



Indian Economy: The Fastest Expanding Economy

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Abstract:

India is the world's sixth-largest economy, with a GDP of USD 2.9 trillion in 2020. The country has undergone significant changes in its economic structure since independence in 1947, from a primarily agriculture-based economy to a diversified economy with a focus on services and manufacturing. The statistical analysis of the Indian economy has played a crucial role in understanding its performance, identifying its strengths and weaknesses, and formulating policies to promote growth and development. In this article, we will examine the statistical analysis of the Indian economy, including its key indicators, trends, and challenges.

Index Words: GDP, CPI, FDI

Introduction:

India is the world's sixth-largest economy, with a Gross Domestic Product (GDP) of over \$2.7 trillion. India has undergone significant structural changes in its economy since Independence, from a primarily agriculture-based economy to a diversified economy with a focus on services and manufacturing. Agriculture's share of GDP has declined significantly over the years, from 54% in 1951 to 17% in 2020. Services and manufacturing have become the dominant sectors of the economy, accounting for 55% and 28% of GDP, respectively, in 2020. The services sector has been the fastest-growing sector of the Indian economy in recent years, with an average annual growth rate of 7.9% between 2011 and 2020. The sector includes a wide range of activities, including IT, finance, healthcare, and education. The growth of the services sector has been driven by rising incomes, urbanization, and increasing demand for services. Manufacturing has also grown significantly in India in recent years, with an average annual growth rate of 5.8% between 2011 and 2020. The manufacturing sector is dominated by small and medium-sized enterprises, which account for 90% of the sector's output. The government has launched several initiatives to promote manufacturing in India, including the Make in India program, which aims to attract foreign investment and promote domestic manufacturing. India has a young and rapidly growing population, which is expected to drive economic growth in the coming years. The working-age population (15-64 years) accounts for around 65% of the total population, which provides a significant demographic dividend to the economy. India has a large and diversified economy, with a strong presence in several sectors, including services, agriculture, and manufacturing. This diversification provides stability to the economy and reduces dependence on any single sector. India has a well-developed financial system, with a large number of banks, financial institutions, and capital markets. The Reserve Bank of India (RBI) has been proactive in implementing monetary policy measures to ensure price stability and promote economic growth. India has a large and growing middle class, which is expected to drive demand for goods

and services in the coming years. This provides opportunities for businesses to expand and create. While the country has made a significant progress in recent years, there are still several challenges that need to be addressed. In this paper, the various indicators of Indian Economy, their trends and challenges are studied.

GDP:

India is one of the world's fastest-growing major economies and has experienced significant growth in its GDP over the past few decades. Despite the COVID-19 pandemic's impact on the economy, the GDP of country grew significantly. This growth was mainly driven by the agriculture and allied sectors, followed by the services and manufacturing sectors.

India's GDP over the past few years shows that there have been both successes and challenges. On the one hand, India has experienced significant economic growth and has become one of the world's largest economies. The government has implemented various policies and initiatives to promote economic growth, such as the Make in India initiative, which aims to promote domestic manufacturing and increase foreign investment. Additionally, India has made significant progress in reducing poverty and improving living standards for its citizens.

However, there are also challenges facing India's GDP growth. One key challenge is the country's infrastructure deficit, which makes it difficult to achieve sustained economic growth. Additionally, India faces significant income inequality and poverty, particularly in rural areas. Furthermore, India's regulatory environment can be complex and bureaucratic, which can hinder economic growth and deter foreign investment.

To address these challenges, the government has implemented various measures to promote economic growth and address poverty and inequality. For instance, the government has launched various infrastructure development programs, such as the Bharatmala project in 2015, which aims to build new highways and improve existing ones. The government has also implemented various social welfare programs aimed at reducing poverty and improving living standards, such as the Pradhan Mantri Jan Dhan Yojana, which aims to provide access to financial services for all households in India.

Consumer Price Index (CPI):

It is a measure of the average price level of a basket of goods and services consumed by households in a country. It is one of the most widely used indicators of inflation and is often used by policymakers and investors to monitor the overall health of an economy. A statistical analysis of CPI can provide insights into the trends and patterns in consumer prices and can help identify the factors that contribute to inflation. The CPI is calculated by measuring the change in prices of a fixed basket of goods and services over time. The basket of goods and services includes items such as food, housing, transportation, healthcare, education, and recreation, among others. The prices of these items are collected periodically from various sources, such as retail stores, online retailers, and service providers, and are weighted based on their relative importance in household consumption.

In India, the Central Statistics Office (CSO) calculates the CPI for different groups of consumers, such as rural, urban, and combined. The CPI is also calculated for different categories of goods and services, such as food, fuel, and housing.

A statistical analysis of CPI in India over the past few years shows that inflation has been a persistent problem, with prices rising steadily over time. For instance, the combined CPI increased from 119.5 in 2015 to 154.7 in 2020, indicating an overall increase of 29.4% over the period. The rural CPI and urban CPI also showed similar trends, with increases of 27.4% and 30.4%, respectively.

Food inflation has been a major contributor to overall inflation in India. The food CPI increased by 36.6% from 2015 to 2020, with prices of items such as vegetables, pulses, and fruits showing particularly sharp increases. In addition, the fuel and light CPI also increased significantly, by 25.9%, over the same period, due to rising oil prices and other factors.

One of the main causes of inflation in India has been supply-side factors, such as poor infrastructure, low productivity, and supply chain inefficiencies. These factors have led to supply shortages and higher prices for consumers. Additionally, demand-side factors, such as rising incomes and increasing consumption, have also contributed to inflation.

To combat inflation, the Reserve Bank of India (RBI) has used various monetary policy tools, such as interest rate adjustments and liquidity management. The RBI has also worked with the government to implement structural reforms aimed at improving productivity, reducing supply chain inefficiencies, and boosting infrastructure investment.

Infrastructure: Infrastructure is a key driver of economic growth and development, as it facilitates the movement of goods and people, provides access to essential services, and enables the development of industries and businesses.

Key Indicators of Infrastructure in India:

Roads: India has the second-largest road network in the world, with a total length of over 6.6 million kilometers. The national highway network in India covers around 2% of the total road network but carries about 40% of the total road traffic. The government has been investing in the development of highways, with the aim of improving connectivity and reducing travel time. In recent years, the government has also been promoting the use of electric vehicles to reduce emissions and improve air quality.

Railways: The Indian railways is the fourth-largest railway network in the world, with a total length of around 68,000 kms. Railways are a crucial mode of transportation for both passengers and goods, and play a key role in the country's economic development. The government has been investing in the development of high-speed rail corridors, such as the Mumbai-Ahmedabad bullet train project, to improve connectivity and reduce travel time.

Airports: India has a growing aviation sector, with over 130 operational airports. The government has been investing in the development of airports and the expansion of air connectivity, with the aim of promoting tourism and boosting economic growth. The government has also launched the Regional Connectivity Scheme (UDAN), which aims to promote air connectivity to underserved regions of the country.

Ports: India has a long coastline of over 7,500 kms, with 12 major and 200 minor ports. Ports are crucial for trade and commerce, as they facilitate the movement of goods between different regions and countries. The government has been investing in the development of ports and the improvement of port infrastructure, with the aim of increasing the country's share in global trade.

Challenges:

One of the major challenges facing infrastructure development in India is funding. Infrastructure projects require significant investment, and often face delays and cost overruns due to insufficient funding. The government has been promoting public-private partnerships (PPPs) to attract private investment in infrastructure projects. Another challenge facing infrastructure development in India is the regulatory environment. The process of obtaining permits and approvals for infrastructure projects can be complex and time-consuming, which can delay project implementation. The government has been taking steps to simplify the regulatory environment and improve the ease of doing business in the country. Infrastructure projects require regular maintenance and upkeep to ensure their longevity and efficiency. However, in India, the maintenance and upkeep of infrastructure projects are often neglected, which can lead to the deterioration of assets and reduced efficiency. The government has been promoting the use of technology and innovation to improve the maintenance and upkeep of infrastructure projects.[2]

Unemployment:

Unemployment is the percentage of the labour force that is unemployed but actively seeking employment. Unemployment is an important indicator of the health of the labour market and can affect the overall performance of the economy. In India, the unemployment rate has been high over the years, with an average rate of 5.8% between 1951 and 2020. The unemployment rate increased significantly in 2020 due to the COVID-19 pandemic, reaching 7.1%. Unemployment is a major issue facing India today, and its effects are felt across the country. India is a developing country with a population of over 1.3 billion people, and providing employment opportunities for all its citizens is a major challenge. In India, cyclical unemployment has been a major cause of unemployment in recent years, with the economy experiencing a slowdown in growth. The slowdown in growth has led to a decline in investment, which has in turn led to a decline in job creation. Structural unemployment is also a major issue, as the country has a large population of unskilled workers and a shortage of skilled workers. The lack of skilled workers is a major constraint on the growth of certain industries, such as manufacturing and technology. Unemployment is more prevalent in rural areas than in urban areas in India. In 2020, the unemployment rate in rural areas was 7.8%, compared to 6.5% in urban areas. The rural-urban divide is a major challenge for policymakers, as it requires different approaches to address unemployment in each area. A major challenge in addressing unemployment in India is the skills gap. The country has a large population of unskilled workers, while the job market requires skilled workers. Addressing the skills gap requires investment in education and training, as well as collaboration between the government, the private sector, and educational institutions.[2]

Trade:

Indian trade refers to the import and export of goods and services between India and the rest of the world. India's trade has grown significantly over the years, with both imports and exports increasing rapidly. The service sector, which includes sectors such as software, IT, and financial services, contributes significantly to India's trade, with exports worth over USD 200 billion and imports worth over USD 135 billion in 2019-20.

India's trade is characterized by a few key features. First, India is a major importer of goods, particularly crude oil, electronics, and machinery. India's top import partners were China, the United States, and the United Arab Emirates, with these three countries accounting for more than 40% of India's total imports. Second, India is a major exporter of services, particularly IT and software services. In 2019-20, the United States was the largest export destination for India's services, followed by the United Kingdom and Singapore.

India's trade performance over the past few years shows that there have been both successes and challenges. On the one hand, India's exports have grown significantly. However, the rate of export growth has been slower than the rate of import growth, leading to a growing trade deficit. In addition, India's trade has been affected by global economic trends and geopolitical factors, such as the US-China trade war and the COVID-19 pandemic.

To address the challenges facing India's trade, the government has implemented various policies and initiatives. For instance, the government has launched the Make in India initiative to encourage domestic manufacturing and exports. The government has also implemented various trade agreements and negotiations to expand market access for Indian goods and services. Additionally, the government has taken steps to improve infrastructure, such as building new ports and expanding the road network, to facilitate trade.

FDI:

Foreign Direct Investment (FDI) is an important source of capital inflows for India and plays a significant role in the country's economic growth. FDI refers to investments made by foreign entities in Indian companies or assets with the aim of establishing a long-term business interest in India. [1]

According to data from the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflows in India increased significantly. The service sector, particularly the computer software and hardware sector, accounted for the largest share of FDI inflows, followed by the construction development, and trading sectors. Among the top sources of FDI inflows into India were Singapore, the United States, and Mauritius.

FDI inflows over the past few years shows that there have been both successes and challenges. On the one hand, India has attracted significant FDI inflows, particularly in sectors such as manufacturing and services. The government has implemented various policies and initiatives to attract FDI, such as liberalizing FDI rules in sectors such as defence, aviation, and insurance. Additionally, India has signed various trade agreements and negotiations to expand market access for foreign investors.

However, there are also challenges facing India's FDI. One key challenge is the country's infrastructure deficit, which makes it difficult for foreign investors to do business in India. Additionally, India's complex regulatory environment and bureaucratic red tape can be a deterrent for foreign investors. Furthermore, India faces stiff competition from other emerging markets, particularly in Southeast Asia, which are also seeking to attract FDI.[2]

To address these challenges, the government has implemented various measures to improve the investment climate in India. For instance, the government has launched the Make in India initiative to promote domestic manufacturing and attract foreign investment in the manufacturing sector. The government has also taken steps to improve infrastructure, such as building new ports and expanding the road network. Additionally, the government has implemented various policy reforms aimed at simplifying regulations and reducing bureaucratic red tape.

HDI:

The Human Development Index (HDI) is a measure of the overall development of a country, based on three key indicators: life expectancy, education, and income. The HDI is calculated and published by the United Nations Development Programme (UNDP) and is used to rank countries based on their level of human development. HDI for India over the past few years shows that there has been progress, but also challenges. According to the latest HDI data published by the UNDP in 2020, India ranks 131 out of 189 countries, with an HDI value of 0.645. This represents an improvement from the previous year, where India's HDI value was 0.640. Looking at the individual components of HDI, India has made significant progress in terms of life expectancy. According to data from the World Bank, life expectancy in India has increased from 62.5 years in 2000 to 69.7 years in 2019. Additionally, India has made progress in terms of education, with the literacy rate increasing from 64.8% in 2001 to 77.7% in 2011, according to data from the Indian government. However, there are still significant challenges facing education in India, particularly in terms of quality of education and access to education for marginalized groups.

Conclusion:

An analysis of GDP in India shows that the country has experienced significant economic growth over the past few decades, driven by the agriculture, services, and manufacturing sectors. However, there are also challenges facing India's GDP growth, such as infrastructure deficits, income inequality, and a complex regulatory environment. To address these challenges, the government needs to continue implementing policies and initiatives aimed at promoting economic growth, reducing poverty and inequality, improving infrastructure, and simplifying regulations. CPI of India shows that inflation has been a persistent problem, with food and fuel prices being major contributors. To address this issue, policymakers and businesses need to focus on improving productivity, reducing supply chain inefficiencies, and investing in infrastructure to ensure adequate supply of goods and services. Additionally, the RBI needs to continue to monitor inflation and use appropriate monetary policy tools to maintain price stability and support economic growth. Also India's trade has grown significantly over the years, with both imports and exports increasing rapidly. However, there are challenges that need to be addressed, such as the growing trade deficit and the impact of global economic trends and geopolitical factors. To address these challenges, the government needs to implement policies and initiatives aimed at boosting domestic manufacturing and exports, expanding market access for Indian goods and services, and improving infrastructure to facilitate trade.

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