



ECONOMIC OPPORTUNITIES AND CHALLENGES AFTER 2014 IN INDIA

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Abstract

We'll get an up-to-date picture of the Indian economy in this study. It examines India's economic development, as well as the factors that sustain it, such as savings and investment, productivity, and cross-border commerce. A dynamic (automobiles) and a lagging (agricultural) sector's performance is highlighted, as is the recent income growth structure. Increasing regional and individual inequality, growing unemployment, infrastructure limits, and the budget deficit are only a few of the developing constraints on fast economic expansion that are discussed. It examines the near-term possibilities for economic development.

Keywords: Economic Growth, population, investment, Infrastructure, Inflation etc.

Introduction

Inexhaustible curiosity surrounds the political economics of India's economic development. Globally, the most reliable and time-tested method of boosting living standards and eliminating poverty is increased and sustained economic development. Also because of the country's functional democracy, India's economic policies are sometimes influenced by the whims of the political parties as they compete for populism in the face of progress in social metrics like literacy and infant mortality. As a result, policy formulation's political economy is a major source of worry. A look at what policies can be implemented given these limits is an essential indication of the possible welfare effects of policies for so many people.

The Record of Economic Growth in India

By all accounts, India had great prosperity from the 15th through the 18th centuries, a period during which it produced an abundance of highly sophisticated commercial and industrial skills (Clydesdale 2007). However, Indian GDP per capita began to decline in 1700. Indians have experienced poor salaries and negative economic development for more than 400 years now, despite the fact that the country's population is rising.

Per capita GDP of India, which was 56.4 percent of the UK's in 1600 and stayed constant until 1947, when the UK's per capita GDP was 10.3 times more than India's, decreased for a while during this era. UK per capita GDP climbed from 2.63 in 1757 (the estimated commencement of British sovereignty in India) to 5.22 in 1857, and 10.29 in 1947. As a result, between 1757 and 1947, India's population as a percentage of the British population decreased from 14.03 to 8.05, before significantly increasing to 8.36 in 1947. In 1757, the British-to-Indian GDP ratio was 0.187; by 1857, it had risen to 0.648; by 1847, it had reached a high of 1.23. As a result, Britain's GDP exceeded that of India in 1947.

Factors Accelerating Economic Growth in India

According to Kelkar (2004), the present pace of economic growth may continue to rise. Financial sector reforms, more globalisation, and wider and deeper product and financial markets are all contributing to this escalation. For example, the influence of such changes may be seen in important metrics like as market capitalization and transparency in transactions, the number of instruments exchanged, and the degree to which an economy is accessible to foreign investment. For both local and international markets, the country's legislative structure has allowed increasing tie-ups in high-tech fields. I'll now discuss some of the reasons that have contributed to the rise in economic growth in a growth accounting perspective.



- **Productivity Growth**

Since the 1980s, GDP growth has been accompanied by a stronger increase in the total factor productivity of the economy. Many theories have been put up to explain this increase in productivity/growth, however Rodrik and Subramanian (2004) focus on a few. Keynesian-style demand-led growth in the 1980s, the Green Revolution, and likely foreign and domestic liberalisation are among the plausible factors for this. The regimes of Indira and Rajiv Gandhi, on the other hand, show evidence of shifting attitudes. Authorities under these regimes are said to have begun to favour more moderate changes by beginning to see private investments and businesses more favourably than before. This had a positive impact on productivity in the industrial sector and had significant knock-on consequences. As a consequence, the economy's growth accelerated. Deregulation and delicensing began in the early 1990s, allowing for positive synergies. Other scholars have emphasised the impact of the post-1991 changes and downplayed the role of the 1980s policy efforts. Financial sector reform started in 1993 and has not yet been finished, to be sure.

- **Improvements in Labour Supply**

Increased economic development is being spurred by structural changes taking place in India's economy, notably in its supply. In the year 2000, 60.9% of the Indian population was in the 15-64 age range. In the next 30 years, the UN's Population Division predicts that this ratio will exceed the percentage of Japanese in this age group and rise to more than 66% by 2012. In the same age bracket, it is on the verge of surpassing China's population. This forecast has a lot of weight behind it.

At the same time, India's nutritional condition is improving, with calorie and other macro and micro nutrient deficiencies decreasing.. The literacy rate increased from 51.54 percent in 1991 to 65.38 percent in 2001, with men's literacy rising from 63.3 percent to 75.85 percent and women's literacy rising from 38.79 percent to 54.16 percent, according to the 2001 Census of India.

- **Higher Savings for Enhanced Economic Growth**

Savings have increased from 23.4% of GDP in 2000-01 to 32.4% in 2005-06, while investment has increased from 24.4% of GDP to 33.8% of GDP over the same time. Fiscal reforms and budget management legislation (FRBMA) implementation in 2002-03 led to favourable public sector savings in 2003-04. In 2005-06, India's GDP grew at a pace of 9%, whereas China's grew at a rate of 9% with investment rates of more than 40%. As a result, India has a greater capital productivity than China. It will be critical for India to raise savings and investment rates by reducing its fiscal deficits if it hopes to further increase its growth rate and so decrease poverty. In order to improve economic development, India has to decrease, if not eliminate, public dissaving by streamlining public subsidies and raising tax collections.

Illustrations of High Growth and Stagnation in the Indian Economy

Incomes have risen rapidly in India as a result of the widening of the economic base from service to encompass industries. India's increasing middle class is fuelling demand for consumer goods like automobiles and air conditioners. In 2001-02, the middle class in India included just 5.7% of all Indian families, yet it already possessed 60% of the country's air conditioners and 25% of its TVs, refrigerators, and motorbikes together. The middle class is expected to make up 13% of all households by 2009-10. Consumption of consumer durables will be severely affected. NCAER expects that the market for automobiles will expand at a rate of 20% each year, while the market for bicycles will rise at a rate of 16%.

Challenges For India In 2014

A process that "fulfils the requirements of the present without jeopardising future generations' capacity to satisfy their own needs" is described as sustainable growth by the United Nations. Indian scholars this year debated whether the nation's recent economic expansion was genuinely sustainable or if the



government had failed to use the resources created by this growth in an ecologically friendly manner by spending much more in education, healthcare, and infrastructure. In 2014, India has to better examine how to boost economic growth while also implementing low-carbon development efforts, such as strategies to increase food and water security.

Indian development must be sustainable if it is inclusive in terms of caste, colour, handicap, gender, regions (rural-urban as well as state-to-state), and many other factors. Despite progress in closing the gender wage and political participation gap, much more needs to be done to ensure the health and safety of women and girls. Improved social protection measures are essential to ensuring equitable development in India. In order to combat high levels of malnutrition in India, it is important to look at instances like 'Amma's unavagam/canteen', which was just launched in Tamil Nadu and serves heavily subsidised healthy meals.

There are over 200 million Indians between the ages of 15 and 24. As a result, India is well-positioned to take advantage of an increasing number of people in the labour force. India, on the other hand, must carefully balance the supply and demand of labour and skills if it is to benefit from its growing population. Efforts by the government to expand educational opportunities have been made, but much more has to be done to enhance the quality of instruction, teaching standards, examination procedures, skill development and vocational training programmes, among other things. Right-to-Education policies must address the issue of children from underprivileged and advantaged families learning together and learning to appreciate and befriend each other. Developing public-private partnerships and social entrepreneurship programmes for India's youthful population should be a priority in the new year.

Inflation has been a major concern for politicians, policymakers, and the general public in the lead up to the 2014 elections. Prices in India have increased an average of 10 percent each year over the previous five years; they are expected to climb another 13 percent next year. Increased interest rates have been implemented by the Reserve Bank of India to combat inflation, and the Urjit Patel Committee, which is anticipated to present its findings by the end of the year, will be consulted in reviewing India's monetary policy framework. The management of artificially created national and international procedures is also vital. For these reasons, as well as other potential solutions, the central bank and the ministry of finance are working jointly.

- **Rapid urbanisation:** India's urban population is estimated to reach 590 million people by 2030, a growth pace that is unsurpassed in the world. Rapid urbanisation is also predicted to promote economic growth: up to 70% of new employment produced until 2030 and 70% of Indian GDP might be generated in cities, according to some projections. India's government must improve policies to satisfy urban infrastructure demands while also addressing rising urban poverty and inequality if it hopes to benefit from urbanisation economically.

A mixed response was received to this year's Land Reform Act. Farmers and landowners who had their property taken from them are concerned that the new regulation would increase the cost of doing business and make certain real estate and industrial projects unviable. Despite these and other obstacles associated to land reform, India will need to keep crafting land-related laws in order to achieve sustainable and equitable development in the country's cities.

Governmental influence on economic development, governance, and policymaking has increased in recent years. To promote local economy, states are investing in themselves and creating models that can be repeated throughout the nation. States should also be more proactive in exchanging best practises with each other and the central government should do more to foster state-state cooperation. In addition, the federal government should do more to equal out the growth rates throughout the nation's states.

However, while India looks to harness its youthful population, it must also begin preparing for higher spending on health and social programmes to support the old. Increasing life expectancy is lowering



fertility rates in India, which will result in a population of more than 300 million people over the age of 60 by the year 2050. "Indians never seem to retire," has been remarked of workers in numerous fields, notably in metropolitan regions, where many people labour for several years after retirement. However, the changing demography will add to the burden of insufficient healthcare, welfare, and family services. As the population ages, women are predicted to outnumber males. Elderly parents who stay in India while their children have relocated have unique possibilities and problems. It is imperative for India to address these issues by developing legislation to guarantee that its elderly folks are as well.

Even in the face of diplomatic impasses, the governments of India and China are committed to raising bilateral trade to \$100 billion in the coming years. With little question, India's economy depends heavily on commerce with China. As a result of this imbalance, more Indians are purchasing Chinese products than vice versa in trade. Improving India's export competitiveness and developing more items, services, and policies to increase balanced trade with China would be necessary in the new year for the country to solve this trade imbalance

From US\$370 million to US\$2.4 billion a year, India-Pakistan commerce has grown during the previous decade. Even still, some estimates put the magnitude of a normalised bilateral trade system between the United States and China at up to \$40 billion. Pakistan's Prime Minister Nawaz Sharif, elected in May, has failed to give India Most Favoured Nation designation, despite repeated appeals for greater commercial ties between the two countries. If Pakistan does not take this critical step, India should continue to encourage increasing bilateral commerce since it will benefit both nations' economy and strengthen their political ties at the same time.

Conclusions

In India, the economy is at a crossroads after more than two decades of changes in the sector. Higher and more consistent growth, as well as a significant modernisation of the economy, have resulted from the reforms programme. The Indian economy is poised for even greater expansion after more than two decades of outstanding development and a number of significant reforms and deregulatory measures.

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