CLEAR IJRMST Volume-03 Issue-05 Jan-Jun-2013
Online-ISSN: 2249 -3506
Print-ISSN: 2249 -3492
www.thaavan.org

An Analytical Study on GDP, PPP and Economy Growth in India- An Historical Approach

Prof. Dr. Anbalagan Chinniah
Professor of M.Sc., Accounting and Finance, School of Management and Accounting, College of Business and Economics, Hawassa University, Main Campus, Hawasss City, Ethiopia, East Africa,
Editor-in-Chief and Managing-Chief-Editor of 19 International Impact Factor Research Journals, Editorial Reviewer of Global Impact Factor Organization-Australia, Mobile: 0932319331, Email ID; dr.chinlakshanbu@gmail.com
www.thaavan.org, www.ifsmrc.org, www.spcera.in, www.thavan.org.in

Abstract

*The **economy of India** is the tenth-largest in the world by nominal GDP and the third-largest by purchasing power parity(PPP). The country is one of the G-20 major economies, a member of BRICS and a developing economy that is among the top 20 global traders according to the WTO. India was the 19th-largest merchandise and the 6th largest services exporter in the world in 2013; it imported a total of $616.7 billion worth of merchandise and services in 2013, as the 12th-largest merchandise and 7th largest services importer. India's economic growth slowed to 4.7% for the 2013–14 fiscal years, in contrast to higher economic growth rates in 2000s. IMF projects India's GDP to grow at 5.4% over 2014-15. Agriculture sector is the largest employer in India's economy but contributes a declining share of its GDP (13.7% in 2012-13). Its manufacturing industry has held a constant share of its economic contribution, while the fastest growing part of the economy has been its services sector - which includes construction, telecom, software and information technologies, infrastructure, tourism, education, health care, travel, trade, banking and others components of its economy. The post independence-era Indian economy (from 1947 to 1991) was a mixed economy with an inward-looking, centrally planned, interventionist policies and import-substituting economic model that failed to take advantage of the post-war expansion of trade and that nationalized many sectors of its economy. India's share of global trade fell from 1.3% in 1953 to 0.5% in 1983. This model contributed to widespread inefficiencies and corruption, and it was poorly implemented. After a fiscal crisis in 1991.*

***Key Words: GDP** -PPP-BRICS-WTO- Agriculture- manufacturing- economy-post independence- international trade- education- health care-*

Introduction

India has increasingly adopted free-market principles and liberalized its

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economy to international trade. These reforms were started by former Finance minister Manmohan Singh under the Prime Ministership of P.V.Narasimha Rao. They eliminated much of License Raj, a pre- and post-British era mechanism of strict government controls on setting up new industry. Following these economic reforms, and a strong focus on developing national infrastructure such as the Golden Quadrilateral project by former Prime Minister Atal Bihari Vajpayee, the country's economic growth progressed at a rapid pace, with relatively large increases in per-capita incomes. The south western state of Maharashtra contributes the highest towards India's GDP among all states, while Bihar is among its poorest states in terms of GNI per capita. Mumbai is known as the trade and financial capital of India

Pre-colonial period (up to 1773)

The citizens of the Indus Valley civilization, a permanent settlement that flourished between 2800 BC and 1800 BC, practiced agriculture, domesticated animals, used uniform weights and measures, made tools and weapons, and traded with other cities. Evidence of well-planned streets, a drainage system and water supply reveals their knowledge of urban planning, which included the world's first urban sanitation systems and the existence of a form of municipal government.

The spice trade between India and Europe was the main catalyst for the *Age of Discovery*.

Maritime trade was carried out extensively between South India and southeast and West Asia from early times until around the fourteenth century AD. Both the Malabar and Coromandel Coasts were the sites of important trading centers from as early as the first century BC, used for import and export as well as transit points

Online-ISSN: 2249 -3506
Print-ISSN: 2249 -3492
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between the Mediterranean region and Southeast Asia. Over time, traders organized themselves into associations which received state patronage. Raychaudhuri and Habib claim this state patronage for overseas trade came to an end by the thirteenth century AD, when it was largely taken over by the local Parsi, Jewish and Muslim communities, initially on the Malabar and subsequently on the Coromandel Coast.

Atashgah is a temple built by Indian traders before 1745. The temple is west of Caspian Sea, between West Asia and Eastern Europe. The inscription shown is in Sanskrit (above) and Persian.

Other scholars suggest trading from India to West Asia and Eastern Europe was active between 14th and 18th century. During this period, Indian traders had settled in Surakhani, a suburb of greater Baku, Azerbaijan. These traders had built a Hindu temple, now preserved by the government of Azerbaijan. French Jesuit Villotte, who lived in Azerbaijan in late 1600s, wrote this Indian temple was revered by Hindus; the temple has numerous carvings in Sanskrit or Punjabi, dated to be between 1500 and 1745 AD. The Atashgah temple built by the Baku-resident traders from India suggests commerce was active and prosperous for Indians by the 17th century.

Further north, the Saurashtra and Bengal coasts played an important role in maritime trade, and the Gangetic plains and the Indus valley housed several centres of river-borne commerce. Most overland trade was carried out via the Khyber Pass connecting the Punjab region with Afghanistan and onward to the Middle East and Central Asia. Although many kingdoms and rulers issued coins, barter was prevalent. Villages paid a portion of their agricultural produce as revenue to the rulers, while their craftsmen received a part of the crops at harvest time for their services.

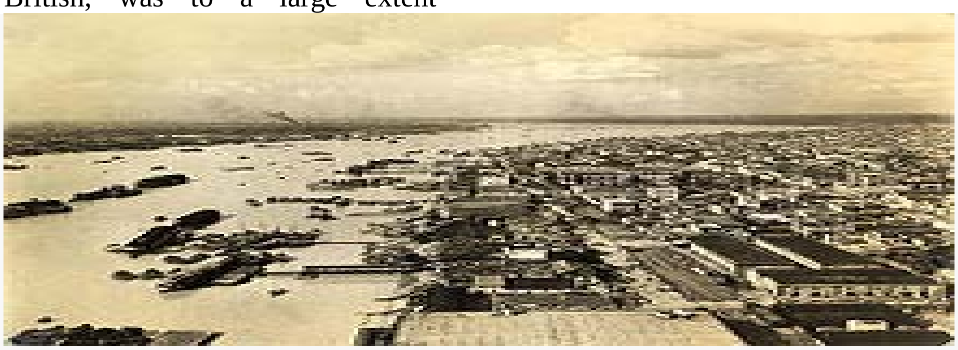
Silver coin of theMaurya Empire, 3rd century BC


Silver coin of the Gupta dynasty, 5th century AD

Sean Harkin estimates China and India may have accounted for 60 to 70 percent of world GDP in the 17th century.

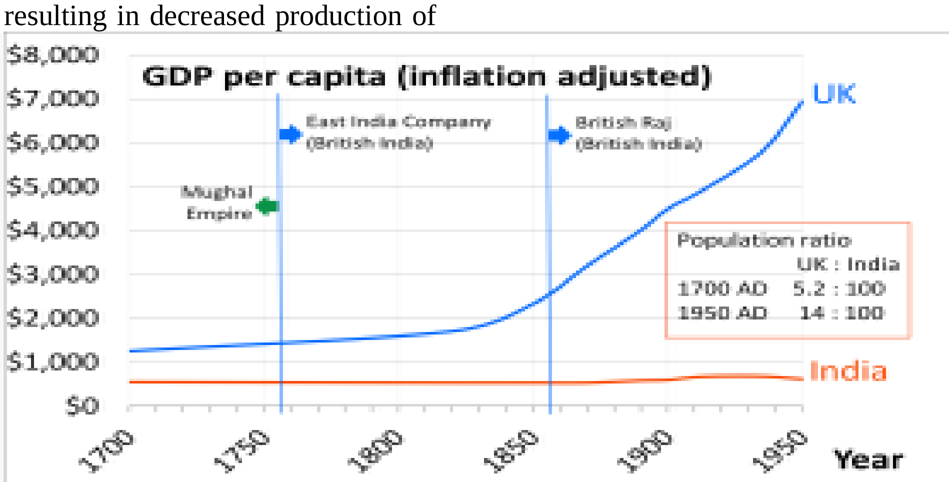
Assessment of India's pre-colonial economy is mostly qualitative, owing to the lack of quantitative information. The Mughal economy functioned on an elaborate system of coined currency, land revenue and trade. Gold, silver and copper coins were issued by the royal mints which functioned on the basis of free coinage. The political stability and uniform revenue policy resulting from a centralized administration under the Mughals, coupled with a well-developed internal trade network, ensured that India, before the arrival of the British, was to a large extent economically unified, despite having a traditional agrarian economy characterized by a predominance of subsistence agriculture dependent on primitive technology. After the decline of the Mughals, western, central and parts of south and north India were integrated and administered by the Maratha Empire. After the loss at the Third Battle of Panipat, the Maratha Empire disintegrated into several confederate states, and the resulting political instability and armed conflict severely affected economic life in several parts of the country, although this was compensated for to some extent by localized prosperity in the new provincial kingdoms. By the end of the eighteenth century, the British East India Company entered the Indian political theatre and established its dominance over other European powers. This marked a determinative shift in India's trade, and a less powerful impact on the rest of the economy.

Colonial period (1773–1947)


An aerial view of Calcutta Port taken in 1945. Calcutta, which was the economic hub of British India, saw increased industrial activity during World War II

There is no doubt that our grievances against the British Empire had a sound basis. As the painstaking statistical work of the Cambridge historian Angus Madison has shown, India's share of world income collapsed from 22.6% in 1700, almost equal to Europe's share of 23.3% at that time, to as low as 3.8% in 1952. Indeed, at the beginning of the 20th century, "the brightest jewel in the British Crown" was the poorest country in the world in terms of per capita income. - Manmohan Singh

Company rule in India brought a major change in the taxation and agricultural policies, which tended to promote commercialization of agriculture with a focus on trade, resulting in decreased production of food crops, mass impoverishment and destitution of farmers, and in the short term, led to numerous famines. The economic policies of the British Raj caused a severe decline in the handicrafts and handloom sectors, due to reduced demand and dipping employment. After the removal of international restrictions by the Charter of 1813, Indian trade expanded substantially and over the long term showed an upward trend. The result was a significant transfer of capital from India to England, which, due to the colonial policies of the British, led to a massive drain of revenue rather than any systematic effort at modernization of the domestic economy.



Estimated per capita GDP of India and United Kingdom from 1700 to 1950, inflation adjusted to 1990 US$. Other estimates suggest a similar stagnation in India's per capita GDP and income during the colonial era.

India's colonization by the British created an institutional environment that, on paper, guaranteed property rights among the colonizers, encouraged free trade, and created a single currency with fixed exchange rates, standardized weights and measures and capital markets. It also established a system of railways and telegraphs, a civil service that aimed to be free from political interference, a common-law and an adversarial legal system. This coincided with major changes in the world economy – industrialization, and significant growth in production and trade. However, at the end of colonial rule, India inherited an economy that was one of the poorest in the developing world, with industrial development stalled, agriculture unable to feed a rapidly growing population, a largely illiterate and unskilled labour force, and extremely inadequate infrastructure.

The 1872 census revealed that 91.3% of the population of the region constituting present-day India resided in villages, and urbanization generally remained sluggish until the 1920s, due to the lack of industrialization and absence of adequate transportation. Subsequently, the policy of discriminating protection (where certain important industries were given financial protection by the state), coupled with the Second World War, saw the development and dispersal of industries, encouraging rural-urban migration, and in particular the large port cities of Bombay, Calcutta and Madras gr ew rapidly. Despite this, only one-sixth of India's population lived in cities by 1951. The impact of British occupation on India's economy is a controversial topic. Leaders of the Indian independence movement and economic historians have blamed colonial occupation for the dismal state of India's economy in its aftermath and argued that financial strength required for industrial development in Europe was derived from the wealth taken from colonies in Asia and Africa. At the same time, right-wing historians have countered that India's low economic performance was due to various sectors being in a state of growth and decline due to changes brought in by colonialism and a world that was moving towards industrialization and economic integration.

Pre-liberalization period (1947–1991)

Indian economic policy after independence was influenced by the colonial experience, which was seen by Indian leaders as exploitative, and by those leaders' exposure to British social democracy as well as the planned economy of the Soviet Union. Domestic policy tended towards protectionism, with a strong emphasis on import substitution industrialization, economic interventionism, a large government run public sector, business regulation, and central planning, while trade and foreign investment policies were relatively liberal. Five-Year Plans of India resembled central planning in the Soviet Union. Steel, mining, machine tools, telecommunications, insurance, and power plants, among other industries, were effectively nationalized in the mid-1950s.

“ Never talk to me about profit, Jeh, it is a ” dirty word.

—Nehru, India's Fabian Socialism inspired first prime minister to industrialist J.R.D. Tata, when Tata suggested state-owned companies should be profitable,

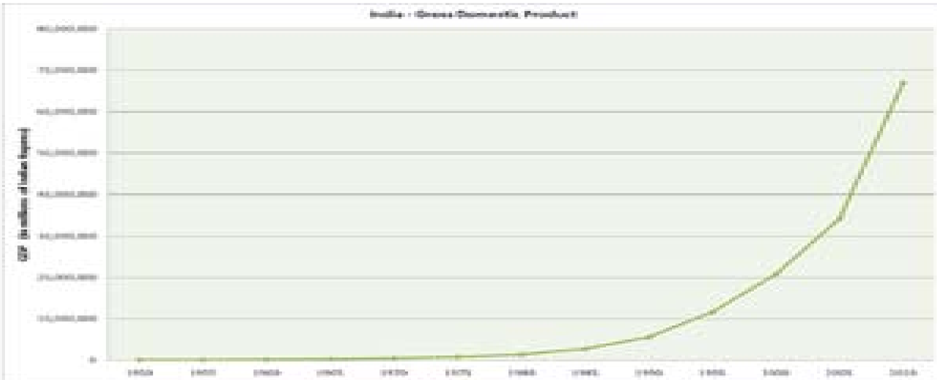
Jawaharlal Nehru, the first prime minister of India, along with the statistician Prasanta Chandra Mahalanobis, formulated and oversaw economic policy during the initial years of the country's independence. They expected favourable outcomes from their strategy, involving the rapid development of heavy industry by both public andprivate sectors, and based on direct and indirect state intervention, rather than the more extreme Soviet-stylecentral command system. The policy of concentrating simultaneously on capital- and technology-intensive heavy industry and subsidizing manual, low-skill cottage industries was criticized by economist Milton Friedman, who thought it would waste capital and labour, and retard the development of small manufacturers. The rate of growth of the Indian economy in the first three decades after independence was derisively referred to as the Hindu rate of growth by economists, because of the unfavorable comparison with growth rates in other Asian countries.

‘ (In the current Indian regulatory system,) I cannot decide how much to borrow, what shares to issue, at what price, what wages and bonus to pay, and what dividend to give. I even need the government's permission for the salary I pay to a senior executive.

—J. R. D. Tata in 1969,

Since 1965, the use of high-yielding varieties of seeds, increased fertilizers 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.[82] However, it has also been criticized as an unsustainable effort, resulting in the growth of capitalistic farming, ignoring institutional reforms and widening income disparities. Subsequently the Emergency and Garibi Hatao concept under which income tax levels at one point rose to a maximum of 97.5%, a record in the world for non-communist economies, started diluting the earlier efforts.

Post-liberalization period (since 1991)



GDP of India has risen rapidly since 1991.

In the late 1970s, the government led by Morarji Desai 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. However, the subsequent government policy of Fabian socialism hampered the benefits of the economy, leading to high fiscal deficits and a worsening current account. The collapse of the Soviet Union, which was India's major trading partner, and the Gulf War, which caused a spike in oil prices, resulted in a major balance-of-payments crisis for India, which found it facing the prospect of defaulting on its loans. India asked for a $1.8 billion bailout loan from the International Monetary Fund (IMF), which in return demanded de-regulation.[85]

In response, Prime Minister Narasimha Rao, along with his finance minister Manmohan Singh, initiated the economic liberalization of 1991. The reforms did away with the Licence Raj, reduced tariffs and interest rates and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors.[86] 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 progressed towards a free-market economy, with a substantial reduction in state control of the economy and increased financial liberalization. This has been accompanied by increases in life expectancy, literacy rates and food security, although urban residents have benefited more than agricultural residents.[89]

While the credit rating of India was hit by its nuclear weapons tests in 1998, it has since been raised to investment level in 2003 by S&P and Moody's.[90] India enjoyed high growth rates for a period from 2003 to 2007 with growth averaging 9%

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Print-ISSN: 2249 -3492
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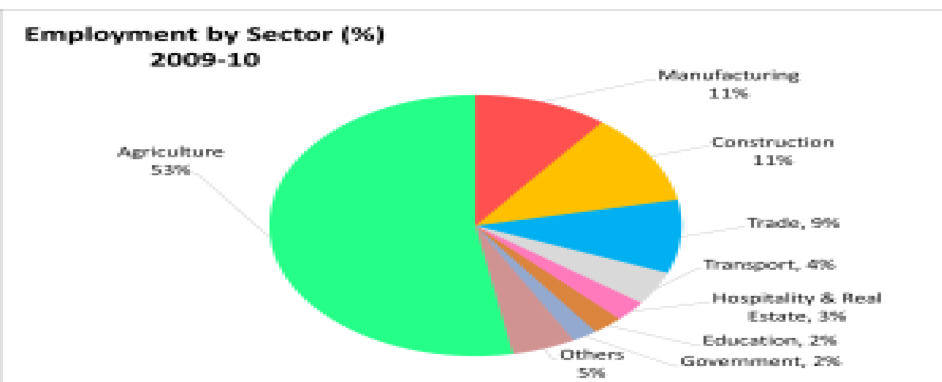
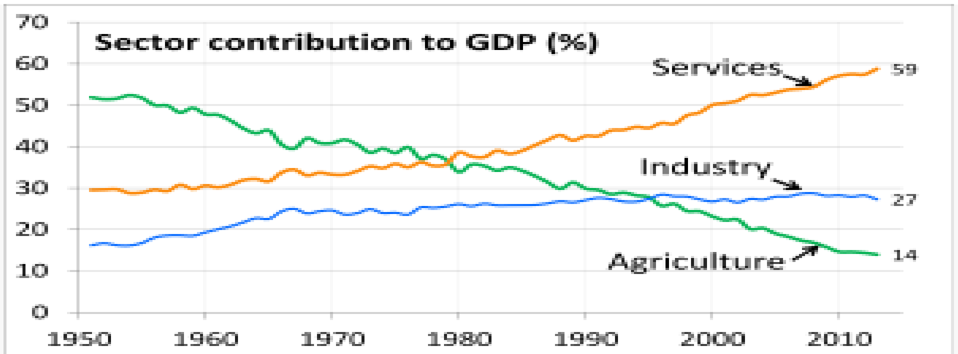
during this period.[91] Growth then moderated due to the global financial crisis starting in 2008. In 2003, Goldman Sachs predicted that India's GDP in current prices would overtake France and Italy by 2020, Germany, UK and Russia by 2025 and Japan by 2035, making it the third largest economy of the world, behind the US and China. India is often seen by most economists as a rising economic superpower and is believed to play a major role in the global economy in the 21st century.

Starting in 2012, India entered a period of more anemic growth, with growth slowing down to 4.4%.[94] Other economic problems also became apparent: a plunging Indian rupee, a persistent high current account deficit and slow industrial growth. Hit by the U.S. Federal Reserve's decision to taper quantitative easing, foreign investors had been rapidly pulling out money from India though this has now reversed with the Stock market at near all time high and the current account deficit narrowing substantially. India is ranked at 134 out of 189, overall, in World Bank's 2013 ease of doing business index. However, this score masks the underlying data: in terms of starting a business, dealing with bureaucratic permits and enforcing contracts, it is ranked among the 10 worst in the world; while in terms of protecting investors, general operations and other measures, India ranks very favorably among 189 countries.

Sectors



Percent labor employment in India by its economic sectors (2010)



The GDP contribution of various sectors of Indian economy have evolved between 1951 to 2013, as its economy has diversified and developed

Historically, India has classified and tracked 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 related activities. Industry includes various manufacturing sub-sectors.

India's definition of services sector includes its construction, retail, software, IT, communications, hospitality, infrastructure operations, education, health care, banking and insurance, and many other economic activities.

Agriculture

India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 17% of the GDP and employed 51% of the total workforce in 2012. As Indian economy has diversified and grown, agriculture's contribution to GDP has steadily declined from 1951 to 2011, yet it is still the largest employment source and a significant piece of the overall socio-economic development of India.[99] Crop yield 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 in India. However, international comparisons reveal the average yield in India is generally 30% to 50% of the highest average yield in the world. Indian states Uttar Pradesh, Punjab, Haryana, Madhya Pradesh, Andhra Pradesh, Bihar, West Bengal, Gujarat and Maharashtra are key agricultural contributing states of India.

India receives an average annual rainfall of 1,208 millimeters (47.6 in) and a total annual precipitation of 4000 billion cubic metres, with the total utilizable water resources, including surface and groundwater, amounting to 1123 billion cubic metres. 546,820 square kilometers

(211,130 sq mi) of the land area, or about 39% of the total cultivated area, is irrigated. India's inland water resources including rivers, canals, ponds and lakes and marine resources comprising the east and west coasts of the Indian ocean and other gulfs and bays provide employment to nearly six million people in the fisheries sector. In 2008, India had the world's third largest fishing industry. India is the largest producer in the world of milk, jute and pulses, and also has the world's second largest cattle population with 175 million animals in 2008. It is the second largest producer of rice, wheat, sugarcane, cotton and groundnuts, as well as the second largest fruit and vegetable producer, accounting for 10.9% and 8.6% of the world fruit and vegetable production respectively. India is also the second largest producer and the largest consumer of silk in the world, producing 77,000 tons in 2005. 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. It earns about 10 percent of its export earnings from this trade.

Industry

Industry accounts for 26% of GDP and employs 22% of the total workforce. According to the World Bank, India's industrial manufacturing GDP output in 2012 was 10th largest in the world on current US dollar basis ($ 239.5 billion), and 9th largest on inflation adjusted constant 2005 US dollar basis ($ 197.1 billion). The Indian industrial sector underwent significant changes as a result of the economic liberalization in India economic reforms of 1991, which removed import restrictions, brought in foreign competition, led to the privatization of certain government owned public sector industries, liberalized the FDI regime, improved infrastructure and led to an expansion in the production of fast moving consumer goods. Post-liberalization, the Indian private sector was faced with increasing domestic as well as foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, and relying on cheap labour and new technology. However, this has also reduced employment generation even by smaller manufacturers who earlier relied on relatively labour-intensive processes.

Petroleum products and chemicals

Petroleum products and chemicals are a major contributor to India's industrial GDP, and together they contribute over 34% of its export earnings. India hosts many oil refinery and petrochemical operations, including the world's largest refinery complex in Jamnagar that processes 1.24 million barrels of crude per day.[111] By volume, Indian chemical industry was the third largest producer in Asia, and it alone contributed 5% of its GDP. India is one of the top 5 world producers of agrochemicals, polymers and plastics, dyes and various organic and inorganic chemicals.[112] Despite being a large producer and exporter of chemicals, India is a net importer of chemicals given its domestic demand for products.[113]

Pharmaceuticals

The Indian pharmaceutical industry has grown in recent years to become a major manufacturer of health care products to the world. India produced about 8 per cent of global pharmaceutical supply in 2011 by value, that included over 60,000 generic brands of medicines sold around the world.[114] It is one of the fastest growing sub-sectors of its industry and significant contributor of India's export earnings. The state of Gujarat has become a hub for the manufacture and export of pharmaceuticals and APIs.[115] The industry is expected to double from its 2012 levels to US$55 billion by 2020, according to a McKinsey report.[116]

Engineering

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. The industry employs about four million workers. On value added basis, India's engineering industry sector exported $67 billion worth of engineering goods in 2013-14 fiscal years, as well served part of the domestic demand for engineering goods. The engineering industry of India includes its growing car, motorcycle and scooters industry, as well as productivity machinery such as tractors. India manufactured and assembled about 18 million passenger and utility vehicles in 2011, of which 2.3 million were exported.[119] India is the world's largest producer of and the largest market for tractors, accounting for 29% of world's tractor production in 2013. India is the 12th largest producer and 7th largest consumer of machine tools in the world.

Gems and jewelry

Gems and jewelry industry is an ancient and continuing major sub-sectors of Indian economy. Many famous stones such as the Koh-i-noorand Hope Diamond (above), now at the Smithsonian, came from India.

India is one of the world's largest diamonds and gem polishing and jewelry manufacturing center; it is also one of the two largest consumers of gold.[123][124] After crude oil and petroleum products, the export and import of gold, precious metals, precious stones, gems and jewelry accounts for the largest portion of India's global trade. The industry contributes about 7% of India's GDP, employs millions, and is a major source of its foreign exchange earnings.[125] The gems and jewellery industry, in 2013, created ₹251000 crore (US$42 billion) in economic output on value added basis. It is growing sector of Indian economy, and A.T. Kearney projects it to grow to ₹500000 crore(US$83 billion) by 2018.

The gems and jewelry industry has been an ancient art and continuous economic activity in India, traced over several thousand years. Till 18th century, India was the world's only known major reliable source of diamond mining and its processing.[123] Now, South Africa and Australia are the major sources of diamonds and precious metals, but along with Antwerp, New York, and Ramat Gan, Indian cities such as Surat and Mumbai are the hubs of world's jewelry polishing, cutting, precision finishing, supply and trade. Unlike other centers, the gems and jewelry economic activity in India is primarily artisans driven, is manual, the sector is highly fragmented, and 96% of the industry is served by family owned operations. Indian gem and jewelry economy's particular strength is in precision cutting, polishing and processing small diamonds (below one carat). Yet, India is also a hub for processing of larger diamonds, pearls and other precious stones. About 11 out of 12 diamonds set in any jewellery in the world are cut and polished in India.[128] It is also a major hub of gold and other precious metal-based precision jewelry industry. Its domestic demand for gold and jewelry products is another driver of India's GDP.

Textile

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. After freeing the industry in 2004–2005 from a number of limitations, primarily financial, the government gave a green light to massive investment inflows – both domestic and foreign. During the period from 2004 to 2008, total investment into textile sector increased by 27 billion dollars. Ludhiana produces 90% of woolens in India and is known as the Manchester of India. Tirupur has gained universal recognition as the leading source of hosiery, knitted garments, casual wear and sportswear. Expanding textile centers such as Ichalkaranji enjoy one of the highest per capita incomes in the country. India's cotton farms, fiber and textile industry provides employment to 45 million people in India, including some child labour (1%). The sector is estimated to employ around 400,000 children under the age of 18

Mining

India's mining industry was the 4th largest producer of minerals in the world by volume, and 8th largest producer by value in 2009.[132] In 2013, it mined and processed 89 minerals, of which 4 were fuel, 3 were atomic energy minerals, and 80 non-fuel. The government owned public sector accounted for 68% of mineral produced by volume, in 2011-12. Nearly 50% of India's mining industry, by output value, is concentrated in eight states like, Odisha, Rajasthan, Chhattisgarh, An dhraPradesh, Telangana, Jharkhand, Madhya Pradesh and Karnataka. Another 25% of the output by value comes from its offshore oil and gas resources.[134] India operated about 3,000 mines in 2010, half of which were coal, limestone and iron ore. On output value basis, India's was one of five largest producers of mica, chromite, coal, lignite, iron ore, bauxite, barites, zinc, manganese; while being one of the 10 largest global producers of many other minerals. India was fourth largest producer of steel in the world in 2013, and seventh largest producer of aluminum. India's mineral resources are vast.[138] However, its mining industry has declined - contributing 2.3% of its GDP in 2010 compared to 3% in 2000, and employed 2.9 million people - a decreasing percentage of its total labor. India is a net importer of many minerals including coal. India's mining sector decline is because of complex permit, regulatory and administrative procedures that take 6 to 20 fold more time than other mining countries such as Australia and South Africa, inadequate infrastructure, shortage of capital resources, and slow adoption of ecologically and environmentally sustainable technologies.

Services

India's services sector has the largest share in the GDP, accounting for 57% in 2012, up from 15% in 1950. It is the 12th largest in the world by nominal GDP, and fourth largest when purchasing power is taken into account. The services sector provides employment to 27% of the work force. Information technology and business process outsourcing are among the fastest growing sectors, having a cumulative growth rate of revenue 33.6% between 1997 and 1998 and 2002–03 and contributing to 25% of the country's total exports in 2007–08.[140] The growth in the IT sector is attributed to increased specialization, and an availability of a large pool of low cost, highly skilled, educated and fluent English-speaking workers, on the supply side, matched on the demand side by increased demand from foreign consumers interested in India's service exports, or those looking to outsource their operations. The share of the Indian IT industry in the country's GDP increased from 4.8% in 2005–06 to 7% in 2008. In 2009, seven Indian firms were listed among the top 15 technology outsourcing companies in the world.

Energy and power

As of 2010, India imported about 70% of its crude oil requirements.[143]Shown here is an ONGC platform at Mumbai High in the Arabian Sea, one of the sites of domestic production.

As of 2009, India is the fourth largest producer of electricity and oil products and the fourth largest importer of coal and crude-oil in the world. Coal and oil together account for 66% of the energy consumption of India. India's oil reserves meet 25% of the country's domestic oil demand. As of 2012, India's total proven oil reserves of 5.5 million barrels (870 million litres), while gas reserves stood at 43,800 million cubic feet (1,240 million cubic metres). Oil and natural gas fields are located offshore at Mumbai High, Krishna Godavari Basin and the Cauvery Delta, and onshore mainly in the states of Assam, Gujarat and Rajasthan. India is the fourth largest consumer of oil in the world and imported ₹726386 crore (US$120 billion) worth of oil in 2011-12,[150] which had an adverse effect on its current account deficit. The petroleum industry in India mostly consists of public sector companies such as Oil and Natural Gas Corporation (ONGC), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and Indian Oil Corporation Limited (IOCL). There are some major private Indian companies in the oil sector such as Reliance Industries

Limited (RIL) which operates the world's largest oil refining complex.

As of December 2011, India had an installed power generation capacity of 233.929 GW as of December 2013, of which thermal power contributed 68.31%, hydroelectricity 17.05%, other sources of renewable energy 12.59%, and nuclear power 2.04%.[152][153] India meets most of its domestic energy demand through its 106 billion tonnes of coal reserves. India is also rich in certain alternative sources of energy with significant future potential such as solar, wind and biofuels (jatropha , sugarcane). India's dwindling uranium reserves stagnated the growth of nuclear energy in the country for many years. Recent discoveries of natural uranium in Tummalapalle belt, which promises to be one of the top 20 of the world's reserves, and an estimated reserve of 846,477 metric tons (933,081 short tons) of thorium about 25% of world's reserves – are expected to fuel the country's ambitious nuclear energy program in the long-run. The Indo-US nuclear deal has also paved the way for India to import uranium from other countries.

Infrastructure

India's infrastructure and transport sector contributes about 5% of its GDP. India has the world's second largest road network in quantitative terms,[161] covering more than 4.3 million kilometers. Qualitatively, India's roads are a mix of modern highways and narrow, unpaved roads. India also has the lowest kilometer lane road density per 100,000 people among G-27 countries - leading to traffic congestion. It is upgrading its infrastructure. As of May 2014, India had completed and placed in use over 22,600 kilometers of recently built 4 or 6-lane highways connecting most of its major manufacturing, commercial and cultural centers. India's road infrastructure carries 60% of freight and 87% of passenger traffic.

Indian Railways is the fourth largest rail network in the world, with a track length of 114,500 kilometers and 7,172 stations. This government owned and operated railway network carried an average of 23 million passengers a day, and over a billion tonnes of freight a year.[164] India has a coastline of 7,500 kilometers with 13 major ports and 60 operational non-major ports, which together handle 95% of the country's external trade by volume and 70% by value (rest handled by air).[165] Nhava Sheva, Mumbai is the largest public port, while Mundra is the largest private sea port.[166] The airport infrastructure of India includes 125 airports,[167] of which 66 airports are licensed to handle both passengers and logistics. About 74 people out of 100 have land or wireless telephones in India, or about 927 million telephone subscribers, two-thirds of them in urban areas.[169] Internet use has been growing rapidly in India, with an estimated 243 million users in June 2014. This is projected to grow to 330–370 million users by 2016.

Retail

Retail industry contributes between 14–15% to 20% of India's GDP.[174] The Indian retail market is estimated to be US$450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, and is projected to reach $1.3 trillion by 2020.

India's retailing industry mostly consists of the local mom and pop store, owner manned shops and street vendors. Organized retail supermarkets are growing but small, with a market share of 4% as of 2008. In 2012 government permitted 51% FDI in multi brand retail and 100% FDI in single brand retail. However, a lack of back end warehouse retail infrastructure, as well as state level permits and red tape continues to limit organized retail's growth in Indian economy. Over thirty regulations such as "signboard licenses" and "anti-hoarding measures" have to be complied before a store can open doors. There are taxes for moving goods from state to state, and even within states. The lack of infrastructure and efficient retail network, according to The Wall Street Journal, causes a third of India's agriculture produce to be lost from spoilage.

Tourism

International and domestic tourism industry contributes more to India's GDP than its textile sector. India attracted 6.85 million international tourist arrivals and $18.4 billion in foreign exchange earnings from tourism receipts in 2013. Tourism to India has seen a steady growth, year on year, from 4.45 million arrivals in 2006 to nearly 7 million arrivals in 2013. The United States is the largest source of international tourists to India, while European Union nations and Japan are other major sources of international tourists. Less than 10% of international tourists visit the Taj Mahal, with majority visiting other cultural, thematic and holiday circuits. Over 12 million Indian citizens take international trips each year for tourism, while domestic tourism within India adds about 740 million Indian travelers. The combined international and domestic tourism contributed 5.92% of India's GDP, and 9.3% to its employment in 2011. India has a fast growing medical tourism sector of its health care economy offering low cost health and long term care.

Banking and finance

The Indian money market is classified into the organized sector, comprising private, public and foreign owned commercial banks and cooperative banks, together known as *scheduled banks*, and the unorganized sector, which includes individual or family owned indigenous bankers or money lenders and non-banking financial

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companies. The unorganized sector and microcredit are still preferred over traditional banks in rural and sub-urban areas, especially for non-productive purposes, like ceremonies and short duration loans.

Prime Minister Indira Gandhi nationalized 14 banks in 1969, followed by six others in 1980, and made it mandatory for banks to provide 40% of their net credit to priority sectors like agriculture, small-scale industry, retail trade, small businesses, etc. to ensure that the banks fulfill their social and developmental goals. Since then, the number of bank branches has increased from 8,260 in 1969 to 72,170 in 2007 and the population covered by a branch decreased from 63,800 to 15,000 during the same period. The total bank deposits increased from ₹59.1 billion (US$980 million) in 1970–71 to ₹38309.22 billion (US$640 billion) in 2008–09. Despite an increase of rural branches, from 1,860 or 22% of the total number of branches in 1969 to 30,590 or 42% in 2007, only 32,270 out of 500,000 villages are covered by a scheduled bank.

India's gross domestic saving in 2006–07 as a percentage of GDP stood at a high 32.8%.[192] More than half of personal savings are invested in physical assets such as land, houses, cattle, and gold.[193] The government owned public sector banks hold over 75% of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.[194] Since liberalisation, the government has approved significant banking reforms. While some of these relate to nationalised banks, like encouraging mergers, reducing government interference and increasing profitability and competitiveness, other reforms have opened up the banking and insurance sectors to private and foreign players.

External Trade and Investment

Global trade relations

A map showing the global distribution of Indian exports in 2006 as a percentage of the top market (USA – $20.9 billion)

Until the liberalization of 1991, India was largely and intentionally isolated from the world markets, to protect its economy and to achieve self-reliance. Foreign trade was subject to import tariffs, export taxes and quantitative restrictions,

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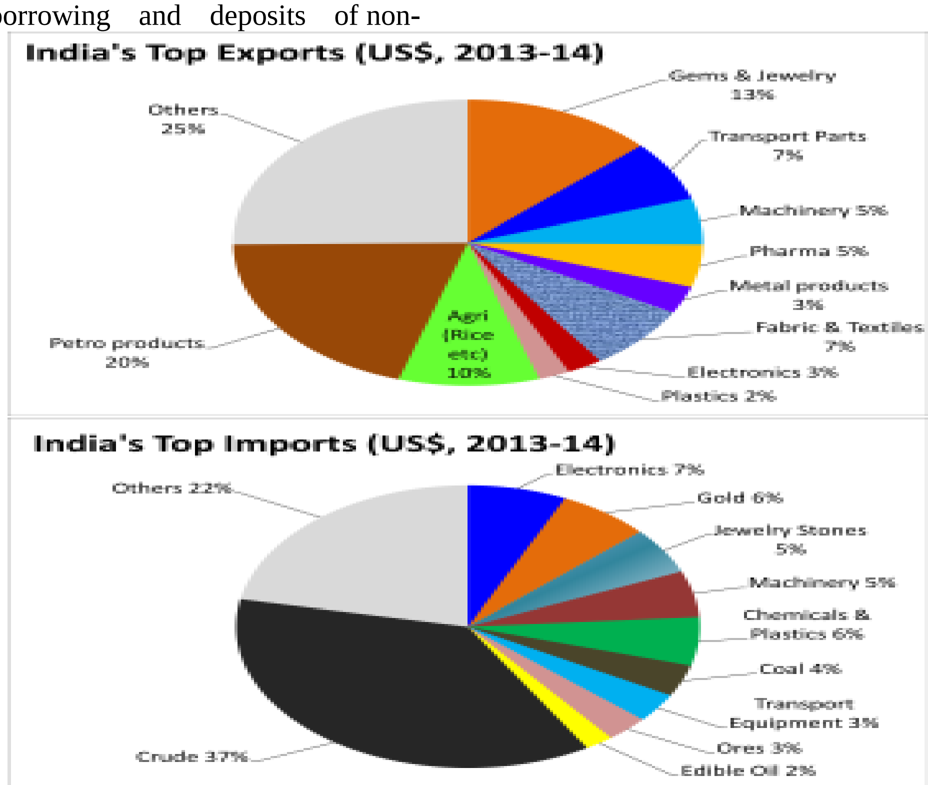
while foreign direct investment (FDI) was restricted by upper-limit equity participation, restrictions on technology transfer, export obligations and government approvals; these approvals were needed for nearly 60% of new FDI in the industrial sector. The restrictions ensured that FDI averaged only around $200 million annually between 1985 and 1991; a large percentage of the capital flows consisted of foreign aid, commercial borrowing and deposits of non-resident Indians.[196] India's exports were stagnant for the first 15 years after independence, due to general neglect of trade policy by the government of that period. Imports in the same period, due to industrialization being nascent, consisted predominantly of machinery, raw materials and consumer goods.

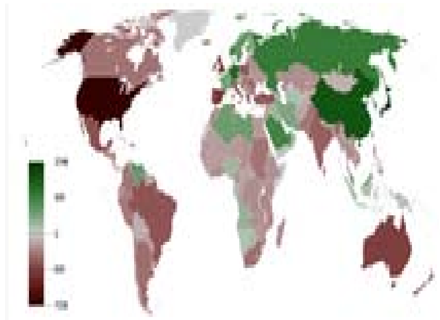


India's exports (top) and imports, by value, in 2013-2014

Since liberalization, the value of India's international trade has increased sharply, with the contribution of total trade in goods and services to the GDP rising from 16% in 1990–91 to 47% in 2008–10. India accounts for 1.44% of exports and 2.12% of imports for merchandise trade and 3.34% of exports and 3.31% of imports for commercial services trade worldwide. India's major trading partners are the European Union, China, the United States of America and the United Arab Emirates. In 2006–07, major export commodities included engineering goods, petroleum products, chemicals and pharmaceuticals, gems and jeweler, textiles and garments, agricultural products, iron ore and other minerals. Major import commodities included crude oil and related products, machinery, electronic goods, gold and silver. In November 2010, exports increased 22.3% year-on-year to ₹850.63 billion (US$14 billion), while imports were up 7.5% at ₹1251.33 billion (US$21 billion). Trade deficit for the same month dropped from ₹468.65 billion (US$7.8 billion) in 2009 to₹400.7 billion (US$6.7 billion) in 2010.

India is a founding-member of General Agreement on Tariffs and Trade (GATT) since 1947 and its successor, the WTO. While participating actively in its general council meetings, India has been crucial in voicing the concerns of the developing world. For instance, India has continued its opposition to the inclusion of such matters as labour and environment issues and other non-tariff barriers to trade into the WTO policies.

Balance of payments



Cumulative Current Account Balance 1980–2008 based on IMF data

Since independence, India's balance of payments on its current account has been negative. Since economic liberalization in the 1990s, precipitated by a balance of payment crisis, India's exports rose consistently, covering 80.3% of its imports in 2002–03, up from 66.2% in 1990–91. However, the global economic slump followed by a general deceleration in world trade saw the exports as a percentage of imports drop to 61.4% in 2008–09.[206] India's growing oil import bill is seen as the main driver behind the large current account deficit,[143] which rose to $118.7 billion, or 11.11% of GDP, in 2008–09. Between January and October 2010, India imported $82.1 billion worth of crude oil.

Indian economy has run a trade deficit every year over 2002-2012 period, with a merchandise trade deficit of US$ 189 billion in 2011-12.[208] Its trade with China has the largest deficit, about $31 billion in 2013. India's reliance on external assistance and concessional debt has decreased since liberalization of the economy, and the debt service ratio decreased from 35.3% in 1990–91 to 4.4% in 2008–09.[210] In India, External Commercial Borrowings (ECBs), or commercial loans from non-resident lenders, are being permitted by the Government for providing an additional source of funds to Indian corporates. The Ministry of Finance monitors and regulates them through ECB policy guidelines issued by the Reserve Bank of India under theForeign Exchange Management Act of 1999. India's foreign exchange reserves have steadily risen from $5.8 billion in March 1991 to $283.5 billion in December 2009. [212] In 2012, the United Kingdom announced an end to all financial aid to India, citing the growth and robustness of Indian economy.

Foreign direct investment

Share of top five investing countries in FDI inflows. (2000–2010)[214]

Rank	Country	Inflows (million USD)	Inflows (%)
1	Mauritius	50,164	42.00
2	Singapore	11,275	9.00
3	USA	8,914	7.00
4	UK	6,158	5.00
5	Netherlands	4,968	4.00

Into India

As the third-largest economy in the world in PPP terms, India has attracted foreign direct investment; During the year 2011, FDI inflow into India stood at $36.5 billion, 51.1% higher than 2010 figure of $24.15 billion. India has strengths in telecommunication, information technology and other significant areas such as auto components, chemicals, apparels, pharmaceuticals, and jewellery. Despite a surge in foreign investments, rigid FDI policies were a significant hindrance. Over time, India has adopted a number of FDI reforms. India has a large pool of skilled managerial and technical expertise. The size of the middle-class population stands at 300 million and represents a growing consumer market.

India's liberalized its FDI policy in 2005, allowing up to a 100% FDI stake in ventures. Industrial policy reforms have substantially reduced industrial licensing requirements, removed restrictions on expansion and facilitated easy access to foreign technology and foreign direct investment FDI. The upward moving growth curve of the real-estate sector owes some credit to a booming economy and liberalized FDI regime. In March 2005, the government amended the rules to allow 100% FDI in the construction sector, including built-up infrastructure and construction development projects comprising housing, commercial premises, hospitals, educational institutions, recreational facilities, and city- and regional-level infrastructure. Over 2012-14, India extended these reforms to defense, telecom, oil, retail, aviation and a number of other sectors. bDuring 2000–10, the country attracted $178 billion as FDI. The inordinately high investment from Mauritius is due to routing of international funds through the country given significant tax advantages; double taxation is avoided due to a tax treaty between India and Mauritius, and Mauritius is a capital gains tax haven, effectively creating a zero-taxation FDI channel.

From India

Since 2000, Indian companies have expanded overseas, investing FDI and creating jobs outside India. Over the 2006-2010 periods, FDI by Indian companies outside India amounted to 1.34 per cent of its GDP. Indian companies have deployed FDI and started operations in the United States while others have expanded in Europe and Africa. The Indian company Tata is United Kingdom's largest manufacturer and private sector employer.

Currency in India

The RBI's new headquarters in Mumbai

Year	**Rupee per US$ (*average annual*)**
1975	8.4058

1980	7.8800
1985	12.3640
1990	17.4992
1995	32.4198
2000	44.9401
2005	44.1000
2010	45.7393
2013	58.5515

The Indian rupee (₹) is the only legal tender in India, and is also accepted as legal tender in the neighboring Nepal and Bhutan, both of which peg their currency to that of the Indian rupee. The rupee is divided into 100 paisa. The highest-denomination banknote is the ₹ 1,000 note; the lowest-denomination coin in circulation is the 50 paisa coin; with effect from 30 June 2011 all denominations below 50 paisa have ceased to be legal currency. India's monetary system is managed by the Reserve Bank of India (RBI), the country's central bank. Established on 1 April 1935 and nationalized in 1949, the RBI serves as the nation's monetary authority, regulator and supervisor of the monetary system, banker to the government, custodian of foreign exchange reserves, and as an issuer of currency. It is governed by a central board of directors, headed by a governor who is appointed by the Government of India.

The rupee was linked to the British pound from 1927 to 1946 and then the U.S. dollar till 1975 through a fixed exchange rate. It was devalued in September 1975 and the system of fixed par rate was replaced with a basket of four major international currencies – the British pound, the U.S. dollar, the Japanese yen and the Deutsche mark. In 1991, after the collapse of its largest trading partner Soviet Union, India faced the major foreign exchange crisis and the rupee was devalued by around 19% in two stages on 1 and 2 July. In 1992 a Liberalized Exchange Rate Mechanism – LERMS- was introduced. Under LERMS exporters had to surrender 40 percent of their foreign exchange earnings to the RBI at the RBI determined exchange rate. The balance 60% was allowed to be converted at the market determined exchange rate. In 1994 the rupee

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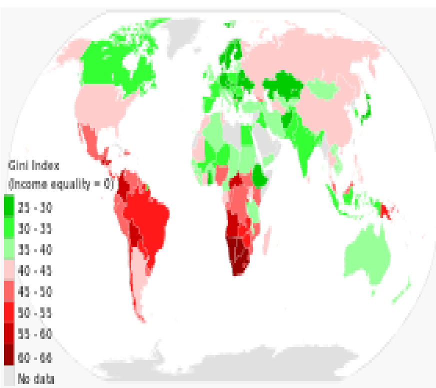
was convertible on the current account, with some capital controls. Reserve Bank of India intervenes in the foreign exchange market to curb excessive volatility. After the sharp devaluation in 1991 and transition to current account convertibility in 1994, the value of the rupee is largely determined by the market forces. The rupee has been fairly stable during the decade 2000 to 2010. In September 2013, the rupee touched an all time low 68.27 to the U.S. dollar.

Income and Consumptions



Gini Index of India compared to other countries per World Bank data tables as of 2014

India's gross national income per capita had experienced high growth rates since 2002. India's Per Capita Income has tripled from Rs. 19,040 in 2002–03 to Rs. 53,331 in 2010–11, averaging 13.7% growth over these eight years peaking 15.6% in 2010–11. However growth in the inflation adjusted Per capita income of the nation slowed to 5.6% in 2010–11, down from 6.4% in the previous year. These consumption levels are on an individual basis, not household. on a household basis, the average income in India was $6,671 per household in 2011.

Per 2011 census, India has about 330 million houses and 247 million households. The household size in India has dropped in recent years, with 2011 census reporting 50% of households have 4 or less members. The average per 2011 census was 4.8 members per household, and included surviving grandparents. These households produced a GDP of about $1.7 Trillion. The household consumption patterns per 2011 census: approximately 67% of households use firewood, crop residue or cow dung cakes for cooking purposes; 53% do not have sanitation or drainage facilities on premises; 83% have water supply within their premises or 100 meters from their house in urban areas and 500 meters from the house in rural areas; 67% of the households have access to electricity; 63% of households have landline or mobile telephone connection; 43% have a television; 26% have either a two wheel (motorcycle) or four wheel (car) vehicle. Compared to 2001, these income and consumption trends represent moderate to significant improvements.[239] One report in 2010 claimed that the number of high income households has crossed lower income households.

Poverty in India

The World Bank in 2010, using its older 2005 methodology, estimated about 400 million people in India, as compared to 1.29 billion people worldwide; live on less than $1.25 (PPP) per day. The World Bank reviewed and proposed revisions in May 2014, to its poverty calculation methodology and purchasing power parity basis for measuring poverty worldwide, including India. According to this revised methodology, the world had 872.3 million people below the new poverty line, of which 179.6 million people lived in India. In other words, India with 17.5% of total world's population had 20.6% share of world's poorest in 2013. According to a 2005-2006 survey, India had about 61 million children under the age of 5 who were chronically malnourished. A 2011 UNICEF report stated that that between 1990 to 2010, India achieved a 45 percent reduction in under age 5 mortality rates, and now ranks 46 in 188 countries on this metric.

Since the early 1950s, successive governments have implemented various schemes to alleviate poverty, under central planning, that have met with partial success.[246] In 2005, Indian government enacted the Mahatma Gandhi National Rural Employment Guarantee Act, guaranteeing 100 days of minimum wage employment to every rural household in all the districts of India. In 2011, this Rural Employment Guarantee programme was widely criticized as no more effective than other poverty reduction programs in India. Despite its best intentions, MGNREGA is beset with controversy about corrupt officials, deficit financing as the source of funds, poor quality of infrastructure built under this program, and unintended destructive effect on poverty. Other studies suggest that the Rural Employment Guarantee welfare program has helped in reducing rural poverty in some cases. Yet other studies report that India's economic growth has been the driver of sustainable employment and poverty reduction, but a sizable population remains in poverty.

Employment in India

Agricultural and allied sectors accounted for about 52.1% of the total workforce in 2009–10. While agriculture employment has fallen over time in percentage of labor employed, services which include construction and infrastructure have seen a steady growth accounting for 20.3% of employment in 2012-13.[12] Of the total workforce, 7% is in the organized sector, two-thirds of which are in the government controlled public sector. About 51.2% of the labor in India is self-employed.[12] According to 2005-06 survey, there is a gender gap in employment and salaries. In rural areas, both men and women are primarily self-employed, mostly in agriculture. In urban areas, salaried work was the largest source of employment for both men and women in 2006.

Unemployment in India is characterized by chronic (disguised) unemployment. Government schemes that target eradication of both poverty and unemployment (which in recent decades has sent millions of poor and unskilled people into urban areas in search of livelihoods) attempt to solve the problem, by providing financial assistance for setting up businesses, skill honing, setting up public sector enterprises, reservations in governments, etc. The decline in organized employment due to the decreased role of the public sector after liberalization has further underlined the need for focusing on better education and has also put political pressure on further reforms. India's labor regulations are heavy even by developing country standards and analysts have urged the government to abolish or modify them in order to make the environment more conducive for employment generation. The 11th five-year plan has also identified the need for a congenial environment to be created for employment generation, by reducing the number of permissions and other bureaucratic clearances required. Further, inequalities and inadequacies in the education system have been identified as an obstacle preventing the benefits of increased employment opportunities from reaching all sectors of society.

Child labor in India is a complex problem that is basically rooted in poverty. The Indian government has implemented, since the 1990s, a variety of programs to eliminate child labor. These have included setting up schools, launching free school lunch program, setting up special investigation cells and others. Desai et al. state that recent studies on child labour in India have found some pockets of industries in which children are employed, but overall, relatively few Indian children are employed. Child labor below the age of 10 is now rare. In the 10-14 groups, the latest surveys find only 2% of children working for wage, while another 9% work within their home or rural farms assisting their parents in times of high work demand such as sowing and harvesting of crops.

India has the second largest Diaspora around the world, an estimated 25 million people, many of whom work overseas and remit funds back to their families. The Middle East region is the largest source of employment of expat Indians. The crude oil production and infrastructure industry of Saudi Arabia employs over 2 million expat Indians. Cities such as Dubai and Abu Dhabi in United Arab Emirates alone have employed another 2 million Indian construction workers during its construction boom in recent decades. In 2009–10, remittances from Indian migrants overseas stood at ₹2500 billion (US$42 billion), the highest in the world, but their share in FDI remained low at around 1%.

Economics Trends and Issues

Commercial office buildings in Gurgaon

With 1.2 billion people and the world's fourth-largest economy, India's recent growth and development has been one of the most significant achievements of our times. Over the six and half decades since independence, the country has brought about a landmark agricultural revolution that has transformed the nation from chronic dependence on grain imports into a global agricultural powerhouse that is now a net exporter of food. Life expectancy has more than doubled, literacy rates have quadrupled, health conditions have improved. India will soon have the largest and youngest workforce the world has ever seen. At the same time, the country is in the midst of a massive wave of urbanization as some 10 million people move to towns and cities each year in search of jobs and opportunity. It is the largest rural-urban migration of this century. Massive investments will be needed to create the jobs, housing, and infrastructure to meet soaring aspirations and make towns and cities more livable and green.

— World Bank: "India Country Overview 2013"

Economy in India

Economy of India

Online-ISSN: 2249 -3506
Print-ISSN: 2249 -3492
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Mumbai, Maharashtra is considered the trade and commerce capital of India[1][2]

Rank	10th (nominal) / 3rd (PPP)
Currency	Indian rupee (INR) (₹) = 100 Paise
Fiscal year	1 April – 31 March
Trade organizations	WTO, SAFTA, BRIC, G-20 and others
Statistics	
GDP	$1.87 trillion (nominal: 10th; 2013)[3] $5.07 trillion (PPP: 3rd; 2013)[3]
GDP growth	▲4.7% (2013)[4]
GDP per capita	$1,504 (nominal: 130th; 2013)[3] $4,077(PPP: 127th; 2013)[3]
GDP by sector	agriculture: 13.7%, industry: 21.5%, services: 64.8% (2013)[5][6]
Inflation (CPI)	CPI: 8.79%, WPI: 5.05% (January 2014)[7]

An Analytical Study on GDP, PPP and Economy Growth in India- An Historical Approach

Population belowpoverty line	29.5% (2012, Rangarajan panel)[8] 22% (2012, Reserve Bank of India),[9] 14.3% or 179.6 million people (2014, World Bank)[10]
Gini coefficient	33.9[11]
Labour force	487.3 million (2013 est.)[12]
Labour force by occupation	agriculture: 49%, industry: 20%, services: 31% (2012 est.)
Unemployment	3% Urban, 2% Rural, 10.8 million Total (2013, NSSO method)[13]
Average gross salary	$1.46 per hour ($3,036.8 yearly in 2010);[14] GNI per capita: $1,570 yearly per person (2013);[15] Average household income: $6,671 yearly (2011)[16]
Main industries	agriculture, petroleum products,chemicals, pharmaceuticals, software, textiles, steel, transportation equipment,machinery, cement, mining, construction[17][18]
Ease-of-doing-business rank	134th[19] (2014)
External	
Exports	$296.8 billion: merchandize exports, $145.6 billion: services exports, $442.4 billion: total (2012)[20]
Export goods	software, petrochemicals, agricultureproducts, jewelry, engineering goods,[21] pharmaceuticals, textiles,chemicals, transportation parts, oresand other commodities[18]
Main export	European Union 16.8%(2012[20])

partners	United States 12.8% United Arab Emirates 12.4% China 5.1% Singapore 4.7%
Imports	$488.6 billion: merchandize imports, $128.1 billion: services imports, $616.7 billion: total (2012)[20]
Import goods	crude oil, gold and precious stones, electronics, engineering goods,[21]chemicals, plastics, coal and ores, iron and steel, vegetable oil and other commodities[18]
Main import partners	China 11.1% (2012[20]) European Union 11.1% United Arab Emirates 7.7% Saudi Arabia 6.7% Switzerland 5.9%
FDI stock	Inflows: $151.7 billion, Outflows: $54.6 billion (2009-2013)[22]
Public finances	
Public debt	66.7% of GDP (2013.)[23]
Budget deficit	4.8% of GDP (2012–13)[24]
Revenues	$181.3 billion billion (2013 est.)
Expenses	$281.6 billion billion (2013 est.)
Economic aid	$2.107 billion (2008)[25]
Credit rating	BBB- (Domestic) BBB- (Foreign) BBB+ (T&C Assessment) Outlook: Stable

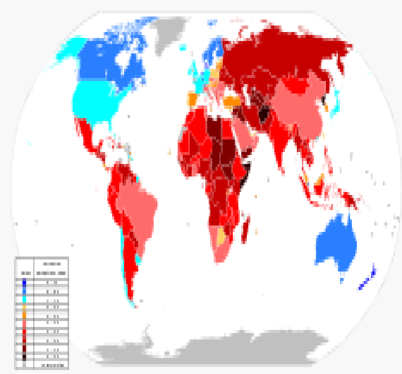
	(Standard & Poor's)[26]
Foreign reserves	▲$316.39 billion[27]
Main data source: **CIA World Fact Book**	
All values, unless otherwise stated, are in US dollars.	

Source: From wiki pedia-2014

Agriculture

Agriculture is an important part of Indian economy. In 2008, a New York Times article claimed, with the right technology and policies, India could contribute to feeding not just itself but the world. However, agricultural output of India lags far behind its potential. The low productivity in India is a result of several factors. According to the World Bank, India's large agricultural subsidies are distorting what farmers grow and they are hampering productivity-enhancing investment. While overregulation of agriculture has increased costs, price risks and uncertainty, governmental intervention in labour, land, and credit markets are hurting the market. Infrastructure such as rural roads, electricity, ports, food storage, retail markets and services are inadequate. Further, the average size of land holdings is very small, with 70% of holdings being less than one hectare in size. Irrigation facilities are inadequate, as revealed by the fact that only 39% of the total cultivable land was irrigated as of 2010, resulting in farmers still being dependent on rainfall, specifically the monsoon season, which is often inconsistent and unevenly distributed across the country. Farmer incomes are low also in part because of lack of food storage and distribution infrastructure. A third of India's agriculture produce is lost from spoilage.

Corruption



Perception of corruption index for India compared to other countries, 2010.

Corruption has been one of the pervasive problems affecting India. A 2005 study by Transparency International (TI) found that more than half of those surveyed had firsthand experience of paying bribe or peddling influence to get a job done in a public office in the previous year. A follow-on 2008 TI study found this rate to be 40 percent. In 2011, Transparency International ranked India at 95th place amongst 183 countries in perceived levels of public sector corruption.

In 1996, red tape, bureaucracy and the Licence Raj were suggested as a cause for the institutionalized corruption and inefficiency. More recent reports suggest the causes of corruption in India include excessive regulations and approval requirements, mandated spending programs, monopoly of certain goods and service providers by government controlled institutions, bureaucracy with discretionary powers, and lack of transparent laws and processes. The Right to Information Act (2005) which requires 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 and opened up avenues to redress grievances. In 2011, the Indian government concluded that most spending fails to reach its intended recipients. A large, cumbersome and tumor-like bureaucracy sponges up or siphons off spending budgets. India's absence rates are one of the worst in the world; one study found that 25% of public sector teachers and 40% of government owned public sector medical workers could not be found at the workplace. Similarly, there are many issues facing Indian scientists, with demands for transparency, a meritocratic system, and an overhaul of the bureaucratic agencies that oversee science and technology.

The Indian economy has an underground economy, with a 2006 report alleging that the Swiss Bankers Association suggested India topped the worldwide list for black money with almost $1,456 billion stashed in Swiss banks. This amounts to 13 times the country's total external debt. These allegations have been denied by Swiss Banking Association. James Nason, the Head of International Communications for Swiss Banking Association, suggests "The (black money) figures were rapidly picked up in the Indian media and in Indian opposition circles, and circulated as gospel truth. However, this story was a complete fabrication. The Swiss Bankers Association never published such a report. Anyone claiming to have such figures (for India) should be forced to identify their source and explain the methodology used to produce them.

Education

India has made huge progress in terms of increasing primary education attendance rate and expanding literacy to approximately three-fourths of the population. India's literacy rate had grown from 52.2% in 1991 to 74.04% in 2011. The right to education at elementary level has been made one of the fundamental rights under the eighty-sixth

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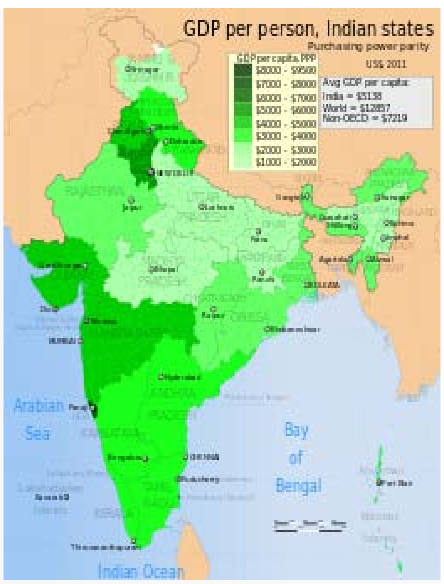
Amendment of 2002, and legislation has been enacted to further the objective of providing free education to all children. However, the literacy rate of 74% is still lower than the worldwide average and the country suffers from a high dropout rate. Further, the literacy rates and educational opportunities vary by region, gender, urban and rural areas, and among different social groups.

Economic disparities



Economic disparities among the States and Union Territories of India, on GDP per capita, PPP basis in 2011

Poverty rates in India's poorest states are three to four times higher than those in the more advanced states. While India's average annual per capita income was $1,410 in 2011 – placing it among the poorest of the world's middle-income countries – it was just $436 in Uttar Pradesh (which has more people than Brazil) and only $294 in Bihar, one of India's poorest states.

— World Bank: India Country Overview 2013

A critical problem facing India's economy is the sharp and growing regional variations among India's different states and territories in terms of poverty, availability of infrastructure and socio-economic development.[294] Six low-income states – Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha and Uttar Pradesh – are home to more than one-third of India's population.[295] Severe disparities exist among states in terms of income, literacy rates, and life expectancy and living conditions.

The five-year plans, especially in the pre-liberalization era, attempted to reduce regional disparities by encouraging industrial development in the interior regions and distributing industries across states, but the results have not been very encouraging since these measures in fact increased inefficiency and hampered effective industrial growth. After liberalization, the more advanced states have been better placed to benefit from them, with well-developed infrastructure and an educated and skilled workforce, which attract the manufacturing and service sectors. The governments of backward regions are trying to reduce disparities by offering tax holidays and cheap land, and focusing more on sectors like tourism which, although being geographically and historically determined, can become a source of growth and develops faster than other sectors. India's income Gini coefficient is 33.9, according to The World Bank, indicating overall income distribution to be more uniform than East Asia, Latin America and Africa that have higher Gini coefficients. There is a continuing debate on whether India's economic expansion has been pro-poor or anti-poor. Studies suggest that the economic growth has been pro-poor and has reduced poverty in India.

Insurance in India

Life Insurance

There are 23 private-sector firms providing life insurance, who have commenced operations over the period 2000–10. The industry which reported in annual growth rate of 19.8% during the period 1996–97 to 2000–01 has, post opening up the sector reported in an annual growth rate of 23.4% during 2001–02 to 2010–11. There has been an average growth of 34% in the first premium in the insurance sector between 2001 and 2002 and 2010–11. The life insurers underwrote new business of Rs 1, 26,381 crore during financial year 2010–11 as against Rs 1, 09,894 crore during the year 2009–10, recording a growth of 15%. Of the new business premium underwritten, LIC accounted Rs 87012.65 crore (68.9% market share). The market share of these insurers was 65.1% and 34.9% respectively in the corresponding period 2009–10.

Other Insurance

The industry which reported a growth rate of around 10 percent during the period 1996–97 to 2000–10 has, post opening up the sector, reported average annual growth of 15.85% over the period 2001–02 to 2010–11. In addition, the specialized insurers Export Credit Guarantee Corporation and Agriculture Insurance Company (AIC) are offering credit guarantee and corp insurance respectively. AIC, which has initially offering coverage under the National Agriculture Insurance Company (NAIS), has now started providing crop insurance cover on commercial line as well. It has introduced several innovative products such as weather insurance and specific crop related products. The premium underwritten by the non life insurers during 2010–11 was Rs 42,576 crore as against Rs 34,620 crore in 2009–10. The growth was satisfactory, particularly in the view of the across the broad cuts in the tariff rates. The private insurers underwrote premium of Rs 17,424 crore as against rs Rs 13,977 crore in 2009–10. The public sector insurers on the other hand, underwrote a premium of Rs 25,151.8 in 2010–11 as against Rs 20,643.5 crore in 2009–10, i.e. a growth of 21.8% as against 14.5% in 2009–10.

Market Penetration

The Indian insurance business has in the past remained under developed with low levels of insurance penetration. Post liberalization sector has succeeded in raising the levels of insurance penetration from 2.3 (life 1.8 and non life 0.7) in 2000 to 5.1 (life 4.4 and non life 0.7) in 2010.

Security Markets

The development of Indian security markets began with launch of Bombay Stock Exchange (BSE), Mumbai in July 1875 and Ahmedabad Stock exchange in 1894 and 22 other exchange in various cities over the years. In 2014, India's stock exchange market became the 10th largest in the world by market capitalization, just above those of South Korea and Australia. India's two major stock exchanges, BSE and National Stock Exchange of India, had a market capitalization of US$1.4997 trillion and US$1.4722 trillion respectively as of June 2014, according to World Federation of Exchanges.

The Initial Public Offering (IPO) market in India has been small compared to NYSE and NASDAQ, raising US$ 300 million in 2013 and US$ 1.4 billion in 2012. Ernst and Young states that the low IPO activity reflects market conditions as well as slow government approval process and complex regulations. Before 2013, Indian companies were not allowed to list their securities internationally without first completing an IPO in India. In 2013, these security laws were reformed and Indian companies can now choose where they want to list first - overseas, domestically, or concurrently.[305] Further, security laws have been revised to ease overseas listings of already listed companies, to increase liquidity for private equity and international investors in Indian companies.

Conclusion

The combination of protectionist, import-substitution, and Fabian socialism, social democratic-inspired policies governed India for sometime after the end of British occupation. The economy was then characterized by extensive regulation, protectionism, and public of large monopolies, pervasive corruption and slow growth. Since 1991, continuing economic liberalization has moved the country towards a market-based economy. By 2008, India had established itself as one of the world's faster growing economies. Growth significantly slowed to 6.8% in 2008–09, but subsequently recovered to 7.4% in 2009–10, while the fiscal deficit rose from 5.9% to a high 6.5% during the same period. India's deficit surged to 4.1% of GDP during Q2 FY11 against 3.2% the previous quarter. The unemployment rate for 2012–13, according to Government of India's Labour Bureau, was 4.7% nationwide, by UPS method; and 3% by NSSO method. India's consumer price inflation has ranged between 8.9 to 12% over the 2009-2013 periods.

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Author's Profile

**Dr. Chinniah. Anbalagan** received the Ph. D Award from the Annamalai University, India. He is currently Professor of Accounting & Finance Research Advisor, School of Business, Hawassa Ubiversity, Ethiopia, East Africa. He has more than 18 years of experience both in Teaching and Research. He has guided 155 M.B.A Projects, 65 M. Ed, Projects, 38 M. Phil both in Commerce and Management, and 6

Ph. D Scholars are working under his eminent guidance and supervision. His fields of interests are various, viz., Financial Management, Financial Accounting, Management Accounting, Security Analysis, Portfolio Management, Research Methodology, Business Environment, International Logistic Management, International Business Management, Personnel Management, ECommerce, E-Banking and E-Business. He has more than 60 publications to his credit both in National and International Journals and conferences. He has visited many universities and given more lectures in India. He has dedicated his whole soul and life to research and education and he has been serving as Editorial Board Member more than 7 International Journals and Advisory Board Member, Editor in-Chief of 10International Journals are as 1.CLEAR International Journal of Research in Management Science and Technology (CLEARIJRMST),2. CLEAR International Journal of Research in Commerce and Management (CLEAR IJRCM), 3. CLEAR International Journal of Research in Science and Technology (CLEAR IJRST), 4. CLEAR International Journal of Research in Finance and Accounting (CLEAR IJRFA), 5. CLEAR International Journal of Research in Education and Communication Technology (CLEAR IJRECT),6. CLEAR International Journal of Research in Engineering and Technology (CLEAR IJRET), 7. CLEAR International Journal of Research in Economics and Banking (CLEAR IJREB), 8.CLEAR International Journal of Research in Human Resources Management (CLEARIJRHRM), 9. CLEAR International Journal of Research in Marketing and Advertisement CLEAR IJRMA), 10.IRACST International Journal of Research in Management and Technology (IRACST IJRMT),11. CLEAR International Journal of Research in Applied Geo-Science (CLEAR IJRAGS), and12. CLEAR International Journal of Research in Media Science (CLEAR IJRMS) and he is Chairman of Chinniah LakshmiammalEducational Academy and Research Foundation (CLEAR F) which is established at July 2000, Reg. No. 1106/2011/BK-IV.,THAVAN E ACT and KKIMRC, and Review Board Member of Global Impact Factor Organization, Australia.

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