Prime Minister Modi’s government is two years through its second five-year term and has rediscovered its interest in economic reforms. However, despite the recent successes, the pace is well behind the two-year mark of the government’s first term. To date, the government has only completed four of the thirty reforms we are tracking. By comparison, two years into its first term the government had completed twice as many key reforms—eight of the thirty we were tracking between 2014–2019. With time between key state elections, a desire for post-pandemic growth, and a weak opposition, businesses hope the Modi government will have a strong second half.

Despite three decades of economic reforms, the process continues. The government still has a range of regulations that limit business growth and job creation, in addition to limiting foreign investment. Some areas of reform like relaxing onerous labor regulations are shared by the central government and states. Others, like corporate taxes, foreign direct investment (FDI) caps, and bankruptcy, are completely handled by the central government.

Evidence of the Modi government’s reform success is apparent when looking at the dramatic improvements in the World Bank’s ease of doing business ranking. India was ranked 130th in 2016 but is now in 63rd place. Despite some policy concerns, foreign investors are also placing larger bets on India. India pulled in $60 billion in FDI between April 2020 and March 2021. Breaking the nation’s record for FDI inflows during a pandemic is certainly a key achievement. Global financial institutions are making large bets on India’s performance, too. India has attracted $36 billion in net foreign portfolio investment over the last 12 months, the most since Prime Minister Modi’s first year in office. Again, a notable feat considering it happened during the pandemic.

In the first two years of this term, the Modi government completed four reforms we track on our India Reforms Scorecard. These include:

- Reducing the corporate tax rate to 25 percent
- Allowing majority foreign ownership in defense
- Allowing majority foreign ownership in insurance
- Passing the Major Port Authorities Bill, 2020, in parliament

**KEY DATA**

-10%  
U.S.-INDIA GOODS TRADE, 12-MONTH COMPARISON, PER U.S. CENSUS BUREAU

+31%  
FOREIGN DIRECT INVESTMENT, 12-MONTH COMPARISON, PER RBI

$38 Bn  
FII ASSETS NET FLOWS, LAST 12 MONTHS, PER NSDL
Apart from these “completed” reforms, the government did relax restrictions or improve the business environment in a few other areas. Notably, India’s labor regulations were relaxed through passage of the Industrial Relations Code, and the functioning of the national company law tribunals has been expanded and strengthened.

It is important to note that not every “reform” as measured through our scorecard has been an unerring success. For instance, the increase in the FDI cap in insurance, while laudable, was undercut by damaging regulations issued by the Ministry of Finance, imposing unprecedented restrictions on foreign-invested insurers. Another example (which is not part of our India Reforms Scorecard) was India’s recent liberalization of the regulatory regime for geospatial data. While the regulatory changes in February open the sector more fully to private firms, the regulations also limit the activities of foreign firms. While it would be easy to say the slower overall pace of reform is due to the onset of the pandemic, most of the government’s completed reforms came once the first Covid-19 cases were diagnosed in India.

The coming months provide a rare period of relative political calm. India will not have another state election this year and should have two parliament sessions with relative flexibility to determine the agenda. If one pieces together statements from various government officials in recent years, one finds evidence of interest in wide-scale privatization, judicial reforms, electric power reforms, and other key reforms that will make the economy function far more efficiently.

Covid-19 will continue to play the “wild card.” Parliament may not convene or could be cut short. The economy could grind to a halt with another wave. Poor preparation for the last wave could unleash new political frictions that make reforms unviable. And nascent political fires in the Bharatiya Janata Party led states may separately absorb leaders’ time.

India has come a long way in opening its economy since the 1991 reforms. But much more is yet to be done. Some of these changes require parliamentary assent; other pending reforms are directly controlled by the government. All of them will take political willpower and executive leadership. The resultant growth will be transformational for Indians striving for economic opportunity. And this growth is also critical to the rest of the world, which wants to contribute through investment and trade flows.

**RECENT @ CSIS INDIA**

-Kriti Upadhyaya, *Covid-19 Second Wave Highlights India’s Barrier to Foreign Aid* The Diplomat

-Neelima Jain, *States Fourth Quarter Reforms, 2020* The Print

-Vivek Narayan, *Helping India’s Poorest Communities Catch Up* CSIS

**#SOUTHASIAJOBS**

Interested in working on U.S.-India policy issues? Check out these recent job listings:

-Associate Director – Impact, Wadhwani Advantage: 3-5 years’ experience in management or consulting. [Apply Here](#)

-Head of Public Policy, Coursera: 15 years experience and advance degree required, based in India. [Apply Here](#)

**INDIA REFORMS SCORECARD**

Our [Reforms Scorecard](#) covers 30 significant reforms that will trigger business growth and job creation in India. As of June 2021, four reform stands completed, and four reforms remain “partially done”. Our entire reforms scorecard can be found at [indiareforms.csis.org](http://indiareforms.csis.org)