

INDIA'S ECONOMIC GROWTH ,THE WAY FORWARD

According to Josh Billings, Indian economy is a savings bank into which men drop pennies, and get dollars in return.

India is said to be the future world super power, it is also the 5th largest economy in the world . According to IMF, India is going to be the 3rd largest economy by 2030. As the world's largest democracy, India's future is bright , yet its economic story is having its fair share of challenges.

In 1980, India's GDP-per capita income was higher than China , but today China's is five times higher. Likewise, neighbouring Bangladesh reportedly overtook India on a GDP-per capita income basis in 2020. So , what has happened and how India achieved Economic success is truly inspirational.

To understand modern India we have to look into the history of India and it's rich cultural heritage . Literally for over 700 years the Indian Sub-continent is estimated to be the wealthiest place on earth, accounting for an estimated growth upping till the 18th century, but then a colonial empire turned up ,In India's case it was the British Empire, British wasn't the first power to get hold of the sub-continent, but it's economic impact was profound for over nearly 200 years of colonial rule.

For starters, Britain's interest were primarily economic. It is estimated that in today's economy the British empire extracted a whopping 45 trillion dollars from India, the infrastructure built and the institutional legacy was cared towards the efficient extraction of one thing, India's incredibly vast resources which unendingly created structural problems having the lasting impact until today, so following independence in 1947, India spent decades trying to survive with limited international trade , on the belief that the size of internal market and the idea of self-reliance would avoid the international exploitation which can come with capitalism.

Yet history has revealed the time and time again a top- down model of state controlled economic growth was unsustainable , Especially for such a diverse nation like India.

So in 1980's the country started to really open up its businesses for certain sectors, but the state continued to manage capital flows including its exchange rate , India hadn't till that point always fix it's currencies the Rupee to others .Initially to the British pound and then to a basket of Currencies.

The problem was that by 1990, continued detention was Bankrupting the country. The final push came with the collapse of Soviet Union a main export market. Alongside increases in the prices of oil during the first gulf war. Due to which point Indians paid exchange rates has exhausted . The central bank reserves to intervene in the currency markets, this forced India to seek IMF's assistance and then surprisingly these payloads came with conditions of trade Liberalisation and free market reforms with a currency become freer floating but still subject to intervention of India.

Importantly it was these liberal reforms which have led to the Indian economy today' A mixed economy of private and public sectors , whereas certain sectors of Banking and Power , so largely operated under the government monopoly Though impact of opening up to trade shouldn't be understated.

Indian exports have been a quiet success , when most people think of India they don't consider the nation to be an exporting powerhouse, Particularly when it comes to manufacturing, India has struggled with protectionism, recording the highest tariffs over any foreign major economy.

“If China was the world's factory India was getting ready to be its back office” highlighting the nation's stellar service sector exports , particularly in IT, but in reality, Nation's manufacturing sector has grown over the years by 12% per year from 1995-2018 giving it the 3rd best performance in the world after China and Vietnam and twice the world's average , Now despite the India's protectionist policies , India's export growth has overwhelmingly skewed towards high skilled manufacturing and services as oppose the new skilled exports in things like textiles , and this really is astounding as virtually all models of international trade and growth would have predicted the opposite, India has a very large low skilled labour force , so this makes high skilled specialization a bit unique.

By understanding low skilled manufacturing , the nation is estimated to be missing out on at least 140 billion dollars of unskilled activity in a year.

In India 90% of the labour force works in an informed sector, so the stability, formal employment , security and multidimensional pensions , which come with any increase in formalized manufacturing is certainly required , However India's unbalanced export growth is more than just a missed opportunity it can present a real challenge for future growth.

To know the structural transformations in an economy a curve known as Lewis's curve is referred, it highlights the structural transformation in an economy.

India's most promising advantage is its young population , it is already acting as a Demographic Dividend, India will overtake China's population by 2027, and it's population is said to be growing until next 30 years whilst China's declines.

This will provide a huge boost to Domestic demand , with an estimated 500 million people expected to enter into the middle-income class over the next decade. Which will provide India with the longest growth in its middle class anywhere in the world.

India is just getting started ,the population is still largely a rural one only 1/3rd of the people is living in cities. So, if they are provided the right opportunities to come into the competition.

Our nation will excel in any field no matter how much the risk is, not only in economic growth in overall dimensions.

India is mainly concentrating on its manufacturing sector in the name of Make in India which creates economy and boosts demand for the native goods ,It has reformed labour laws and they are now liberalized to help the labour class.

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