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EMERGING TRENDS OF INDIAN ECONOMY SINCE INDEPENDENCE

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ABSTRACT

Indian economy is the seventh-largest economy in the world by nominal GDP and the third-largest by purchasing power parity (PPP) .The country is classified as a newly industrialized country, one of the G-20 major economies, a member of BRICS and a developing economy with an average growth rate of approximately 7% to 8% over the last decade. The short and long-term growth prospective of the Indian economy is favourable due to its youngest population. Today, India is the single country in the world which has nearly 70% youth population. India has the one of fastest growing service sectors in the world with annual growth rate of above 9% since 2001, The Industry sector has held a constant share of its economic contribution. India has the one of fastest growing service sectors in the world.

***KEYWORDS**: BRICS, GDP, Purchasing Power Parity (PPP), Economic Contribution.*

Introduction

Physically, India may be classified its economy and GDP as three sectors agriculture, industry and services. Agriculture includes crops, horticulture, milk and animal husbandry, aquaculture, fishing, sericulture, aviculture, forestry and other related activities. Industry includes various manufacturing sectors and sub-sectors. India's definition of services sector includes its software, IT, communications, education, health care construction, retail, hospitality, infrastructure operations, banking and insurance, and many other economic activities related with service sector. India's GDP is estimated to have increased 6.6 per cent in 2017-18 and is expected to grow 7.3 per cent in 2018-19. In April-July quarter of 2018-19, the GDP grew by 8.2 per cent. Actually the Indian economy is the seventh-largest economy in the world by nominal GDP and the third-largest by purchasing power parity (PPP) .The country is classified as a newly industrialized country, one of the G-20 major economies, a member of BRICS and a developing economy with an average growth rate of approximately 7% to 8% over the last decade.. India's economy became the world's fastest growing economy from the beginning of 2015, replacing the People's Republic of China. Today Indian economy is facing tough competition with china which has largest population and work force of the world.

The short and long-term growth prospective of the Indian economy is favourable due to its youngest population. Today India is the single country in the world which has nearly 70% youth population. India has more than fifty percent of its population below the age of 25 and more than 65% below the age 35. It is expected that, in 2020, the average age of an Indian will be 29 years compared to 37for china and 48 for Japan and by 2030, India's dependency ratio may be just over 0.4%. Corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy, Indian economy has the potential to become the world's 3rd-largest economy by the next decade, and one of the biggest economies by 2050 , and the short-term growth is also good as according to the IMF, the Indian economy is the shining star in the globe . India also topped the World Bank's growth outlook for 2015-16 for the first time with the economy having grown 7.6% in 2015-16 and expected to grow 7.7-8.0% in 2016-17.

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India has the one of fastest growing service sectors in the world with annual growth rate of above 9% since 2001, which contributed to 57% of GDP in 2012-13. India has become a major exporter of IT services, BPO services, and software services with $167.0 billion worth of service exports in 2013-14. It is also the fastest-growing part of the our economy. The IT industry continues to be the largest private sector employer in India. India is also the fourth largest start-up hub in the world. The Services sector, with a share of 55.2% in India's Gross Value Added (GVA), continued to be the key driver of India's economic growth contributing almost 72.5% of GVA growth in 2017-18, as stated in the Economic Survey 2017-18. While the growth of Service Sector as a whole is expected to be at 8.3% in 2017-18, the growth in Services exports was 16.2% in H1 of 2017-18"(2nd) Present Government has taken many initiatives in the different Services which include digitization, e-visas, infrastructure status to Logistics, Start-up India, Schemes for the housing sector, etc.

The agriculture sector is the largest employment generating sector in Indian economy, but unfortunately contributes to a declining share of its GDP (17% in 2013-14). India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 17% of the GDP and employed 49% of the total workforce in 2014. As the Indian economy has diversified and grown, agriculture's contribution to GDP has steam India exports several agriculture products, such as Basmati rice, wheat, cereals, spices, fresh fruits, dry fruits, buffalo beef meat, cotton, tea, coffee and other cash crops particularly to the Middle East, Southeast and East Asian countries. India is the largest producer in the world of milk, jute and pulses, and also has the world's second largest cattle population. India is also the second largest producer and the largest consumer of silk in the world cent of its export earnings from this trade. The economic survey 2017-18 which was released in Parliament ahead of the Union Budget 2018, which was presented by Finance Minister on February 1, had key implications for agriculture sector, a space which employs more than 50 per cent of the total workforce in India and contributes around 17-18 percent to the country's GDP.

The Industry sector has held a constant share of its economic contribution (26% of GDP in 2013-14). The Indian auto mobile industry is one of the largest in the world. India has nearly $600 billion worth of retail market and one of world's fastest growing E-Commerce markets. India is also the member of the Commonwealth of Nations, the South Asian Association for Regional Cooperation, the G20, the G8+5, the International Monetary Fund, the World Bank, the World Trade Organization, the Asian Infrastructure Investment Bank, the United Nations and the New Development BRICS Bank.

Pre-Liberalisation Period (1947–1992)

Indian economic policy after independence was influenced by the British colonial experience, which was based on exploitation of Indian sources for their own interest. Indian leaders and economists were not in favour of Britishers economic policy. After Independence our Domestic policy tended towards protection, with a strong emphasis on import substitution industrialization, economic intervention, a large government-run public sector, business regulation, and central planning while trade and foreign investment policies were relatively liberalized. Steel, mining, machine tools, telecommunications, insurance, and power plants, among other industries, were effectively nationalized in the mid-1950s.

After independence our democratic government expected favourable outcomes from their economic strategy, involving the rapid development of heavy industry by both public and private sectors, based on direct and indirect state intervention. It was named as system of mixed economy. The policy of concentrating simultaneously on capital- and technology destroyed the development of small manufacturers. The rate of growth of the Indian economy in the first three decades after independence was adversely referred to as the Hindu rate of growth by economists, because of the unfavourable comparison with growth rates in other countries of the world. Since 1965, the use of high-yielding varieties of seeds, increased fertilisers and improved irrigation facilities collectively contributed to the Green Revolution in India, which improved the condition of agriculture by increasing crop productivity, improving crop patterns and strengthening forward and backward linkages between agriculture and industry. In the year 1977, the government eased restrictions on capacity expansion for incumbent companies, removed price controls, reduced corporate taxes and promoted the creation of small-scale industries in large numbers.

Post-Liberalisation Period (Since 1991)

Prime Minister Narasimha Rao, along with his finance minister Manmohan Singh, initiated the economic liberalization of 1991. The reforms were taken place with demolition of the Licence Raj, reduced tariffs and interest rates and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors. Since then, the overall thrust of liberalization has remained the same, although no government has tried to take on powerful lobbies such as trade unions and farmers, on contentious issues such as reforming labour laws and reducing agricultural subsidies. By the turn of the 21st century, India had moved towards a free-market economy, with a substantial reduction in state control of the economy and increased financial liberalisation. This has been accompanied by increases in life expectancy, literacy rates and food security, although urban residents have benefited more than rural residents. The economic growth was expected to be 7.7-8.0% in 2016-17. India has retained its position as the third largest start up base in the world with over 4,750 technology start ups, with about 1,400 new start-ups being founded in 2016, according to a report by NASSCOM. India is ranked 130th out of 189 countries in the World Bank's 2015 ease of doing business index.

The engineering industry of India is the largest sub-sector of its industry GDP and is one of three largest foreign exchange earning sectors for the country. It includes transport equipment, machine tools, capital goods, transformers, switchgears, furnaces, cast and forged simple to precision parts for turbines, automobiles and railways. India is one of the world's largest diamonds and gem polishing and jewellery manufacturing center; it is also one of the two largest consumers of gold. After crude oil and petroleum products, the export and import of gold, precious metals, precious stones, gems and jewellery accounts for the largest portion of India's global trade. Textile industry contributes about 4 per cent to the country's GDP, 14 per cent of the industrial production, and 17 per cent to export earnings. India's textile industry has transformed from a declining sector to a rapidly developing one in recent years. India's tourism sector is being performing well with (F.T.A.s) Foreign Tourist Arrival growing by 9.7% and foreign exchange earning (F.E.E.s)at 8.8% in 2016 while FTA during 2017 were 10.2millian with a growth rate of 15.6%. Various initiatives have been taken by the Government to promote tourism include the introduction of the e-Visa facility under three categories of Tourist, Medical and Business for the citizens of 163 countries; launch of Global Media Campaign for 2017-18 on various Channels; FTAs on e-Tourist Visa grew by 143% to 10.8 lakh in 2016, and further grew by 57.2% to 17.0 lakh during 2017.

The Indian Real Estate sector has begun to show signs of improvement with the total FDI of US$ 257mn in H1 2017, which is more than double the total FDI in 2016 full year. Some of the recent reforms and policies taken by the Government of India related to Real Estate Sector include the Pradhan Mantri Awas Yojana (PMAY) with the government sanctioning over 3.1 million houses for the affordable housing segment in urban regions till November 2017. Of this, about 1.6 million houses have been grounded and are at various stages of construction, and about 0.4 million houses have been built under the mission. PPP policy for affordable housing was also announced on 21st September 2017 for affordable housing segment to provide further impetus to the ambitious 'Housing for all by 2022' mission. Credit Linked Subsidy Scheme (CLSS) under PMAY was extended to the Middle Income Group (MIG) segment, which got included in the scheme from 1st January 2017. With the enactment of Real Estate (Regulation & Development) Act, 2016.

The professional Scientific & Technical activities which include R&D services grew by 17.5% and 41.1% in 2014-15 and 2015-16 respectively. India-based R&D services companies, which account for almost 22% of the global market, grew at 12.7%. However, India's gross expenditure on R&D has been at around 1% of GDP. India ranks 60th out of 127 on the Global Innovation Index (GII) 2017, improving from sixty sixth rank in 2016. In the case of Satellite Launching, as on March 2017, PSLV successfully launched 254 satellites. Foreign exchange earnings of India from export of satellite launch services increased noticeably in 2015-16 and 2016-17 to Rs 394 crore and Rs 275 crore from Rs. 149 crore in 2014-15. Inflation in the country continued to moderate during 2017-18. Consumer Price Index (CPI) based headline inflation averaged 3.3% during the period which is the lowest in the last six financial years. This has been stated in the Economic Survey 2017-18 placed in Parliament. FDI equity inflows to the services sector grew by 15.0% during 2017-18 (April-October). It has been possible because the Government has undertaken a number of reforms to ensure that India remains an increasingly attractive investment destination, which includes announcement of National Intellectual Property Rights (IPR) policy, implementation of GST, reforms for ease of doing business. This was brought about in the Economic Survey 2017-18 tabled in the Parliament. With the improvement in the economic scenario, there have been various investments in various sectors of the economy. Some of the important recent developments in Indian economy are as follows:

- Exports from India increased 20.7 % year-on-year to US$ 221.83 billion in April-August 2018.
- Income tax collection in the country reached Rs 10.03 lakh crore in 2017-18.

- Companies in India have raised around Rs 21,000 crore through Initial Public Offers (IPO) in 2018.
- India's Index of Industrial Production (IIP) rose 5.4 per cent year-on-year in April-July 2018.
- Retail inflation in the country was at a 10 month low of 3.69 per cent in August 2018, while wholesale inflation was at 4.53 per cent.
- As per declaration by government 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 30 spots over its 2017 ranking and is ranked 100 among 190 countries in 2018 edition of the report.
- India's ranking in the world has improved to 126 in terms of its per capita GDP, based on purchasing power parity (PPP) as it increased to US$ 7,170 in 2017, as per data from the International Monetary Fund (IMF).
- Indian government has expected to have 100,000 startups by 2025, which will create employment for 3.25 million people.
- 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.

Government Initiatives

As per The Union Budget for 2018-19, the government is committed towards doubling the farmers' income by 2022. A total of Rs 14.34 lakh crore will be spent for creation of livelihood and infrastructure in rural areas. Budgetary allocation for infrastructure is set at Rs 5.97 lakh crore for 2018-19. All-time high allocations have been made to the rail and road sectors. India's unemployment rate is expected to be 3.5% in 2018, according to the International Labour Organization (ILO). Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. Make in India initiative with an aim to boost the manufacturing sector of Indian economy. 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.

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