

## The Economic Development in India

(Based on Gross Domestic Product)

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### Abstract

The economic development in India followed socialist-inspired policies for most of its independent history, including state-ownership of many sectors; India's per capita income increased annually at only around 1% rate in the three decades after its independence.<sup>[1]</sup> Since the mid-1980s, India has slowly opened up its markets through economic liberalization. After more fundamental reforms since 1991 and their renewal in the 2000s, India has progressed towards a free market economy.<sup>1</sup> In the late 2000s; India's growth reached 7.5%, which will double the average income in a decade. Analysts say that if India pushed more fundamental market reforms, it could sustain the rate and even reach the government's 2011 target of 10%. States have large responsibilities over their economies. The average annual growth rates (2007-12) for Uttarakhand (13.66%), Bihar (10.15%) or Jharkhand (9.85%) were higher than for West Bengal (6.24%), Maharashtra (7.84%), Odisha (7.05%), Punjab (6.85%) or Assam (5.88%).<sup>2</sup> India is the seventh-largest economy in the world and the third largest by purchasing power parity adjusted exchange rates (PPP). On per capita basis, it ranks 140th in the world or 129th by PPP. The economic growth has been driven by the expansion of services that have been growing consistently faster than other sectors. It is argued that the pattern of Indian development has been a specific one and that the country may be able to skip the intermediate industrialization-led phase in the transformation of its economic structure. Serious concerns have been raised about the jobless nature of the economic growth.<sup>3</sup> Favorable macroeconomic performance has been a necessary but not sufficient condition for the significant reduction of poverty amongst the Indian population. The rate of poverty decline has not been higher in the post-reform period. The improvements in some other non-economic dimensions of social development have been even less favorable. The most pronounced example is an exceptionally high and persistent level of child malnutrition (46% in 2005–6).<sup>4</sup> The progress of economic reforms in India is followed closely. As per the World Bank, the most important priorities are public sector reform, infrastructure, agricultural and rural development, removal of labour regulations, reforms in lagging states, and HIV/AIDS.<sup>5</sup> According to Index of Economic Freedom World Ranking an annual survey on economic freedom of the nations, India ranks 123rd as compared with China and Russia which ranks 138th and 144th respectively in 2014. At the turn of the century India's GDP was at around US\$480 billion. As economic reforms picked up pace, India's GDP grew five-fold to reach US\$2.2 trillion in 2015 (as per IMF estimates). India's GDP growth during January–March period of 2015 was at 7.5% compared to China's 7%, making it the fastest growing economy.<sup>6,7,8</sup>

**Key Words:** Economic, development, India

## Introduction:

**Agriculture:** Composition of India's total production of food grains and commercial crops, in 2003–04, by weight India ranks first worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 18.6% of the GDP in 2005, employed 60% of the total workforce<sup>9</sup> and despite a steady decline of its share in the GDP, is still the largest economic sector and plays a significant role in the overall socio-economic development of India. Yields per unit area of all crops have grown since 1950, due to the special emphasis placed on agriculture in the five-year plans and steady improvements in irrigation, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since the green revolution.

India is the largest producer in the world of milk, cashew nuts, coconuts, tea, ginger, turmeric and black pepper.<sup>10</sup> It also has the world's largest cattle population (193 million). It is the second largest producer of wheat, rice, sugar, groundnut and inland fish.<sup>11</sup> It is the third largest producer of tobacco. India accounts for 10% of the world fruit production with first rank in the production of banana and sapota, also known as chiku.<sup>12</sup>

The required level of investment for the development of marketing, storage and cold storage infrastructure is estimated to be huge. The government has implemented various schemes to raise investment in marketing infrastructure. Amongst these schemes are Construction of Rural Go downs, Market Research and Information Network, and Development / Strengthening of Agricultural Marketing

Infrastructure, Grading and Standardisation.<sup>13</sup>

Main problems in the agricultural sector, as listed by the World Bank, are:<sup>14</sup>

- India's large agricultural subsidies are hampering productivity-enhancing investment.
- Overregulation of agriculture has increased costs, price risks and uncertainty.
- Government interventions in labor, land, and credit markets.
- Inadequate infrastructure and services.

## Research Methodology

The Indian Agricultural Research Institute (IARI), established in 1905, was responsible for the research leading to the "Indian Green Revolution" of the 1970s. The Indian Council of Agricultural Research (ICAR) is the apex body in kundiure and related allied fields, including research and education.<sup>15</sup> The Union Minister of Agriculture is the President of the ICAR. The Indian Agricultural Statistics Research Institute develops new techniques for the design of agricultural experiments, analyses data in agriculture, and specializes in statistical techniques for animal and plant breeding. Prof. M.S. Swaminathan is known as "Father of the Green Revolution" and heads the MS Swaminathan Research Foundation.<sup>16</sup> He is known for his advocacy of environmentally sustainable agriculture and sustainable food security.

## Review Literature

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### **Industrial Development**

India is tenth in the world in Industrial product. Manufacturing sector in addition to mining, quarrying, electricity and gas together account for 27.6% of the GDP and employ 17% of the total workforce. Economic reforms introduced after 1991 brought foreign competition, led to privatization of certain public sector industries, opened up sectors hitherto reserved for the public sector and led to an expansion in the production of fast-moving consumer goods. In recent years, Indian cities have continued to liberalize, but excessive and burdensome business regulations remain a problem in some cities, like Kochi and Kolkata.<sup>17</sup>

Post-liberalization, the Indian private sector, which was usually run by oligopolies of old family firms and required political connections to prosper was faced with foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, focusing on designing new products and relying on low labor costs and technology.<sup>18</sup>

### **Indian Workers**

India is fifteenth in services output. Service industry employ English-speaking Indian workers on the supply side and on the demand side, has increased demand from foreign consumers interested in India's service exports or those looking to outsource their operations. India's IT industry, despite contributing significantly to its balance of payments, accounts for

only about 1% of the total GDP or 1/50th of the total services.<sup>19</sup>

During the Internet bubble that led up to 2000, heavy investments in undersea fibre-optic cables linked Asia with the rest of the world. The fall that followed the economic boom resulted in the auction of cheap fiber optic cables at one-tenth of their original price. This development resulted in widely available low-cost communications infrastructure. All of these investments and events, not to mention a swell of available talent,

### **Growth Rate of GDP**

This chart shows the Indian real GDP yoyo growth rate (quarterly data) [1]

Since the economic liberalization of 1991, India's GDP has been growing at a higher rate.<sup>22</sup>

resulted in India becoming almost overnight the centre for outsourcing of Business process.<sup>20</sup> within this sector and events, the ITES-BPO sector has become a big employment generator especially amongst young college graduates. The number of professionals employed by IT and ITES sectors is estimated at around 1.3 million as of March 2006. Also, Indian IT-ITES is estimated to have helped create an additional 3 million job opportunities through indirect, induced and in helpful manner have created employment.<sup>21</sup>

Sr. No.	Year	Growth (real) (%)
1.	2000	5.6
2.	2001	6.0
3.	2002	4.3
4.	2003	8.3
5.	2004	6.2
6.	2005	8.4
7.	2006	9.2
8.	2007	9.0
9.	2008	7.4
10.	2009	7.4
11.	2010	7.1
12.	2011	6.8
13.	2012	6.5
14.	2013	5.1
15.	2014	6.9
16.	2015(estimates)	7.3 <sup>23</sup>

**Source : Indian Economic Survey 2016**

## Indian Companies

47 Indian companies were listed in the Forbes Global 2000 ranking for 2015.<sup>24</sup> The 10 leading companies were:

World Rank	Company	Industry	Revenue (billion \$)	Profits (billion \$)	Assets (billion \$)	Market Value (billion \$)
142	Reliance Industries	Oil & Gas Operations	71.7	3.7	76.6	42.9
152	State Bank of India	Banking	40.8	2.3	400.6	33
183	Oil and Natural Gas Corporation	Oil & Gas Operations	28.7	4.4	59.3	43.7
263	Tata Motors		42.3	2.7	34.7	28.8
283	ICICI Bank	Banking	14.2	1.9	124.8	30
431	NTPC	Utilities	12.9	1.9	35.4	20.2
463	Tata Steel	Materials	32.77	3.08	31.16	2.46
349	Indian Oil Corporation	Oil & Gas Operations	74.3	1.2	44.7	14.6
485	HDFC	Banking	8.4	1.4	84.3	41.6
485	TCS	Information Technology	15.1	3.5	11	80.3

**Source : Indian Economic Survey 2016**

## India's resource consumption

### Oil

India consumes the second-largest amount of oil in the Asia-Pacific region behind China. The combination of rising oil consumption and fairly unwavering production levels leaves India highly dependent on imports to meet the consumption needs.

### Natural gas

As per the Oil and Gas Journal, India had 38 trillion cubic feet ( $1.1 \times 10^{12} \text{ m}^3$ ) of confirmed natural gas reserves in 2004. India imports small amounts of natural gas. In 2004, India consumed about  $1,089 \times 10^9 \text{ cu ft}$  ( $3.08 \times 10^{10} \text{ m}^3$ ) of natural gas, the first year in which the country showed net natural gas imports. During 2004, India imported  $93 \times 10^9 \text{ cu ft}$  ( $2.6 \times 10^9 \text{ m}^3$ ) of liquefied natural gas (LNG) from Qatar.<sup>25</sup>

As in the oil sector, India's state-owned companies account for the bulk of natural gas production. ONGC and Oil India Ltd. (OIL) are the leading companies with respect to production volume, whilst some foreign companies take part in upstream developments in joint-ventures and production sharing contracts (PSCs). Reliance Industries, a privately owned Indian company, will also have a bigger role in the natural gas sector as a result of a large natural gas find in 2002 in the Krishna Godavari basin.

The Gas Authority of India Ltd. (GAIL) holds an effective control on natural gas transmission and allocation activities. In December 2006, the Minister of Petroleum and Natural Gas issued a new policy that allows foreign investors, private domestic companies, and national oil companies to hold up to 100% equity stakes in pipeline projects. Whilst GAIL's domination in natural gas transmission and allocation is



not ensured by statute, it will continue to be the leading player in the sector because of its existing natural gas infrastructure.

### **Regulation, public sector, corruption,**

India ranked 133rd on the Ease of Doing Business Index in 2010, compared with 85th for Pakistan, 89th for People's Republic of China, 125th for Nigeria, 129th for Brazil, and 122nd for Indonesia. Extent of corruption in Indian states, as measured in a 2005 study by Transparency International India. (Darker regions are more corrupt)<sup>26</sup>

Corruption in many forms has been one of the pervasive problems affecting India. For decades, the red tape, bureaucracy and the *License Raj* that had strangled private enterprise.<sup>27</sup> The economic reforms of 1991 cut some of the worst regulations that had been used in corruption.

Corruption is still large. A 2005 study by Transparency International (TI) India found that more than half of those surveyed had firsthand experience of paying a bribe or peddling influence to get a job done in a public office. The chief economic consequences of corruption are the loss to the exchequer, an unhealthy climate for investment and an increase in the cost of government-subsidized services. The TI India study estimates the monetary value of petty corruption in 11 basic services provided by the government, like education, healthcare, judiciary, police, etc., to be around ₹211 billion (US\$3.1 billion). India still ranks in the bottom quartile of developing nations in terms of the ease of doing business, and compared with China, the average time taken to secure the clearances for a startup or to invoke bankruptcy is much greater.

The Right to Information Act (2005) and equivalent acts in the states, that require government officials to furnish information requested by citizens or face punitive action, computerization of services and various central and state government acts that established vigilance commissions have considerably reduced corruption or at least have opened up avenues to redress grievances.<sup>28</sup> The 2006 report by Transparency International puts India at 70th place and states that significant improvements were made by India in reducing corruption.<sup>29</sup>

### **Employment**

India's labor force is growing by 2.5% every year, but employment is growing only at 2.3% a year<sup>30</sup> Official unemployment exceeds 9%. Regulation and other obstacles have discouraged the emergence of formal businesses and jobs. Almost 30% of workers are casual workers who work only when they are able to get jobs and remain unpaid for the rest of the time.<sup>31</sup> Only 10% of the workforce is in regular employment. India's labor regulations are heavy even by developing country standards and analysts have urged the government to abolish them.<sup>32</sup>

From the overall stock of an estimated 458 million workers, 394 million (86%) operate in the unorganized sector (of which 63% are self-employed) mostly as informal workers. There is a strong relationship between the quality of employment and social and poverty characteristics. The relative growth of informal employment was more rapid within the organized rather than the unorganized sector. This informalisation is also related to the flexibilisation of employment in the organized sector that is

suggested by the increasing use of contract labor by employers in order to benefit from more flexible labor practices.<sup>33</sup>

Children under 14 constitute 3.6% of the total labor force in the country. Of these children, 9 out of every 10 work in their own rural family settings. Around 85% of them are engaged in traditional agricultural activities. Less than 9% work in manufacturing, services and repairs.<sup>34</sup> Child labor is a complex problem that is basically rooted in poverty. The Indian government is implementing the world's largest child labor elimination program, with primary education targeted for ~250 million. Numerous non-governmental and voluntary organizations are also involved. Special investigation cells have been set up in states to enforce existing laws banning employment of children (under 14) in hazardous industries. The allocation of the Government of India for the eradication of child labour was US\$10 million in 1995–96 and US\$16 million in 1996–97. The allocation for 2007 is US\$21 million.<sup>[34]</sup>

### Environmental degradation

About 1.2 billion people in developing nations lack clean, safe water because most household and industrial wastes are dumped directly into rivers and lakes without treatment. This contributes to the rapid increase in waterborne diseases in humans.<sup>35</sup> Out of India's 3119 towns and cities, just 209 have partial treatment facilities, and only 8 have full wastewater treatment facilities (WHO 1992).<sup>36</sup> 114 cities dump untreated sewage and partially cremated bodies directly into the Ganges River. Downstream, the untreated water is used for drinking, bathing, and washing. This situation is typical of many rivers in

India as well as other developing countries.

Globally, but especially in developing nations like India where people cook with fuelwood and coal over open fires, about 4 billion humans suffer continuous exposure to smoke. In India, particulate concentrations in houses are reported to range from 8,300 to 15,000  $\mu\text{g}/\text{m}^3$ , greatly exceeding the 75  $\mu\text{g}/\text{m}^3$  maximum standard for indoor particulate matter in the United States.<sup>38</sup> Changes in ecosystem biological diversity, evolution of parasites, and invasion by exotic species all frequently result in disease outbreaks such as cholera which emerged in 1992 in India. The frequency of AIDS/HIV is increasing. In 1996, about 46,000 Indians out of 2.8 million (1.6% of the population) tested were found to be infected with HIV.<sup>39</sup>

### Result & Discussion:

The progress of economic reforms in India is followed closely. The World Bank suggests that the most important priorities are public sector reform, infrastructure, agricultural and rural development, removal of labour regulations, reforms in lagging states, and HIV/AIDS. For 2016, India ranked 130th in Ease of Doing Business Index, which is setback as compared with China 84th, Russia 51st and Brazil 116th. According to Index of Economic Freedom World Ranking an annual survey on economic freedom of the nations, India ranks 123rd as compared with China and Russia which ranks 138th and 144th respectively in 2014. At the turn of the century India's GDP was at around US\$480 billion. As economic reforms picked up pace, India's GDP grew five-fold to reach US\$2.2 trillion in 2015 (as per IMF estimates).

India's GDP growth during January–March period of 2015 was at 7.5% compared to China's 7%, making it the fastest growing economy. During 2014–15, India's GDP growth recovered marginally to 7.3% from 6.9% in the previous fiscal. During 2014–

15, India's services sector grew by 10.1%, manufacturing sector by 7.1% & agriculture by 0.2%. The Indian government has forecast a growth of 8.1–8.5% during 2015–16.

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