

Domestic Economic Situation in the last few years: A Case study in Indian Market

Sandhya Thakur

M.Com , B.N.Mandal University Madhepura, Bihar

ARTICLE DETAILS

Article History

Published Online: 19 December 2019

Keywords

Indian Eco, GDP, Indian Government, NASSCOM, Manufacturing.

ABSTRACT

The Gross Domestic Product (GDP) of an economy is a measure of total production. More precisely, it is the monetary value of all goods and services produced within a country or region in a specific time period. While the definition of GDP is straightforward, accurately measuring it is a surprisingly difficult undertaking. And attempts to make comparisons over time and across borders are complicated by price, quality and currency differences. This article covers the basics of GDP data and highlights many of the pitfalls associated with intertemporal and spatial comparisons.

From the long-term perspective of social history, we know that economic prosperity and lasting economic growth is a very recent achievement for humanity. In this section we will look at this more recent time and will also study the inequality between different regions – both in respect to the unequal levels of prosperity today and the unequal economic starting points for leaving the poverty of the pre-growth past.

1. Introduction

Economic prosperity is measured as via gross domestic product (GDP) per capita, the value of all goods and services produced by a country in one year divided by the country's population. Economic growth is the measure of the change of GDP from one year to the next. This entry shows that the current experience of economic growth is an absolute exception in the very long-run perspective of social history.

India's nominal GDP growth rate is estimated at 12 per cent in 2019-20. The estimate for 2018-19 was 11.5 per cent. During Q2 of 2019-20, GDP (at constant 2011-12 prices), GDP stood at Rs 33.16 lakh crore (US\$ 474.46 billion) showing a growth rate of 4.3 percent over the corresponding quarter of previous year.

India has retained its position as the third largest start-up base in the world with over 8,900-9,300 start-ups, with about 1,300 new start-ups being founded in 2019, according to a report by NASSCOM. India also witnessed the addition of 7 unicorns in 2019 till August, taking the total tally up to 24.

India's labour force is expected to touch 160-170 million by 2020, based on rate of population growth, increased labour force participation, and higher education enrolment, among other factors, according to a study by ASSOCHAM and Thought Arbitrage Research Institute.

India's foreign exchange reserves were Rs 33.98 lakh crore (US\$ 476.09 billion) in the week up to February 14, 2020, according to data from the RBI.

2. Recent Developments

With the improvement in the economic scenario, there have been various investments in various sectors of the economy. The M&A activity in India increased 53.3 per cent to US\$ 77.6 billion in 2017 while private equity (PE) deals reached US\$ 24.4 billion. Some of the important recent developments in Indian economy are as follows:

- Exports from India increased 2.13 per cent year-on-year to US\$ 491.64 billion in April 2019-February 2020.

- Nikkei India Manufacturing Purchasing Managers' Index (PMI) stood at 54.5 in February 2020, showing expansion in the sector.
- Mergers and Acquisitions (M&A) activity in the country has reached US\$ 48 billion during Jan-Sept 2019.
- The gross tax revenue stood at Rs 15.04 lakh crore (US\$ 215.28 billion) out of which Income tax collection contributed Rs 3.52 lakh crore (US\$ 50.43 billion) between April 2019-January 2020.
- Companies in India have raised around US\$ 114.1 billion through 768 Initial Public Offers (IPO) first nine months of 2019.
- India's Foreign Direct Investment (FDI) equity inflows reached US\$ 456.79 billion during April 2000 to December 2019, with maximum contribution from services, computer software and hardware, telecommunications, construction, trading and automobiles.
- India's Index of Industrial Production (IIP) for the month of January 2020 stood at 137.1. The cumulative growth for the period April 2019-January 2020 over the corresponding period of the previous year stood at 0.5 per cent.
- Consumer Price Index (CPI) – Combined inflation was 4.5 per cent in April 2019-January 2020 as compared to 3.6 per cent in April 2018-January 2019.
- Around 12 million jobs in a year were created in India during 2015-19.
- India improved its ranking in the World Bank's Doing Business Report by 14 spots over last year and is ranked 63rd among 190 countries in 2020 edition of the report.
- India is expected to have 100,000 start-ups by 2025, which will create employment for 3.25 million people and US\$ 500 billion in value, as per Mr T V Mohan Das Pai, Chairman, Manipal Global Education.
- The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-

19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.

- India is expected to retain its position as the world's leading recipient of remittances in 2018, with total remittances touching US\$ 80 billion, according to World Bank's Migration and Development Brief.

3. Government Initiatives

The first Union Budget of the third decade of 21st century was presented by the Minister for Finance & Corporate Affairs, Ms Nirmala Sitharaman in the Parliament on February 1, 2020. The budget aimed at energising the Indian economy through a combination of short-term, medium-term, and long-term measures.

Total expenditure for 2020-21 is budgeted at Rs 37.14 lakh crore (US\$ 531.53 billion), an increase of 13 per cent from 2019-20 (revised budget estimates).

Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. Mr Narendra Modi, Prime Minister of India, has launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP from the current 17 per cent. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

Some of the recent initiatives and developments undertaken by the government are listed below:

- India is expected to attract investment of around US\$ 100 billion in developing the oil and gas infrastructure over the next five years.
- With the help of the new agriculture export policy, the agri exports from India are likely to reach the export target of US\$ 60 billion by the year 2022.
- In India, Atal Innovation Mission (AIM), flagship initiative of NITI Aayog, launched the Atal Community Innovation Centre (ACIC) program in NITI Aayog which aims at spurring community Innovation in underserved and unnerved areas of the country.
- National Institute for Transforming India (NITI) Aayog released a strategic document titled 'Strategy for New India @75' to help India become a US\$ 4 trillion economy by FY23.
- The Government of India is going to increase public health spending to 2.5 per cent of GDP by 2025.
- For implementation of Agriculture Export Policy, government has approved an outlay Rs 206.8 crore (US\$ 29.59 million) for 2019, aimed at doubling farmers income by 2022.
- Government is planning to launch Bharatcraft portal, an e-commerce marketing platform to market and sell the products.

- Under the Pradhan Mantri Awas Yojana (Urban), government has sanctioned more than 96.50 Lakh houses under PMAY(U) and approved 606 proposals for the construction of 3,31,075 houses with an overall investment of Rs 15,125 crore (US\$ 2.16 billion).
- The Cabinet Committee on Economic Affairs has approved to increase the authorized capital of Food Corporation of India (FCI) from existing Rs 3,500 crore (US\$ 500.79 million) to Rs 10,000 crore (US\$ 1.43 billion).
- India has registered a 26.9 per cent reduction in Maternal Mortality Ratio (MMR) since 2013: Sample Registration System Bulletin-2016.
- Around 26.02 million households have been electrified as on 31st March 2019 under the Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA).
- Prime Minister's Employment Generation Programme (PMEGP) will be continued with an outlay of Rs 5,500 crore (US\$ 755.36 million) for three years from 2017-18 to 2019-20, according to the Cabinet Committee on Economic Affairs (CCEA).
- As per the Union Budget 2019-20, public sector banks (PSBs) will be provided with a capital infusion of Rs 70,000 crore (US\$ 10.02 billion), allowing NBFCs to raise foreign debt.
- The mid-term review of India's Foreign Trade Policy (FTP) 2015-20 has been released by Ministry of Commerce & Industry, Government of India, under which annual incentives for labour intensive MSME sectors have been increased by 2 per cent.
- Under the scheme Pradhan Mantri Gram Sadak Yojana (PMGSY-III), government plans to spend Rs 50,250 crore (US\$ 7.19 billion) to build roads to boost rural connectivity.

India's gross domestic product (GDP) is expected to reach US\$ 5 trillion by FY25 and achieve upper-middle income status on the back of digitization, globalization, favourable demographics, and reforms.

India's revenue receipts are estimated to touch Rs 28-30 trillion (US\$ 385-412 billion) by 2019, owing to Government of India's measures to strengthen infrastructure and reforms like demonetization and Goods and Services Tax (GST).

India is also focusing on renewable sources to generate energy. It is planning to achieve 40 per cent of its energy from non-fossil sources by 2030 which is currently 30 per cent and have plans to increase its renewable energy capacity from to 175 GW by 2022.

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.

Reference

1. Eastern Economist, Annual Number, 1982, pp. 281-282.
2. Report on Currency and finance, 2007-08, Vol. II, Statistical statements p. 15. Shetty, S.L;
3. Performance of Commercial Banks since Nationalization of major Banks, Promise Realty, Economic and Political Weekly, Vol, XIII, Nos. 31, 32 and 33, 1978, p. 1420.
4. Government of India, Economic Survey 2003-04
5. Techno-Economic Survey of Utter Pradesh, NCAER, New Delhi. 2001 p. 116.
6. Techno-Economic Survey of west Bengal, NCAER, New Delhi. 2001 p. 116.