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Economy Of India : An Overview

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ABSTRACT:

Indian economy is characterized as a developing market economy. It is the world's fifth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). According to International Monetary Fund, on a per capita income basis, India was ranked 139th by GDP (nominal) and 118th by GDP (PPP) in the year 2018. From the year 1947 to till the year 1991, successive governments promoted protectionist economic policies with intervention of state and regulation. Acute balance of payments crisis in 1991 led to the adoption of economic liberalization.

KEYWORDS: Economy, policies, largest, demographic, purchasing power parity

I INTRODUCTION:

In the last 10 years, India has registered the fastest growth among all the major democracies of the world. India represents the fourth largest economy in terms of Purchasing Power Parity (PPP). Over the next 50 years, Brazil, Russia, India and China - the BRIC economies, would be a much larger force and occupy a strong position in the world economy and our country could emerge as the world's 3rd. largest economy over the next four decades. With respect to our country , population will grow till the year 2050 and beyond the year 2050.

Not that even in the first phase of 50 years there were no gains. Growth was slow due to the adoption of a semi-socialist development model with excessive economic control and inadequacy of physical and social infrastructure. Nonetheless, important gains were achieved by securing food security through Green Revolution, building up capital intensive industries, launching a Dairy revolution, managing the severe foreign exchange shortages and setting up world acclaimed centers of educational excellence like the

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Indian Institutes of Technology (IIT), which today give us a vantage position in the race of global competitiveness. In the decade of the 1990s, having achieved an average 5.5% growth with per capita income rising at close to 4%, the period also marks the progressive deregulation of the Indian economy cutting across all sectors and segments.

II SCENARIO OF INDIAN ECONOMY:

India will have an additional 47 million people in the working age group, while many OECD countries (including France) will face workforce shortages. Further, India will have a favorable demographic bulge between 2010 and 2030. The realization of this opportunity will involve inculcation of skills, strengthening the fabric of the educational system and major reforms in the area of human resource development.

The consequential demographic profile with 325 million people will represent nearly 25% of the population by 2020 being in the age group of 20 - 35 gives the benefit not merely of a young working age group but also a larger growing market. Previous international exposure reveals that this will not only yield a higher savings rate but also result in increased consumer spending. National savings rate in East Asia reflected a significant increase to 30% driven by their increase in working age population and India's savings rate is supposed to move in the same direction, from the current level of around 23%.

On an average, 30-40 million people are in the middle class every year representing consumption spending in terms of the demand for Cell Phones, Televisions, Scooters, Motor Cars, credit goods and the basket of a consumption pattern associated with rising of income. This growth in consumption would be further influenced by the easy availability of affordable consumer financing from the Indian banking system. The disbursements in the Indian retail financial services market more than doubled over the last three years. Rural population also showing more preference for articles like Televisions, Electric equipment’s and generally the white and brown goods. Statistics reveal that the share of consumption expenditure of rural India on food items has decreased from 73% to 59% over the last 30 years, while consumption spend on non-food items has gone up from 27% to 41% in the same period.

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With the increased mobile connection extending to rural India at a rapid rate and the other infrastructure programme to build rural roads, rural India will be main-streamed with the rest of the economy. Demographic dividend and the consumption dividend will together synergize to become two critical drivers of change and sustained growth of our economy.

Our country is also competitive for services being offered to customers when they come to India either for health treatment, value added tourism or leisure tourism. On a minimum estimate, the impact of India becoming the service center of the world, it would contribute 200 billion dollars to GDP and 40 million in terms of employment (direct and indirect) by 2020.

India's knowledge capital has given advantage to the manufacturing sector and India has emerged as the global manufacturing destination of leading multinational firms, in the areas of auto components, pharmaceuticals, agricultural products, etc. Leveraging this strength coupled with a global mindset, both service and manufacturing sector companies, have catapulted themselves into the global arena.

Infrastructure is being qualitatively improved. The total deregulation of the Telecom sector with increased competition between private players, a credible regulatory framework and an ambitious programme of both public and private investment is rapidly designed to increase tele-density making telephony . Total telecom subscriber in India as of December 2019 , around 780 million.

An ambitious Roads programme of Golden Quadrilateral of 5700 kms connecting the four major metropolitan cities in India substantially completed with a credible North-South East-West spine of 7600 kms cutting across the length and breadth of India , has implemented. A significant modernization and upgradation programme of the existing National Highways of 48000 kms and a major rural roads programme, road connectivity has improved. A model concessionaire agreement seeking private investment through BOT, BOO and various forms of financial engineering to attract private investment in operations and maintenance provides a fillip to growth and employment apart from the multiplier benefits of a more integrated large common market.

The increased privatization of Port activity bringing about a significant improvement in turn around time from 10 days to 5 days. Newer Ports being built on corporate principles

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and further reforms awaiting the passage of an important legislation to convert Port Trusts into corporate entities will sustain the rising export growth.

A major Railway upgradation programme through reform of India's Railway network, is another significant aspect., leading to improving safety standards, introduction of high speed rail connectivity , progressive reduction of the distortionary Tariff regime by making freight movement more affordable and greater rationalization of the profile of the new Railway projects.

Banking and Financial reforms with the Banks having substantially complied with the BASEL-II norms and significantly reduced the non-performing assets, which according to some estimates are around 8% of GDP. In order to ensure effectiveness and expedite the reform and liberalization processes, independent regulators have also been set.

Emphasis on agricultural reforms by permitting free movement of all goods and services giving the advantage of large common market, easing of local federal restrictions, the proposed adoption of modern food processing laws and a programme for crop diversification as per the changing consumer preference for higher consumption of products, fruits and vegetables will enhance agricultural productivity and secure larger investments.

Emphasis on promotion of Tourism is also another significant area. The new Civil Aviation and the Road connectivity improvements in conjunction with tourism related infrastructure has enabled India to become a significant tourist destination.

Foreign companies have set up their facilities in India on account of various government initiatives like Make in India and Digital India. Mr. Narendra Modi, Prime Minister of India, has launched the Make in India initiative with an objective to boost the manufacturing sector of Indian economy, to increase the purchasing power of people, which would further increase demand. The Government of India, under the Make in India program, has tried to boost the manufacturing sector and aims to take it up to significant per cent of the GDP. Also the Government of India has also come up with Digital India initiative, focusing on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

III CONCLUSION:

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India's gross domestic product (GDP) is expected to reach US$ 5 trillion by the year 2025 and may achieve upper-middle income status due to digitization, globalization, favorable demographics, and reforms. India is also emphasing on renewable sources to generate energy. India is planning to achieve 40 per cent of its energy from non-fossil sources by the year 2030, presently 30 per cent and planning to increase its renewable energy capacity to 175 GW by the year 2022. India may be the third largest consumer economy because consumption may triple to US$ 4 trillion by the year 2025 on account of shifting consumer behavior and expenditure pattern, as per the report of Boston Consulting Group (BCG) and supposed to surpass USA to achieve the second largest economy in terms of purchasing power parity (PPP) by the year 2040 .

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