Indian Economy: Current Problems and Future Prospects

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Abstract

In the third quarter, which concluded in December, India's economic output climbed 0.4 percent over the previous year, according to data issued by the Indian government on Friday. After two straight quarters of declining economic activity, India appears to have exited recession, according to the data. It's great news for Prime Minister Narendra Modi and the people of India, who've been feeling the pinch of the coronavirus pandemic's effects on their country and the world economy as a whole. However, when compared to previous years, when the economy grew at a rate of 6% or more, the current growth rate is still quite slow.

Keywords: Indian Economy, Problems, Future Prospects, National Income.

1. INTRODUCTION

The Indian economy remained nearly stagnant prior to independence. One of the lowest per capita consumption and income levels in the world was found in India. Savings and capital formation suffered as a result of low income, which in turn led to low productivity and low income. The cycle of poverty in the country was maintained by this vicious circle. As a result of poverty, the market's size was slashed. As a result, there was little incentive for entrepreneurs to invest in a wide range of industries. As a result, the economy's productivity remained poor, perpetuating low wages and widespread poverty.

Growth and inflation in the Indian economy have fluctuated greatly during the previous decade (Graph 1). Global financial crisis (GFC)-related declines in export demand from advanced economies and investment slowed GDP growth substantially. After the Great Recession, economic activity rebounded and inflation remained high, supported by increased government expenditure and monetary policy that was more accommodative. Growth slowed once assistance was withdrawn and crude oil prices rose, although conditions have since improved in a number of ways. There has been an increase in GDP growth, a decrease in inflation, a reduction in external fragilities (such as currency volatility and the magnitude of the current account deficit), and an improvement in the fiscal position.

2. OBJECTIVES OF THE STUDY

Based on these debates, it is necessary to explore the dynamic link between inflation and economic growth in India from 1961 to 2015, as well as to investigate the direction of causality between inflation and economic growth.

3. LITERATURE REVIEW

DR KSH KRISHNA DEVI, MANOJ KUMAR VERMA (2017) It has become increasingly difficult for higher education institutions to conduct research because of the rapid advancements in information and communication technology (ICT) during the past fifteen years. It's vital to note that theses and dissertations are a significant source of data for research and development in higher education institutions, such as colleges and universities. Thesis-generated knowledge is a valuable resource and plays an important role in the generation of new ideas that benefit the community. Academicians and knowledge managers (librarians) have previously considered theses and dissertations to be closed and restricted access items in libraries, but the open access movement has had a significant impact on changing the thinking of academicians and knowledge managers (librarians). As part of the INFLIBNET center's Shodhganga initiative, universities are providing their e-theses to be uploaded on shodhganga IIR. Accordingly, in this research, we will seek to determine how the core institutions of north-east India have contributed to this initiative.

MOHD AKHTER ALI, M. KAMRAJU (2020) Most countries around the world are dealing with a major issue of unemployment. In the same way that it's easier to see a giraffe than to explain it, unemployment is

difficult to put into words. For quite some time, we've been dealing with a severe unemployment situation. In industrialised countries, it occurred during the Great Depression (1930s), whereas it occurred much later in undeveloped countries, following World War II (1945). Despite an uptick in the economy, employment growth in India has slowed in recent years. As a result of this COVID-19 pandemic lockdown, the unemployment rate in India has skyrocketed as most private businesses have laid off their workers. The majority of workers in the informal sector have been affected by this lockdown, as construction has been halted. Thousands of people fled cities without a capital, marching hundreds of miles to their homelands because there was no official transportation. The purpose of this study is to examine the influence of COVID-19 on unemployment in our area. Based on data from books, journals, newspapers and trustworthy online sources we conducted this investigation. Academicians, researchers, and politicians will benefit from this study's findings.

P. KRISHNA PRIYA, K. ANUSHA With a population of roughly 1.3 billion, India is a fast-growing market for Fintech. Financial technologies are soaring in India because of the country's large and underbanked populace. As a game changer and disruptive innovation, Fintech has the potential to shake up the established financial system. In the last five years, India has seen a significant increase in the use of financial technology (Fintech). Focuses on financial technology and its operations, as well as opportunities and difficulties in the Indian corporate climate at this juncture of the article

SALEHA*(2020) The coronavirus pandemic has thrown India's labour market on a loop, jeopardising the livelihoods of millions of employees and the families they leave behind. Many small and large industries in India comprise unorganised sectors in which a large portion of the total work force is engaged, but it is difficult to organise them, nor can their data be collected about how many people are working in these sectors in India, how much they have income, and how they live their lives, despite the Government of India providing financial aid to millions of labourers and farmers. Having no job stability, no paid time off, or a bad contract puts individuals at risk in the workforce. If the unorganised sector is not safeguarded by an immediate social safety net, it will lead to destitution, hunger, starvation, and perhaps death.

4. MAJOR PROBLEMS FACED BY THE INDIAN ECONOMY

The following points highlight the eight major problems of the Indian economy. Some of the problems are:

1. Low level of national income and per capita income
2. Vast inequalities in income and wealth
3. Predominance of agriculture
4. Tremendous population pressure
5. Massive unemployment and others.

Indian Economy Problem 1 Low level of national income and per capita income:

The level of national income and the income per person in any country can be used to gauge economic progress.

The bigger the country's gross domestic product, the faster the economy grows, according to conventional wisdom.

NNP at factor cost in 2007-08 at 1999-2000 prices totaled Rs 27,60,325 crore in the Indian economy. At the time, the population was 1124 million.

This means that the per capita NNP was Rs 24,256, which is equal to Rs 2,021 monthly. The average person's standard of living is pitifully poor. The bulk of people cannot afford even the most basic of needs. Per capita income is a good indicator of a country's wealth, and India is one of the world's poorest countries.

Indian Economy Problem 2 Vast inequalities in income and wealth:

In addition to low per capita income, the Indian economy is characterised by wide disparities in income and wealth distribution. Inequality is increasing in India as time goes on. Mass poverty is the logical consequence of enormous inequity. India's national income is shared by 60 percent of the population, compared to just 5 percent of the population who enjoys the same amount of national income.

The problem of poverty grows as a result of this inequity. Even in 1972 and 1973, more than half of the population was living below the poverty level. It has dropped from 36% in 1993-94 to 27.5 % in 2004-05, according to the poverty estimate based on the Uniform Recall Period. In other words, the Indian economy is still caught in a vicious cycle of poverty.

Indian Economy Problem 3 Predominance of agriculture:

Agriculture and extractive sectors, such as mining, fishing, and forestry, are the primary sources of income in less developed countries. Agriculture's dominance can be explained by looking at the distribution of national income by sector and by looking at employment patterns.

In 1950-51, more than 55% of India's GDP came from the agricultural sector, or the "primary sector," as it was known at the time. However, in 2007-08, this sector's contribution to GDP was only 19.4 percent.

The secondary and tertiary sectors each contributed 24.9 percent and 55.7 percent, respectively, to the economy. Even after 58 years of planning, agriculture still contributes less than one-fifth of our national GDP. Also, the occupational structure reveals a picture of agriculture's primacy and the industrial sector's lagging behind.

More than half of the population of India was involved in agriculture in 2004-05, according to the World Bank. Despite the fact that agriculture is India's largest industry, the country is technologically behind the times.

Indian Economy Problem 4 Tremendous population pressure:

The population growth rate of LDCs is extremely high. In terms of population, India is only surpassed by China in second place (1312 million in 2006). In 2006-07, India had a population of 1110 million. India's population grew at a 1.61 percent annual rate during the decade beginning in 1991, compared to a 0.7 percent annual growth rate for the industrialised countries.

Birth rates of 23.5 per 1000 and mortality rates of 7.5 in 2005-06 are the real culprits for India's population boom. India's population grew by 5% in the 20th century, compared to a 3% increase in the global population as a whole.

Indian Economy Problem 5 Massive unemployment:

In LDCs, not only are natural resources underutilised, but personnel resources are also massively wasted. The problem of unemployment in India has been exacerbated by the country's slow economic growth and high population expansion.

While the number of people looking for work climbed by 2.5% year between 1971 and 1999, the number of people who could find work only increased by 1.8 percent. In 2006-07, there were 40.7 million registered job-seekers. Since the beginning of economic reforms, the unemployment rate has risen steadily. During the period from 1993-94 to 2004-05, the percentage increased from 1.96 percent to 2.39 percent.

However, a 2.89 percent increase in employment in 2004-05, compared to a 0.98 percent increase in 1999-2000, is a positive sign. However, the rate of employment growth in recent decades has not kept pace with the growth of the labour force. This is known as 'jobless growth,' and it is what we are currently seeing.

The rate of employment growth in the organised sector decreased from 1.20 percent in 1983-1994 to 0.31 percent in 1994-2005. Job loss increase has been dubbed by some as a term for this phenomenon.

In addition, there is a significant percentage of underemployment and hidden unemployment in Indian agriculture. Disguised unemployment can also be found in urban settings. As a result of the tremendous investment in infrastructure and human capital made throughout the plan period, the unemployment problem has grown into a major issue. In terms of human capital, this amounts to a massive waste.

Indian Economy Problem 6 Scarcity of capital and low rate of capital formation:

As people in LDCs are poor, their capacity to save is low. This results in a low rate of growth of the economy Because of this, many development economists believe that increasing investment is vital to break the cycle of poverty. As a capital-starved nation, India's capital per capita is low. India's economy suffers as a result of this capital shortage.

While net savings and net investments in 1950-51 were slightly more than 6 percent, in 2001-02 they rose to 14.8 and 16 percent. In recent years, however, the situation has greatly improved. Both of these percentages rose to 27.1% and 28.4% of the NDP in the years between 2006-067. The Indian economy will benefit greatly from this.

Both physical and human capital are being produced at a low rate. According to the 2001 Census, 34.62 percent of the population was illiterate at the time. As of 2001, there were 64.8 percent of the population that were literate.

India's economic growth is hindered by widespread illiteracy. There are an estimated 304 million people in India who are illiterate, making it the most populous country in the world. In 2001, the country's sex disparity was 933 women for every 1,000 men.

Indian Economy Problem 7 Underdeveloped infrastructure:

Infrastructure and social and economic costs of capital are lacking in India because it is an LDC. From transportation and communications to energy to banking to health care to science and technology to education and everything in between.

These facilities are essential for a prosperous economy. Infrastructural facilities are critical to the economy's superstructure.

India is a poor country when it comes to social and economic costs. In fact, her transportation infrastructure is equivalent to that of affluent countries. Demand for infrastructure facilities and services exceeds supply, though. In 2004, an Indian consumed 531 kilogrammes of energy (oil equivalent) per person, compared to the United States' 7,921 kg. Even China's energy consumption per capita was more than India's (1,242 kg.).

According to international standards, India is lagging behind when it comes to technology. Indians used personal computers at a rate of just 16 per 1,000 persons in 2005, compared to 762 in the United States. In 2007-8, India spent 1.39 percent of its GDP on health care, compared to the United States' 15 percent.

Even in comparison to the rest of the world, India's social infrastructure is abysmal.

Indian Economy Problem 8 Low level of technology:

Since many Indians lack basic literacy, advanced or sophisticated technology is a rarity. We are obliged to employ low-tech means of technology because of a lack of technological advancement.

5. DETERMINANTS OF ECONOMIC GROWTH

Throughout the 1970s and 1980s, there was a considerable amount of theoretical study on the drivers of economic growth in theoretical literature. It began with the "Harrod-Domer" formulation, which established that steady-state growth was proportionate to investment ratios with fixed capital–output ratios. "Investment-led growth" policies received the most support from this framework. Harrod-Domer was challenged by the "Solow model," however, soon following. Only during the transitional periods may increased investments contribute to per capita growth, according to Solow (i.e., before the steady state is reached). "Technical advancement" is the only factor that can lead to per capita growth in the steady state. During this time period, the "Solow model" provided the basis for most of the subsequent work on growth. While "technological advancement" was a black box for a long time and no theoretical understanding of the variables generating it was available, it has now become a lot clearer. When "Endogenous Growth" theories were first proposed in the late 1980s and early '90s, the situation dramatically shifted. A wide range of factors, including human capital, R&D expenditures, government spending on infrastructure, and so on, could all contribute to steady-state growth in per capita income according to these views. Since then, these principles have had a major impact on policymakers and growth strategies have become increasingly focused on them.

Both the "Solow model" and the "Endogenous Growth models" are critically dependent on the assumption of full employment of labour at this point, it should be noted. So, these models are completely inapplicable to the Indian economy, which has a massive supply of unemployed workers. The "Harrod-Domar" framework, with its emphasis on capital formation and the capital output ratio, was a better fit for the Indian economy from the beginning of the planning process. It is possible to enhance India's growth rate within this framework, either by raising investment or lowering the capital production ratio. Another way to reduce the capital output ratio is to make more efficient use of the resources that are already available, or to apply better technology. There is a demand constrained system in the first example and a supply constrained system in the second and third. "Endogenous Growth" literature is relevant in supply-constrained systems, even within the paradigm of "Harrod-Domar" theory. Human capital, R&D, infrastructure and other elements such as these all have a direct impact on labour productivity and capital efficiency and technological capabilities. So in addition to the investment ratio, factors that affect the efficiency of capital are also critical to the Indian economy's development. Consider some of these characteristics in relation to how they have behaved in India's economy during recent decades.

6. SOURCES OF GROWTH IN THE INDIAN ECONOMY

Aggregate savings in a capital-constrained economy like India determine investment decisions. Economic growth over the past three decades has been exceptional in terms of saving. In 1970, the gross saving rate was 14.56 percent; in 1995, it was 25.1 percent, and in 1999, it was 22.26 percent. However, this aggregate saving behaviour does not reveal the large sectoral variations. The bulk of aggregate savings comes from household savings. The Indian savings behaviour has been centred around this component, and the significant rises in the saving rate can be linked to an increase in this sector's saves. At 10.15 percent in 1970, the family saving rate has progressively climbed to 19.77 percent in 1999. Corporate saving is the second part of total saving. Economic liberalisation brought this component to a peak in 1995 of 4.93 percent before falling steadily thereafter. It was generally stable during the 1970s and early 1980s, but surged dramatically during the early 1990s phase of liberalisation. In terms of overall savings, the public sector has been the weakest link, with a dismal track record. When it came down from 4.55 percent in 1978 to 0.19 percent in 1999, this was notably true in the 1980s and 1990s. Savings levels in the household sector are high and may have already hit their ceilings due to the economy's low per capita income levels, as can be seen from these statistics. The banking sector's upheaval is also an issue when it comes to raising consumer savings. Finally, any major rise in aggregate savings must come predominantly from the corporate and public sectors. This graph displays the average and sectoral saving rates over the last three decades..

Over the past three decades, the aggregate investment activity has followed the aggregate savings behaviour. At its highest point, it reached 26.85 percentage points in 1995, but fell back to 23.26 percentage points the following year. As a percentage of total capital expenditures, private investment climbed from 9.43% in 1970 to 15.65% in 1999 at the sectoral level. In 1970, public investment was 6.39 percent; in 1986, it rose to 11.17 percent; in 1999, it fell to 7.06 percent. Since 1980, there has been a steady increase in total and sectoral investment rates. Bringing in foreign capital to supplement domestic savings is one approach to boost the investment rate. However, foreign investment is a double-edged sword because of the difficulties in servicing this investment. External sector performance, and exports in particular, is critical to the long-term viability of these investments. We'll now examine the sector's performance.

7. CONCLUSION

In this study, macroeconomic indicators were used to evaluate the performance of the Indian economy. Compared to the pre-WTO era, the overall performance of GDP, including GDP per capita and GDP per capita growth rate, has been determined to be higher in the post-WTO years. From 1995 to 2015, the GDP growth rate was also higher, and the sector-wise contribution of GDP in several sectors such as manufacturing, agriculture and services has responded favourably to the application of WTO regulations in India.

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