals are equipped with the skills to navigate the digital landscape effectively. Furthermore, issues related to data privacy and cybersecurity have gained prominence as digital interactions increase. Balancing the benefits of digitalization with safeguarding personal information and preventing cyber threats is an ongoing challenge. The state of digitalization in India reflects a dynamic landscape of rapid technological advancement and transformative change. The Digital India initiative has been a driving force in expanding digital access, improving governance, and fostering innovation. As the country continues to harness the potential of digital technologies, it is imperative to address issues of

accessibility, literacy, and security to ensure that the benefits of digitalization are realized by all sections of society.

Infrastructure Development

The quality of a country's infrastructure influences its economic trajectory. Realizing this, the Narendra Modi government has kept infrastructure at the centre of its development agenda (Ministry of Information & Broadcasting, n.d.). India has witnessed significant strides in infrastructure development over the last a decade. The Modi regime has prioritized the enhancement of the country's physical and digital infrastructure, aiming to create a solid foundation for economic growth, connectivity, and modernization. Initiatives like Sagarmala (Sagarmala Programme, n.d.) (port-led development) and Bharatmala (Gupta, 2024) (road and highways development) have been launched to improve connectivity, enhance logistics, and stimulate trade. Bharatmala project is an ambitious road development plan that aims to improve road connectivity and logistics across the country. The development of expressways and highways under this initiative is set to streamline the movement of goods and people, facilitating trade and economic growth. According to official data from NHAI, an unprecedented 50,000 kilometres of National Highways being added in the last 9 years. India had a total of 97,830 km of National Highways in 2014-15 which has been expanded to 1,46,204 km by October 2025. (Redefining India's Highways, n.d., 2025) Furthermore, the 'Sagarmala' project focuses on enhancing port infrastructure and connectivity to harness India's vast coastline for economic development. This initiative is expected to drive maritime trade, boost industrialization along coastal areas, and create employment opportunities. Further to streamline the infrastructure development and ensure a smooth inter-ministerial coordination, PM Gati Shakti National Master Plan (NMP) was launched by the Prime Minister. It prioritizes accelerating development activities in the country, institutionalizing holistic planning and inter-departmental coordination through a single integrated portal. The 'Smart Cities Mission' is another hallmark initiative of the Modi government. This ambitious program aims to transform urban centres into technologically advanced, sustainable, and efficient hubs of growth. By focusing on key areas such as urban mobility, waste management, and digital connectivity, the Smart Cities Mission seeks to enhance the quality of life for urban residents and attract investment.

Skill India and Demographic Dividend

India, with its vast and youthful population, is positioned to leverage its demographic dividend as a powerful asset for economic growth and development. The Skill India initiative, launched in 2015, has emerged as a crucial driver in harnessing this potential. Modi government has prioritized the various schemes and initiatives under the Skill India mission to equip India's workforce with the skills needed for the future. (Building a Future-Ready India, n.d., 2025). India's demographic advantage is evident, with more than half of its population below the age of 25 and a median age of around 28 years. However, for this advantage to translate into meaningful progress, it is imperative to equip this young workforce with relevant skills. The ambitious 'Skill India' program aims to provide skill development opportunities to over 400 million Indians by 2022, encompassing sectors ranging from manufacturing and agriculture to services and entrepreneurship. (Ahmad, 2021) By offering vocational training, apprenticeships, and upskilling programs, Skill India seeks to bridge the gap between the demands of the job market and the skills possessed by the workforce.

The synergy between Skill India and the demographic dividend is evident in several ways. Skill development ensures that the younger population possesses the necessary competencies to match the evolving needs of industries. This improves their employability, leading to reduced unemployment rates and increased earnings potential. A skilled workforce enhances productivity and innovation, which in turn contributes to economic growth. As more individuals enter the workforce with specialized skills, India's potential to attract foreign investment and foster entrepreneurship is heightened. Skill India's emphasis on skill development and its alignment with India's demographic dividend holds the potential to transform the country into a global economic powerhouse. By equipping the young workforce with the right skills, India can capitalize on its abundant human resources to drive innovation, entrepreneurship, and sustainable economic growth.

Digital Payments and Financial Technology

The push towards digital payments and financial technology (Fintech) has been a hallmark of Modi-nomics. In India, where a significant portion of the population remains underserved by traditional banking institutions, fintech has emerged as a game-changer. The combination of widespread smartphone adoption, internet penetration, and digital payments infrastructure has created a fertile ground for fintech start-ups to thrive. The Unified Payments Interface (UPI) launched in 2016 by National Payments Corporation of India (NPCI) has revolutionized the payments interface in India. Today, India is having the best real-time payment mechanism in the world. According to NPCI data the number of transactions done using UPI stood at more than 20.7 billion, in October 2025. In value terms, this was a rise of 9.5% to Rs 27.28 lakh crore from Rs 24.9 lakh crore in September. YoY transaction count grew 25%, while value rose 16%. ("UPI Transactions Touch 20.7 Billion in October, NPCI Data Reveals," 2025)

The fintech revolution in India has touched various aspects of financial services, ranging from digital payments and lending to wealth management and insurance. Mobile wallets, UPI-based payments, and digital lending platforms have become integral parts of everyday life for millions of Indians. These innovations have not only brought convenience to users but have also contributed to financial inclusion by bringing previously excluded segments of the population into the formal financial ecosystem. Modi-nomics' push towards a cashless economy and the expansion of digital infrastructure has significantly facilitated the growth of fintech. The demonetization moves in 2016 acted as a catalyst for digital payments adoption, leading to the rise of payment platforms and QR-based transactions. The government's focus on digital identity through Aadhaar has enabled secure and paperless verification processes, crucial for remote customer on boarding by fintech companies.

Moreover, the regulatory framework under Modi-nomics has played a pivotal role in fostering fintech innovation. Regulatory bodies like the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) have introduced measures to ensure consumer protection, data security, and healthy competition. The introduction of the Unified Payment Interface (UPI) by the National Payments Corporation of India (NPCI) is a prime example of collaborative efforts between the government and the private sector to revolutionize digital payments. The synergy between Modi-nomics and the fintech revolution goes beyond economic growth; It also has social and global implications. Fintech has enabled direct benefit transfers, ensuring targeted subsidies reach intended recipients, reducing leakages and corruption. It has also paved the way for small businesses to access credit more easily, promoting entrepreneurship and job creation. On a global scale, India's fintech transformation has drawn attention and investment from across the world. The country has become a hub for innovation, attracting venture capital and fostering partnerships with international fintech players. This not only strengthens India's position on the global economic stage but also supports the government's vision of turning India into a global manufacturing and innovation hub.

Modi-Nomics: A Complex Relationship Between Economy and Diplomacy

Economy and diplomacy are two interconnected pillars that play a crucial role in shaping the international landscape. These two elements are deeply intertwined, as economic considerations often drive diplomatic decisions, and diplomacy, in turn, can significantly impact economic relations between nations. Diplomacy serves as the bridge that facilitates cooperation, negotiation, and conflict resolution among nations. Through diplomatic channels, countries engage in dialogue to address global challenges, settle disputes, and forge alliances. Economic interests frequently underlie these diplomatic interactions. Trade agreements, investment treaties, and economic partnerships are negotiated and established through diplomatic efforts. Diplomacy paves the way for economic collaboration, helping nations navigate complex regulatory environments and overcome barriers to trade. Conversely, economic factors can influence diplomatic strategies. Nations with strong economies often wield greater diplomatic influence, as their financial stability provides them with resources to invest in diplomacy, aid, and development projects. Economic sanctions, trade restrictions, or financial incentives can be leveraged as diplomatic tools to achieve specific objectives. In today's interconnected world, economic sanctions, for instance, can impact a nation's stability and coerce diplomatic concessions.

India's Growing Economic Prowess and the Changing Strategic Posture

The economy and diplomacy share a two-way relationship. It's not only diplomacy which influence the economic trajectory of a country, economic might and prowess also plays a pivotal role in shaping the diplomatic postures, priorities and outcomes. The state of economy decides the military capabilities of a state. No Great Power can sustain for long without the economic development, however capable its military might be. Recognising this Paul Kennedy in his phenomenal work "The Rise and Fall of Great Powers" persuasively demonstrates the interdependence of economic and military power, showing how an imbalance between the two has historically led to spectacular political disaster. (Kennedy, 1989) This is equally true for India which has ambitions of becoming a 'leading power'. India's economic rise has contributed to its increased political and strategic prowess on the global stage. Over the past few decades, India has undergone significant economic growth, becoming one of the world's largest economies. This growth has had several implications for its international standing. India's growing economy has given it greater diplomatic leverage, allowing it to engage more actively in international negotiations, forums, and organizations. India's economic rise has also enabled it to take on a more prominent role in regional organizations and discussions, shaping regional policies. As one of the largest consumer market, India has become an attractive destination for trade and investment. This has led to increased economic partnerships and collaborations with other nations, further enhancing its global influence. Economic growth has also facilitated India's efforts to establish strategic partnerships with other countries, including both traditional allies and emerging powers.

India's Diplomatic Manoeuvres and Strengthening of Economy

Since assuming office in 2014, the Modi government has pursued a strategic and dynamic approach to diplomacy, effectively harnessing diplomatic efforts to bolster India's economy. By integrating foreign policy with economic objectives, the regime has successfully navigated global challenges, forged new partnerships, and leveraged opportunities to enhance India's economic standing on the world stage. One of the cornerstones of India's economic diplomacy under the Modi regime is the 'Act East Policy'. This initiative represents a proactive shift towards enhancing engagement with East and Southeast Asian nations. By strengthening economic ties with countries such as Japan, South Korea, Singapore, and Vietnam, India has tapped into new markets, expanded trade, and attracted investment. The policy not only promotes economic growth but also strategically positions India as a key player in the region, creating a favourable environment for trade negotiations and fostering long-term diplomatic relationships.

Prioritizing the national interest, the Modi government has taken both the facilitative measures and the restrictive measures to promote and protect its national interest. India refused to join the Regional Comprehensive Economic Partnership (RCEP) proposed by China when its concerns were not addressed. (Dar, 2021) It restricted the FDI inflow from neighbouring countries amid the concern of opportunistic takeover of loss-making Indian companies by Chinese firms at the height of pandemic. (Taneja & Upreti, 2025) India banned several Chinese origin mobile applications which were prospective threat to national interest and security. However, India is not able to restrict the rising trade deficit with China which looms around 100 billion dollars. (Verma, 2023a) The economic and commercial relationship between India and China has geopolitical and strategic implications. Thus, against the backdrop of growing Chinese political and military belligerence, India should recalibrate its economic relationship with China.

Furthermore, the Modi regime has prioritized connectivity projects that have a direct impact on the economy. Initiatives like the International North-South Transport Corridor (INSTC) and the Chabahar Port project in Iran have been pursued to enhance trade routes and reduce transit times. By developing critical infrastructure, India strengthens its role as a vital trade partner, deepening economic integration with neighbouring countries and beyond. The government's diplomacy has also been instrumental in attracting foreign investment and fostering economic cooperation. The 'Make in India' and 'Start-Up India' initiatives have been actively promoted on international platforms, showcasing India's entrepreneurial potential and attracting global investors to engage with the country's burgeoning start-up ecosystem.

Modi-nomics and the Global Economic Trends

Modi-nomics has interacted with global economic trends through a simultaneous pursuit of domestic reforms and external economic integration, shaping India's macroeconomic trajectory amid shifting global dynamics. The period witnessed alignment with global trends such as supply-chain diversification, digitalisation, green transitions, and geopolitical reordering. India leveraged the "China+1" strategy by promoting manufacturing through initiatives like Make in India and Production-Linked Incentive (PLI) schemes. (Verma, 2023b) India also navigated the COVID-19 pandemic, and geopolitical tensions (US-China rivalry, Russia-Ukraine war) through a mix of fiscal support, calibrated monetary policy, diversification of energy sources, and strategic diplomacy that aimed to preserve policy autonomy. The PLI scheme has spurred growth in electronics, pharmaceuticals, and automobiles, helping India leverage shifts in global trade and investment flows. (PIB Headquarters, 2025) India has also attempted to reposition itself within global economic decision-making by advocating reforms in multilateral institutions, pushing for Global South leadership, and strengthening ties with the Quad, G20, and IPEF.

Unpacking Modi-Nomics: A Critical Appraisal

Since assuming office in 2014, the Modi government has articulated its economic vision under the banner of "Modi-nomics," promising structural reforms, rapid growth, and inclusive development. The narrative emphasized efficiency, digitalization, foreign investment, and self-reliance. However, a closer examination reveals that the trajectory of India's economic performance under this framework has been mixed, marked by ambitious policy experimentation alongside persistent structural challenges.

The Demonetization Debacle

The 2016 demonetization of ₹500 and ₹1000 currency notes remains one of the most contentious economic decisions of contemporary India. While officially justified as a measure to combat black money, counterfeit currency, and terror financing, its implementation led to severe short-term economic disruptions. The informal sector—constituting nearly 80% of India's employment—suffered the most, with small traders, agricultural workers, and daily wage earners facing acute liquidity shortages. (Sarkar & Karmakar, 2021) Studies by the Reserve Bank of India and independent economists revealed minimal long-term gains in curbing unaccounted wealth, as over 99% of the demonetized currency returned to the banking system. (Bose, 2017) The episode, thus, underscored the policy's weak design and limited cost-benefit efficacy.

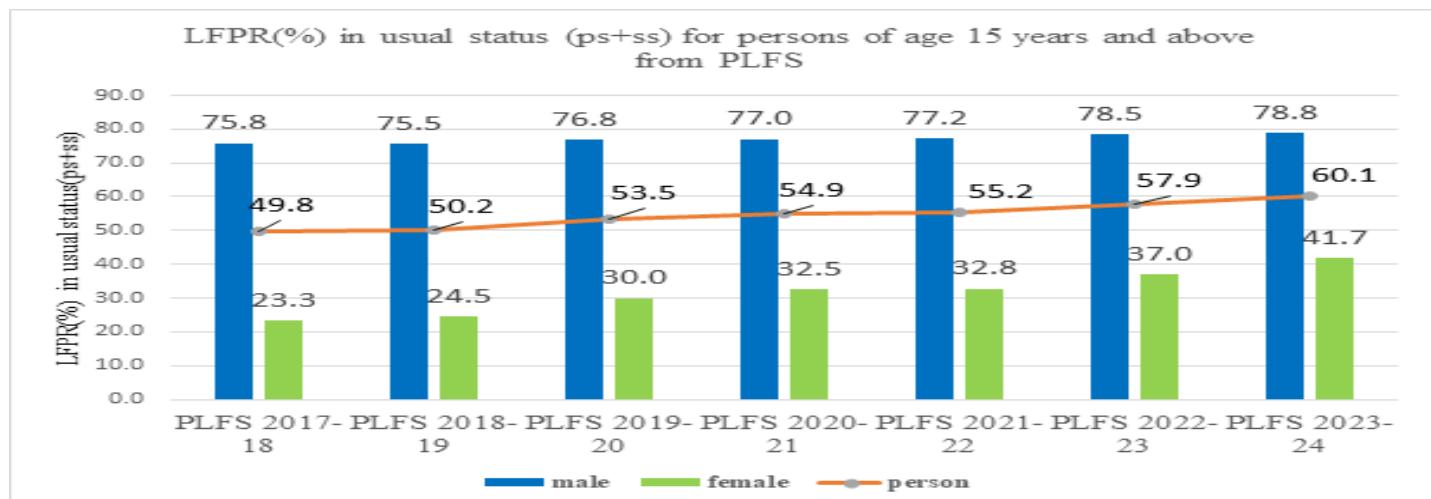
Rising Inequality and "K-Shaped" Recovery

Although the government has consistently highlighted GDP growth and improved ease of doing business, the distributional aspect of this growth remains uneven. Post-pandemic data from Oxfam and the World Inequality Lab show that wealth concentration has increased, with the richest 1% owning a disproportionate share of national wealth. (Richest 1% Own 40.5% of India's Wealth, Says New Oxfam Report, 2023) The term "K-shaped recovery" (Indian Economy Is Heading for a K-Shaped Recovery and It Won't Be a Pretty Sight, n.d.) aptly captures the divergent trajectories of the rich and poor—urban elites benefiting from financial and digital expansion, while informal and rural workers face stagnation. Such inequality undermines the ideal of inclusive development central to democratic and social stability.

Fluctuating Unemployment Trends

Despite the government's pledge to create 10 million jobs annually, employment generation has lagged behind economic expansion. Data from the Centre for Monitoring Indian Economy (CMIE) and the Periodic Labour Force Survey (PLFS) indicate fluctuating unemployment rates and a growing incidence of underemployment. Automation, sluggish private investment, and inadequate industrial diversification have further constrained job creation. Thus, Modi-nomics is widely criticised for pushing jobless growth in India.

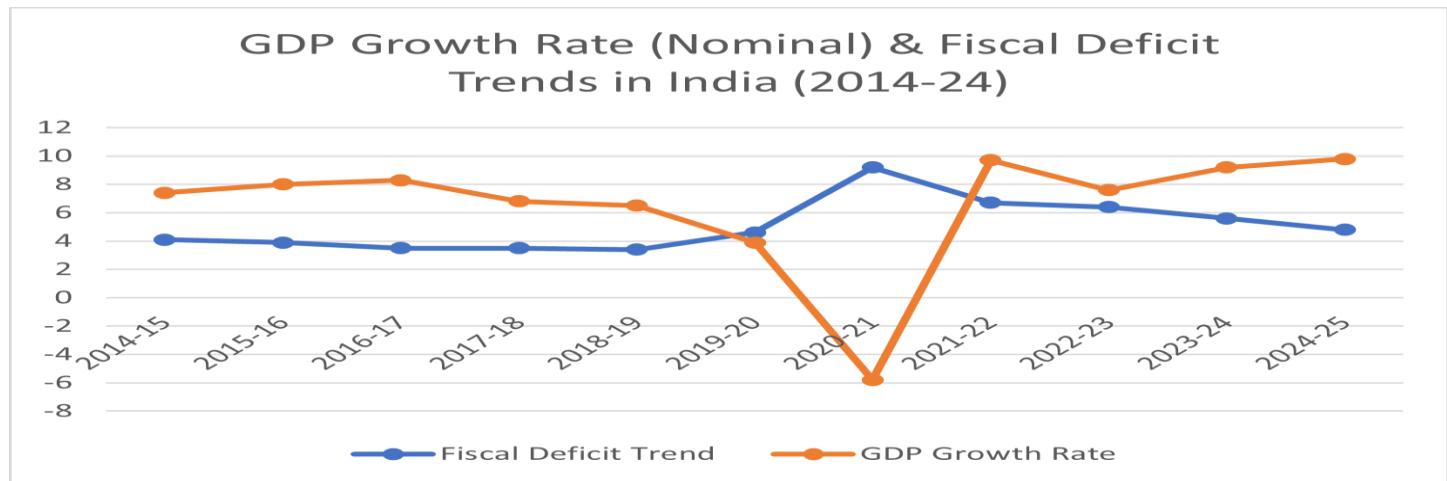
Figure-3, Source: Press Information Bureau, PLFS Annual Report 2023-24, MoSPI, Govt. of India.



Economic Growth and Fiscal Challenges

India's GDP growth initially witnessed a robust phase between 2014 and 2017, averaging above 7 per cent. However, the combined effects of demonetization, the teething troubles of Goods and Services Tax (GST) implementation, and the COVID-19 pandemic disrupted this trajectory. The fiscal deficit, which had been contained within the FRBM target of around 3.5 per cent of GDP in the pre-pandemic period, widened sharply as the government adopted expansionary spending to stimulate demand. Although recent data (2024-25) reflect fiscal deficit nearing the 4 per cent of the GDP, the growth rate of the GDP is still fluctuating. Thus, sustaining growth while ensuring fiscal prudence remains a delicate balancing act for policymakers.

Figure-4, Source: Compiled by the author using data from the Economic Survey 2024-25.



Agrarian Distress and Farmer Protests

Agriculture continues to employ nearly half of India's workforce but contributes only around 17–18% to the GDP.(Juneja & Gulati, 2025) Chronic issues such as low productivity, price volatility, and indebtedness have perpetuated agrarian distress. The 2020–21 farmer protests against the three farm laws highlighted deep-seated anxieties over market access, MSP assurance, and corporate dominance. While the government promoted reforms as a path toward modernization, the absence of stakeholder consultation and institutional safeguards exposed the policy's design flaws. Rural distress remains a pressing challenge, requiring sustained investment in irrigation, infrastructure, and value-chain integration. Most of the states in India failed to achieve the goal to double farmers' incomes by the 2022-23 period, a target set by the Narendra Modi government in 2016-17.(Choubey,2025)

In essence, Modi-nomics represents an ambitious blend of reformist zeal and populist experimentation. While the government succeeded in enhancing India's global economic profile and initiating structural transformations like GST and digitalization, the uneven outcomes in employment, agriculture, inequality, and fiscal management reveal the limitations of its economic strategy. For India to realize the vision of sustainable and inclusive growth, future policy efforts must focus on equity, institutional strengthening, and long-term capacity building rather than episodic policy shocks.

CONCLUSION

Assessing the success of the Modi government's economic policies is a complex task and can be subject to differing opinions. It is also important to note that economic outcomes can be influenced by a wide range of factors, including global economic trends, geopolitical events, and other external forces. The assessment of the Modi government's economic success can vary based on different perspectives and criteria. Yet, Modi-nomics has brought about significant changes to India's economic landscape. The emphasis on policy reforms, infrastructure development, digitalization, and skill enhancement reflect a comprehensive approach to driving economic growth and transformation. While challenges remain, the concerted efforts towards achieving a self-reliant, digitally-driven, and industrially strong India represent a notable chapter in the country's economic journey under the Modi regime. India's growth story in digitalisation and fintech domain is exemplary and has attracted global recognition. UPI's success has garnered international attention, leading to interest and discussions about its adoption in other countries. As more nations express interest in adopting similar digital payment systems, India's UPI serves as a model for promoting financial inclusivity and driving economic growth through technology. This global recognition enhances India's global strategic presence and soft power by showcasing its innovation and technological advancements in the financial sector. It also strengthens India's reputation as a leader in the digital payment space, potentially fostering collaborations and partnerships with other countries for knowledge exchange and technology sharing. Therefore, Modi-nomics represents a multi-faceted approach to economic transformation, encompassing reforms, innovation, and development across various sectors which serve in fostering India's diplomacy across the world. However, its impact, both positive and negative, will continue to shape India's economic trajectory and diplomatic posture in the years ahead.

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