

# The Indian Economy in 21th Century : Prospects & Challenges before some Industries

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## ABSTRACT

Over the years the Indian government has taken an economic approach that has been influenced, in part, by the socialist movements. The Indian national government has maintained a high and authoritative level of control over certain areas of the Indian economy like the participation of the private sector, foreign director investment (FDI) and foreign trade. It may be observed that in spite of the tremendous debate about the justification of the privatization of industries owned by the government, the process of privatization has still continued at a steady pace. Adoption of the new economic policies has thrown the Indian industries in to the ocean of competition. Some of the industries have reflected their respective competency and some others have failed.

## 1. Introduction

The economy of India is as diverse as it is large, with a number of major sectors including manufacturing industries, agriculture, textile, handicrafts and services. Agriculture is a major component of the Indian economy, as over 66% of the Indian population earns its livelihood from this area. However, the service sector is greatly expanding and has started to assume an increasingly important role. The fact that the English speaking population in India is growing day by day means that India has become a hub of outsourcing activities for some of the major economies of the world, including United Kingdom and United State Of America. Outsourcing to India has been primarily in the area of technical support and customer service.

In general, the Indian economy is controlled by the government, and there remains a great disparity between rich and poor. Ranked by the exchange rate of the United States Dollar, the Indian economy is the twelfth largest in the world. In purchasing power parity GDP, the figure for India was 1.5 trillion US Dollars in Dec.2008. The Per Capita income of India is 4,542 Us Dollars in the context of purchasing power parity. This is primarily due to the 1.5 billion population of India, the second largest in the world after China. In normal term, the figures down to 1,089 US Dollars, based on 2007 figures. According to the World Bank, India is classed as a low-income economy.

Recent trends have been exporting the services of a numerous technology (IT) professionals. IT professionals have been sought for their expertise in software, software engineering and other financial services. This has been possible as a result of high skill levels of Indian IT professionals. Other areas where India is expected to make progress include manufacturing, construction of ships, pharmaceuticals, aviation, biotechnology, tourism, nanotechnology, retailing and telecommunications, Growth rates in these sectors are expected to increase dramatically.

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socialist movements. The Indian national government has maintained a high and authoritative level of control over certain areas of the Indian economy like the participation of the private sector, foreign director investment (FDI) and foreign trade. It may be observed that in spite of the tremendous debate about the justification of the privatization of industries owned by the government, the process of privatization has still continued at a steady pace.

One of the major challenges before the Indian economy, or those who are responsible for operating it, is to remove the economic inequalities that are still persistent in India after its independence in 1947. Poverty is still one of the major issues although these levels have dropped significantly in recent years. As per official surveys, it has been observed that in the 2004, almost 27% of the working Indian populace was below the poverty line. Poverty is a challenge that's becoming increasingly important in relationship to the alarming rate of new births. This implies that ever more rapid change, or birth control policies like the "One child" policy in China, are needed to reduce the numbers affected by poverty in the vast Indian economy.

## 2. Globalization in India

The Process of globalization has been an integral part of the recent economy process made by India. Globalization has played a major role in export-led growth, leading to the enlargement of the job market in India. One of the major forces of globalization in India has been in the growth of outsourced IT and Business Process Outsourcing (BPO) services. The last few years have been an increase in the number of skilled professionals in India employed by both local and foreign companies to service customers in the US and Europe in particular. Talking advantages of India's lower cost but educated and English-speaking work force, and utilizing global communications technologies such as Voice-Over IP (VOIP) e-mail and the establishing outsourced knowledge-worker operations in India.

As a new Indian middle class has developed around the wealth that IT and BPO industries have brought to the country,

a new consumer base developed. International companies are also expanding their operation in India to service this massive growth opportunity. Notable examples of International companies that have been done well in India in the recent years includes Pepsi, Coca-Cola, McDonald's and Kentucky Fried Chicken, whose product have been well accepted by Indians at large.

Globalization in India has been advantageous for companies that have ventured in the Indian market. By simply increasing their base of operations, expanding their workforce with mineral investments, and providing services to a broad range of consumers, large companies entering the Indian market have opened up many profitable opportunities. Indian companies are rapidly gaining confidence and are themselves now major players in globalization through international expansion. From steel to Bollywood's from cars to IT, Indian companies are setting themselves up as powerhouses of tomorrow's global economy.

The business and economy section provide a clear picture upon different industries in India. The performance of Indian industries in the global fields. Adoption of the new economic policies has thrown the Indian industries in to the ocean of competition. Some of the industries have reflected their respective competency and some others have failed. Now, we are trying to cover some selected industries of Indian economy with their respective performance.

### 3. Retail Industry

Modern era of Indian economy is well supported and influenced by the Retail industries. This Retail industries is standing at its point of inflexion, waiting for the boom to take place. The inception of the **retail industry** dates back to times where retail stores were found in the village fair, melas or in the markets. These stores were highly unorganized. The maturity of the retail sector took place with the establishment of retail stores in the localities for convenience. With the government intervention the retail industries on India took a new shape. Outlets for Public Distribution System (PDS), Co-operative stores and Khadi stores were well set up, fortunately these retail stores are demanded low investment for its establishment therefore, these are highly accepted in our economy.

Future of organized retail industries in India looks bright. According to recent surveys and researches, it is projected to grow at a rate of about 37% in 2007 and at a rate of 42% in 2008. It will capture a share of 10% of the total retailing by the end of 2010. According to Hon'ble Union Minister of Commerce & Industries, Sri Kamal Nath, the organized retail sector is expected to grow to a value of Rs.2,00,000 crores and may generate 10 to 15 million jobs in next 5 years. This can happen in two forms- 2.5 million of these people be associated directly with retailing and rest 10 million people may gainfully employed in related sectors that will be pulled up through the strong forward and backward linkage effects.

However, to compete in this sector one needs to have up-to-date market information for planning and decision making. The second most important requirement is to manage costs

widely in order to earn at least normal profits in face of stiff competition.

### 4. Software Industry

Adoption of new liberal policies in India has given birth immense opportunities to its industries. Success story of India's Software Industry is a step in the same direction. The Software Industry, which is the main component of the information technology, has brought tremendous success for the emerging economy.

India's young aged manpower is the key behind this success story. Presently there are more than 500 software firms in the country. The credit goes to technical young peoples and English-speaking scientific professionals for the success in India's software industry. Presently for further strengthening the industry, the government has stepped forward with qualitative institutes.

### 5. Information Technology Industry

The information technology (IT) industry has become of most robust industries in the world. IT, more than any other industry or economy facet, has an increased productivity in the developed world, therefore is a key driver of global economic growth. Economies of scale and insatiable demand from both consumers and enterprises characterize this rapid growing sector.

The Information Technology Association of America (ITAA) explains the "information technology" as encompassing all possible aspect if information system based on computers. Both software development and the hardware involved in the IT industry include everything from computer systems, to the design, implementation, study and development of IT and management systems. Owing to its easy accessibility and the wide range of IT products available, the demand for IT services has increased substantially over the years. The IT sector has emerged as a major global source of both growth and employment.

A wide variety of services come under the domain of the Information Technology industry. Some of these services are System architecture; Database design and development; Networking; Application development; Testing; Documentation; Maintenance and hosting; Operational support and Security services.

### 6. Steel Industry

This industry has been chosen because it is core industries on which Indian economy will flourish in future. Steel industries reforms, particularly in 1991 and 1992 have led to strong and sustainable growth in India's steel industry. Since its independence, India has experienced steady growth in the steel industries, thanks in part to the successive governments that have supported the industry and pushed for its robust development.

Further illustrating this plan is the fact that a number of steel plants were established in India, with technological assistance and investment by foreign countries. In 1991, a

substantial number of economic reforms were introduced by the Indian government. These reforms boosted the development process of a number of industries- the Steel Authorities of India (SAIL) in particular which has subsequently developed quite rapidly. The following are the premier steel plants operating in India: Bhilai Steel Plant at Chattisgarh; Durgapur Steel Plant at West Bengal; Rourkela Steel Plant at Orissa; Bokaro Steel Plant at Jharkhand; Salem Steel Plant at Tamil Nadu; Alloy Steel Plant at West Bengal; and Visvesvaraya Iron and Steel Plant at Karnataka.

## 7. Indian Economy Challenges

According to **Dr. Y V Reddy** (Ex. Governor of RBI), Mumbai, The Reserve Bank of India says there has been a noticeable acceleration in the level of confidence and the performance of Indian economy in 21<sup>st</sup> century. The short term prospects, despite recent global uncertainties, continue to be, by and large, benign for India. Over the medium-term, there are several challenges and opportunities. RBI Ex. Governor **Dr. Y V Reddy** list the following challenges of the Indian economy:

- Agriculture, though the share in GDP is less than 20 per cent, the population dependent on it remains large (almost 60%). Thus, enhanced growth of the agriculture sector is vital for insuring food security, poverty alleviation, price stability, overall inclusive growth and sustainability of growth of the economy.

- Absence of modern infrastructure and storage of skilled manpower are most critical barriers to the growth. It is imperative to augment the existing infrastructure, particularly roads, ports and power, to provide the enabling environment for industry to prosper.
- In order to reap the benefits of the demographic dividend, substantial expansion and reforms in the education sector would be needed on an urgent basis.
- Reprioritization of expenditures towards social sectors along with higher capital outlays would promote fiscal discipline without restricting operational efficiency of the government. Fiscal empowerment would allow higher capital outlays and boost infrastructure and social sector spending with beneficial impact on domestic productivity,
- growth and employment. It is, necessary to emphasize the criticality of quality of adjustment
- To meet the growing credit demand and sustain high economic growth, banks need to widen their deposit base. Banks need to bring more financially excluded people within their fold, which would help the low-income households and strengthen the financial deepening.

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