

## Emerging Economic Scenario in India

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### Abstract

Change is one of the basic characteristics of nature itself. Peoples, organizations, nations and their socio-economic and political philosophies have been constantly changing. India, after experiencing abject poverty under foreign yoke, adopted, after independence, socialist pattern of development that led to tremendous achievements in different fields until the dismemberment of the erstwhile USSR. Thereupon, the process of LPG (liberalization, privatization and globalization) started everywhere in one form or the other. The 1990's and first decade of the 21st century witnessed overall global prosperity. India achieved remarkable progress during the period but suffered from complacency and oversized confidence as many countries made much more commendable progress on a number of socio-economic fronts compared to India. A number of books were written on Indian economic potential during the period and the authors, in their over-enthusiasm, depicted India as the imminent economic superpower. During the last five years, particularly after 2008, overconfidence has given way to more sensible and reasonable understanding of the difficulties that still lie ahead for India to harness its full potential.

**Keywords:** Liberalization-Opening market for free competition; Privatization-Allowing private participation in economic sectors; Globalization-Enforcing WTO Regime for Tariffs & Trade; WTO-World Trade Organization; GDP-Gross Domestic Product; Mortality Rate-The number of deaths in an area in a given period; Forex-Foreign exchange; Demographic bonus-Advantage of having young and working population larger than children and old agers; Immunization-Protection against infection

### Introduction

Change is one of the basic characteristics of the nature itself. Everyone, be it individuals or organizations are subject to change. Even the systems have such subsystems which are responsible for their own decay. Even the economic philosophies like socialism and capitalism have tended to change with the changes in world eco-political scenario. India is no exception to this basic rule. It is common knowledge that after independence, the then Prime Minister, Pt. Jawaharlal Nehru, opted for Russian pattern of planned development. Emphasizing on the development of basic industries followed by other developments, the nation made commendable progress after independence. However, with the USSR passing into nothingness, the eco-political equations world over experienced structural changes. Overnight around fifty countries switched over from socialist to capitalist philosophy.

The planned economic development no doubt enabled India to meet many economic challenges except for forex crisis which continued for a long time. With the expanding industrialization of the nation, the import requirements became heavier and by the start of 1990's India faced acute forex crisis and adopted new economic philosophy. To begin with, liberalization was initiated on 24th July 1991 with a stroke of pen. With the signing of the WTO Agreements the switch over to liberalization, privatization and globalization was completed. The WTO agreements have thrown open a number of

challenges as well as opportunities before India and a well-knitted strategy is required where the private and the public efforts need to be synchronized.

India's landscape is just 2.4 per cent of the total world's area whereas its population is nearly 16.8 per cent of the world's population. This puts a lot of pressure on the Indian resources, and its growing population has been adversely affecting capital formation and eating up the fruits of economic growth. But simultaneously India has an advantage of experiencing 'demographic bonus' as its working population is larger than the total population of children and senior citizens. The demographic bonus is a good asset for the nation.

Taking advantage of numerous economic achievements made during the decades of 1970's and 1980's coupled with new economic world order resulting in overall economic global prosperity, India's economic boom began in 1991 and took off in the late 1990's. It continued for about two decades. During this period a number of books and research articles were written, some of them even assuring India's future as an economic superpower. Very impressive statistics were worked out like that India was training a million engineering graduates a year, against 100,000 each in the United States and Europe, and the country was said to stand third in technical and scientific capability – behind the US and Japan but ahead of China. Between 1991 and 2001, as the Indian economy trebled in size, the country's IT sector alone earned almost \$ 50 billion a year, mostly in export revenues. The number of mobile phone users jumped from three million in 2000 to 100 million in 2005, and further to 929 million in 2012. Likewise, the number of television channels rose from only one in 1991 to 150 in 2007 and more than 500 today. In 2006, 23 Indians appeared on the Forbes list of the world's billionaires, this year, the figure has more than doubled to 55 and so on supported the economic superpower view.

The aforementioned statistics and the last five years' hard facts have led a large number of Indians and foreigners to have major revisions in

their expectations and the literature emerging more recently on the subject has begun to reflect that. The people have rightfully started questioning as to why the much-vaunted Indian growth story is not translating into development and why the technically and scientifically trained human resource capital not taking India rapidly towards excellence. How could deprivation and prosperity live so easily side by side [1].

However, over the last five years, the global economic climate has become more depressive. Indian economy has also continued to slow down since 2010. India's growth rate has now sunk from 9.3 % in the first quarter of 2010 to about 5 % a year, the lowest in the decade, and far less than the minimum 8 % needed to prevent rapid rise in unemployment [2]. This has resulted in slipping the world's second largest growing economy to tenth place. Other economic indicators are also equally alarming. Public borrowing has quadrupled during the last five years. The Government of India Debt-to-GDP averaged 74.56 per cent from 1991 until 2012. The national deficit is growing, inflation is high and the value of rupee has plummeted by 20 per cent in the course of this summer. The slowing down of India's economy was, indeed, partly due to a wider global malaise that was beyond its control. Almost all the main emerging markets were growing at around 7 per cent between 2003 and 2008, only three contracted. India, however, did well to have an average growth rate of 8.9 per cent during these boom years but it was hardly a surprise [3]. India's adult literacy is not quite the lowest in the world but, at 65 per cent, it is the same as in Malawi and Sudan. Adult literacy in China, by comparison is 91% [4-6].

Though inequality is high in both countries, but China has done far more than India to raise life expectancy, expand general education and secure health care for its people. While China devotes 2.7% of its GDP to government spending on healthcare, India allots 1.2%. The general state of public services in India remains absolutely dismal, and the country's health and education systems in particular have been severely messed up. Even today a third of Indians do not have electricity, compared to 1% in China. Half of Indian homes remain without toilets, forcing half of all Indians to practice open defecation. Wages in manufacturing sector in China have grown by 12% since 2000, compared with 2.5% in India, and 90% of Indians still work in what is referred to as 'informal sector'. While India has climbed rapidly up the ladder of economic growth rates, it has fallen behind Nepal and Bangladesh in the scale of social indicators. Brazil, with much slower economic growth, has a far better record of poverty reduction. India remains an oddity among bric countries: India's per capita GDP is less than half of China's, one-third of Brazil's and one fourth of Russia's.

In addition to the statistics already mentioned, the situation regarding children is more alarming. Every year more children die in India than anywhere else in the world. Similarly, the most basic health

measure that any government can provide for its people is to immunize very young children. In India, only 43.5% of children get immunized as against 73.1% in Bangladesh [7]. In sub-Saharan Africa, only eight out of 25 countries have immunization figures as bad as India's. In 1990, life expectancy was the same in India and Bangladesh but today it is four years higher in Bangladesh than in India. Likewise, in the same year child mortality rate was about 20% higher in Bangladesh than India. In 2011, it became 25% lower than in India.

In fine, improving education lies at the heart of solving the problem. India's underperformance can be traced to a failure to learn from the examples of so-called Asian economic development, in which rapid expansion of human capability is both a goal in itself and an integral element in achieving rapid growth. India has elite schools of varying degrees of excellence for the privileged, but effective public education remains out of the reach of millions. The private sector educational institutions are often excellent but state schools which are available for most ordinary Indians remain abysmal and unable to impart quality education. Among all Indians, seven years or older, nearly one in every five males and one in every three females, are illiterate [8]. The initial optimism about the spectacular rise of 'New India' has now given way to more sensible and realistic understanding of the difficulties that still lie ahead. India's failure to equal the success of China's hyper development is due, in large part, to the failure of the state to provide essential public services that depresses living standards and is persistent drag on growth.

### Conflict of Interest

Basically, Government Debt is the money owed by the Central Government to its creditors. The higher the Debt – GDP ratio, the less likely the country will pay its debt back, and more likely the country is to default on its debt obligations.

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