

A Study -Growth Of Indian Economy In Recent Scenario

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Abstract:

India's nominal GDP growth rate is estimated at 12 per cent in 2019-20. The estimate for 2018-19 was 11.5 per cent. During Q1 of 2019-20, GDP (at constant 2011-12 prices) grew by 5 per cent.

India has retained its position as the third largest startup base in the world with over 4,750 technology startups, with about 1,400 new start-ups being founded in 2016, according to a report by NASSCOM.

India's labour force is expected to touch 160-170 million by 2020, based on rate of population growth, increased labour force participation, and higher education enrolment, among other factors, according to a study by ASSOCHAM and Thought Arbitrage Research Institute.

India's foreign exchange reserves were US\$ 393.29 billion in the week up to December 21, 2018, according to data from the RBI.

Key Words: PMI, IPO, FDI, CPI.

Introduction:

With the improvement in the economic scenario, there have been various investments in various sectors of the economy. The M&A activity in India increased 53.3 per cent to US\$ 77.6 billion in 2017 while private equity (PE) deals reached US\$ 24.4 billion. Some of the important recent developments in Indian economy are as follows:

- Exports from India increased 4.32 per cent year-on-year to US\$ 92.33 billion in April-May 2019.
- Nikkei India Manufacturing Purchasing Managers' Index (PMI) stood at 51.40 in July 2019, showing expansion in the sector.
- Mergers and Acquisitions (M&A) activity in the country has reached US\$ 41.6 billion in first half of 2019 (Jan-June).
- Income tax collection in the country reached Rs 2.50 lakh crore (US\$ 35.88 billion) between April-November 2018.

- In the first six months of 2019, eight companies held IPOs, raising as much as Rs 5,509 crore (US\$ 0.79 billion).
- India's Foreign Direct Investment (FDI) equity inflows reached US\$ 436.47 billion between April 2000 and June 2019, with maximum contribution from services, computer software and hardware, telecommunications, construction, trading and automobiles.
- India's Index of Industrial Production (IIP) rose 2 per cent year-on-year June 2019
- Consumer Price Index (CPI) inflation rose moderated to 3.15 per cent in July 2019 from 3.18 per cent in June 2019.
- Around 10.8 million jobs were created in India in 2017.
- India has improved its ranking in the World Bank's Doing Business Report by 23 spots over its 2017 ranking and is ranked 77 among 190 countries in 2019 edition of the report.
- India is expected to have 100,000 startups by 2025, which will create employment for 3.25 million people and US\$ 500 billion in value, as per Mr. T V Mohan Das Pai, Chairman, Manipal Global Education.
- The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.
- India is expected to retain its position as the world's leading recipient of remittances in 2018, with total remittances touching US\$ 80 billion, according to World Bank's Migration and Development Brief.

The Union Budget for 2018-19 was announced by Mr. Arun Jaitley, Union Minister for Finance, Government of India, in Parliament on February 1, 2018. This year's budget will focus on uplifting the rural economy and strengthening of the agriculture sector, healthcare for the economically less privileged, infrastructure creation and improvement in the quality of education of the country. As per the budget, the government is committed towards doubling the farmers' income by 2022. A total of Rs 14.34 lakh crore (US\$ 196.94 billion) will be spent for creation of livelihood and infrastructure in rural areas. Budgetary allocation for infrastructure is set at Rs 5.97 lakh crore (US\$ 81.99 billion) for 2018-19. All-time high allocations have been made to the rail and road sectors.

In June 2019, India's unemployment rate is 7.91 per cent.

Numerous foreign companies are setting 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 aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP from the current 17 per cent. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

Some of the recent initiatives and developments undertaken by the government are listed below:

- In India, Atal Innovation Mission (AIM), flagship initiative of NITI Aayog, launched the Atal Community Innovation Centre (ACIC) program in NITI Aayog which aims at spurring community Innovation in underserved and unserved areas of the country.
- National Institute for Transforming India (NITI) Aayog released a strategic document titled 'Strategy for New India @75' to help India become a US\$ 4 trillion economy by FY23.
- The Government of India is going to increase public health spending to 2.5 per cent of GDP by 2025.
- For implementation of Agriculture Export Policy, government has approved an outlay Rs. 206.8 crore (US\$ 29.59 million) for 2019, aimed at doubling farmers income by 2022.
- Government is planning to launch Bharatcraft portal, an e-commerce marketing platform to market and sell the products.
- Under the Pradhan Mantri Awas Yojana (Urban), government has been sanctioned Rs. 4.83 lakh crore (US\$ 69.10 billion) for the construction of 81 lakh houses of which construction about 47 lakh houses has started.
- Village electrification in India was completed in April 2018.
- Around 26.02 million households have been electrified as on 31st March 2019 under the Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA).
- Prime Minister's Employment Generation Programme (PMEGP) will be continued with an outlay of Rs 5,500 crore (US\$ 755.36 million) for three years from 2017-18 to 2019-20, according to the Cabinet Committee on Economic Affairs (CCEA).
- The target of an Open Defecation Free (ODF) India will be achieved by October 2, 2019 as adequate funding is available to the Swachh Bharat Mission (Gramin), according to Ms. Uma Bharti, Minister of Drinking Water and Sanitation, Government of India.
- The Government of India has decided to invest Rs 2.11 trillion (US\$ 32.9 billion) to recapitalize public sector banks over the next two years and Rs 7 trillion (US\$ 109.31 billion) for construction of new roads and highways over the next five years.
- As per the Union Budget 2019-20, public sector banks (PSBs) will be provided with a capital infusion of Rs. 70,000 crores (US\$ 10.02 billion), allowing NBFCs to raise foreign debt.
- The mid-term review of India's Foreign Trade Policy (FTP) 2015-20 has been released by Ministry of Commerce & Industry, Government of India, under which annual incentives for labour intensive MSME sectors have been increased by 2 per cent.
- Under the scheme Pradhan Mantri Gram Sadak Yojana (PMGSY-III), government plans to spend Rs 50,250 crores (US\$ 7.19 billion) to build roads to boost rural connectivity.

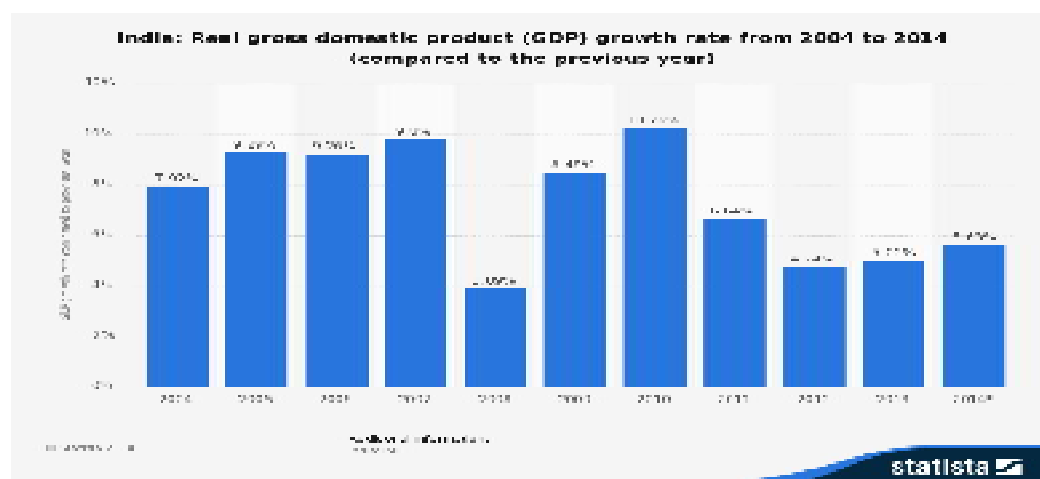
India's gross domestic product (GDP) is expected to reach US\$ 6 trillion by FY27 and achieve upper-middle income status on the back of digitization, globalization, favorable demographics, and reforms.

India's revenue receipts are estimated to touch Rs 28-30 trillion (US\$ 385-412 billion) by 2019, owing to Government of India's measures to strengthen infrastructure and reforms like demonetization and Goods and Services Tax (GST).

India is also focusing on renewable sources to generate energy. It is planning to achieve 40 per cent of its energy from non-fossil sources by 2030 which is currently 30 per cent and also have plans to increase its renewable energy capacity from to 175 GW by 2022.

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.

- India has sustained **rapid growth of GDP** for most of the last two decades leading to **rising per capita incomes** and a reduction in absolute poverty. Per capita incomes (measured in US \$) have doubled in 12 years
- But India has one third of all the people in the world living below the official global poverty line. It has more poor people than the whole of sub-Saharan Africa
- Per capita income is \$1,270, placing India just inside the Middle Income Country category
- India's per capita income is 1/20th that of the UK
- Life expectancy at birth is 65 years and 44% of children under 5 are malnourished. The literacy rate for the population aged 15 years and above is only 63% compared to a 71% figure for lower middle income countries.
- Despite a strong attempt to become an open economy, exports of goods and services from India account for only 15% of GDP although this will rise further in the years ahead
- India runs persistent trade and fiscal deficits and has suffered from high inflation in recent years
- India's growth rate has slowed and high inflation is a constraint on competitiveness and growth.
- Investments by Indian businessmen abroad have overtaken foreign direct investment for the first time – reflecting a lack of confidence among Indian entrepreneurs about their home economy.



Development path

India has followed a different **path of development** from many other countries. India went more quickly from agriculture to services that tend to be less tightly regulated than heavy industry. That said there are some emerging manufacturing giants in the Indian economy.

Supply-side factors supporting Indian growth and development

1. **A fast-growing population of working age.** There are 700 million Indians under the age of 35 and the demographics look good for Indian growth in the next twenty years at least. India is experiencing demographic transition that has increased the share of the working-age population from 58 percent to 64 percent over the last two decades.
2. **India has a strong legal system and many English-language speakers** – this has been a key to attracting inward investment from companies such as those specialising in IT out-sourcing.
3. **Wage costs are low in India** and India has made strides in recent years in **closing some of the productivity gap** between her and other countries at later stages of development.
4. **India's economy** has successfully developed highly advanced and attractive clusters of businesses in the technology space – witness the rapid emergence of Bangalore as a hub for global software businesses. **External economies of scale** have deepened their competitive advantages in many related industries.

Growth and Development Limiters for India

Despite optimism for India's prospects for economic growth and development, there are a number of obstacles which may yet see growth and development falter.

- Poor infrastructure - notably in transport and power networks
- Low productivity and weak human capital. A high % of workers are low-skilled and work in small businesses
- High inflation and a persistent trade deficit
- Low national savings as a share of GDP, low share of capital investment
- Relatively closed economy - India is a net importer of primary products

Indian Development – An Infrastructure Gap

India is a good case study to use when discussing the problems that persist when a country cannot rely on adequate **critical infrastructure** such as roads, railways, power and basic sanitation. India wants to build \$1 trillion worth of infrastructure in the next five years but the government expects the private sector to fund half of it – this is unlikely! Poor infrastructure hurts the Indian economy in numerous ways:

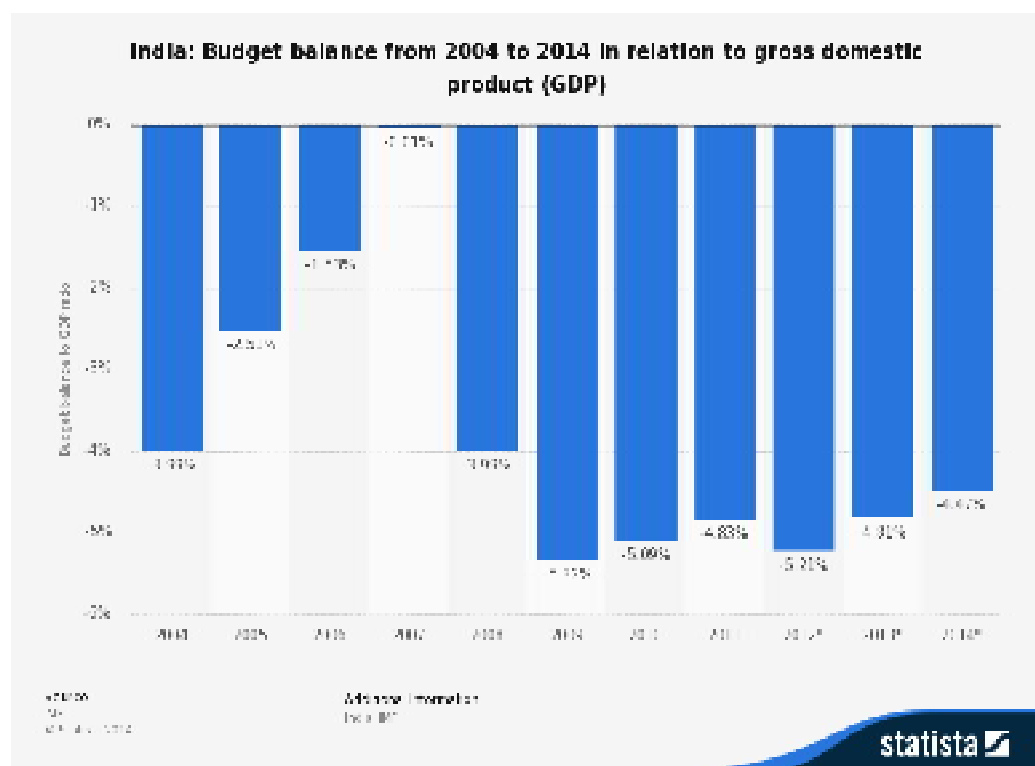
1. Causes **higher energy costs and irregular energy supplies** for nearly every business and especially India emerging manufacturing sectors – there were huge power black outs in 2012

2. It is more **expensive to transport products** across the country and it creates delays at ports hamper export businesses and delays at airports which increases the cost of international freight.
3. It makes India less attractive to **inward FDI**
4. It adds to the **cost of living** and limits the extent to which millions of India's lowest income families can escape extreme poverty
5. A creaking infrastructure damages the reputation and potential of India's **tourism industry**

Despite these growth constraints, India's expansion far exceeds that of the vast majority of developed nations – to put this into some context, India is delivering 30 years of US economic advance every ten years!

Relative importance of services in India

- One of the key differences for India contrasted with countries such as China, Japan and South Korea is that the Indian economy is heavily reliant on service industries especially in her export sector
- The country has a **comparative advantage** in many service industries such as business software.
- One consequence of this structural difference in the economy is that India has not yet seen the rapid urbanization experienced in other nations; more than 60 per cent Indians still live in rural areas.
- **Productivity growth** in Indian agriculture has been fairly low and this has limited the potential to release people from the land to move into towns and cities and find work in manufacturing sectors.



Conclusion Data:

The following table shows the main economic indicators in 1980–2018.

Year	GDP (in bil. US\$ PPP)	GDP per capita (in US\$ PPP)	Share of world (GDP PPP in %)	GDP growth (real)	Inflation rate (in Percent)	Government debt (in % of GDP)
1980	382.0	557	2.89 %	5.3 %	11.3 %	n/a
1981	442.7	632	3.01 %	6.0 %	12.7 %	n/a
1982	486.5	680	3.11 %	3.5 %	7.7 %	n/a
1983	542.6	742	3.25 %	7.3 %	12.6 %	n/a
1984	583.3	781	3.23 %	3.8 %	6.5 %	n/a
1985	633.6	830	3.29 %	5.3 %	6.3 %	n/a
1986	677.3	869	3.33 %	4.8 %	8.9 %	n/a
1987	722.1	907	3.33 %	4.0 %	9.1 %	n/a
1988	819.3	1,007	3.49 %	9.6 %	7.2 %	n/a
1989	901.8	1,086	3.57 %	5.9 %	4.6 %	n/a
1990	986.9	1,164	3.62 %	5.5 %	11.2 %	n/a
1991	1,030.6	1,193	3.57 %	1.1 %	13.5 %	75.3 %
1992	1,111.8	1,261	3.38 %	5.5 %	9.9 %	77.4 %
1993	1,192.4	1,323	3.48 %	4.8 %	7.3 %	77.0 %
1994	1,298.8	1,413	3.60 %	6.7 %	10.3 %	73.5 %
1995	1,426.3	1,522	3.74 %	7.6 %	10.0 %	69.7 %
1996	1,562.1	1,636	3.87 %	7.6 %	9.4 %	66.0 %
1997	1,653.1	1,698	3.87 %	4.1 %	6.8 %	67.8 %
1998	1,774.4	1,789	4.00 %	6.2 %	13.1 %	68.1 %

Year	GDP (in bil. US\$ PPP)	GDP per capita (in US\$ PPP)	Share of world (GDP PPP in %)	GDP growth (real)	Inflation rate (in Percent)	Government debt (in % of GDP)
1999	1,954.0	1,935	4.19 %	8.5 %	5.7 %	70.0 %
2000	2,077.9	2,018	4.16 %	4.0 %	5.6 %	73.6 %
2001	2,230.4	2,130	4.26 %	4.9 %	4.3 %	78.7 %
2002	2,353.1	2,210	4.30 %	3.9 %	4.0 %	82.9 %
2003	2,590.7	2,395	4.46 %	7.9 %	3.9 %	84.2 %
2004	2,870.8	2,612	4.58 %	7.8 %	3.8 %	83.3 %
2005	3,238.3	2,901	4.77 %	9.3 %	4.4 %	80.9 %
2006	3,647.0	3,218	4.95 %	9.3 %	6.7 %	77.1 %
2007	4,111.1	3,574	5.16 %	9.8 %	6.2 %	74.0 %
2008	4,354.8	3,731	5.21 %	3.9 %	9.1 %	74.5 %
2009	4,759.9	4,020	5.68 %	8.5 %	11.0 %	72.5 %
2010	5,312.4	4,425	5.95 %	10.3 %	9.5 %	67.5 %
2011	5,782.0	4,750	6.09 %	6.6 %	9.5 %	69.6 %
2012	6,214.5	5,037	6.23 %	5.5 %	10.0 %	69.1 %
2013	6,727.3	5,383	6.41 %	6.4 %	9.4 %	68.5 %
2014	7,362.5	5,814	6.65 %	7.4 %	5.8 %	67.8 %
2015	8,036.3	6,264	6.94 %	8.0 %	4.9 %	69.9 %
2016	8,787.9	6,761	7.27 %	8.2 %	4.5 %	69.0 %
2017	9,596.8	7,287	7.52 %	7.2 %	3.6 %	69.8 %
2018	10,505.2	7,874	7.77 %	7.1 %	3.5 %	69.8 %

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