

Obstacles in the Growth of Indian Economy

Abstract

By adopting five year plans in India. It's economy grew at remarkable speed. At the time of Independence GDP growth rate of economy was 2.5% presently It reach up to 7.2%. Service sector contribution in GDP reaches to 54%.According to world bank Indian economy jumps to 77th position in ' Ease of doing business.' India rank as 3rd economy in the world on the basis of purchasing power parity. Despite these achievements Indian economy is facing some major problems .Which hinders the development. This paper is an attempt to analyze problems in front of Indian economy's growth.

Keywords: Jobless Growth, Purchasing Power Parity, Fiscal Deficit, Mounting Current Account Deficit, Crowding Out, Disinvestment

Introduction

The economy of Indian is a developing mixed economy. It is the world's seventh largest economy by nominal GDP and third largest by ytirap rewop gnisahcruPGDP. After Independence it transform swiftly into service based according to GDP contribution presently Indian GDP growth rate surpassed china. It has a largest potential of knowledge based Industries as India export a lot of software in its export. The long term growth prospective of the Indian economy is positive due to its young population, Low dependency ratio, World's heritage site tourism. Indian economy has abundant men supply which is helpful for low cost production leads to high demand and higher GDP size. Now Indian economy become a world choice for automobile market and engineering goods. Inflow of F.D.I continuously increase. Many MNC's agreed to invest in India under 'Make in India' is a good symbol for future. But there are some major problems which are obstacles in growth keep check on growth speed and its potential like In India there is 5% rate of unemployment, 21.9% poverty , Inequality gap add size to these problems. Mounting trade deficit since Independence is also a big obstacle in path of development.

Objectives of the Study

1. To understand structure of Indian economy sector wise.
2. Know extent about economic problems.
3. Analyze Macro Indicators of economy
4. To cognize bad effects of economic problems
5. Suggestions regarding remedies of economic obstacles..

Research Methodology

Being an explanatory research. Its is based on secondary data of journals, reports ,articles, newspaper and Ministry data.

Problems of Indian economy

Jobless growth

A country can increase its GDP by two ways (a) labour employment (b) Technological Innovation. In India GDP's growth is caused by technological innovation but Hijacked by foreigner MNC'S. Since 1950-51 India's GDP growth rate was 2.5% in 2018-19 it reaches to 7%but unemployment rate still remain 5%.

Table: Rate of unemployment across Rural and urban population in India(2015-16)

Area	Male	Female	Total
Rural	4.2	7.8	5.1
Urban	3.3	12.1	4.9
Total	4.0	8.7	5.0

Source:(Ministry of Labour and Employment's Survey 2015-16)

Heavy Dependency on Agriculture but low contribution in GDP

On the eve of independence 72% of Indian population engaged in agriculture which is a symbol of underdeveloped economy. This amount



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reduced very slowly to 46% In 65 years. (Near about half population) still exist in agriculture sector which contribute only 15.87% share in GDP and 12.8% share in total export. It is a symbol of low productivity on the other hand in china only 27% population works in agriculture and in developed countries only 4 or 5 % population is able to fulfill their food needs others engage in manufacturing and service.

Source : MOSP (2018-19) Date 08 Feb 2019

Poverty

Poverty leads to unemployment and other problems. It exist in a circular form

Table: Trends of Poverty in India: Number and Percentage of The Poor

Year	Number of poor	% of poor in population
1960-61	17	34
1964-65	22	46
1970-71	25	45
1973-74	32	46
1979-80	33	48
1986-87	27	34
1987-88	31	39.3

1993-94	32	36
1996-97	27	29.18
1999-00	26	26
2004-05*	40.7	37.2
2009-10*	35.46	29.8
2011-12*	26.93	21.9

Source: Economic survey 2013-14 and planning commission)

Figures for 2004-05, 2009-10 and 2011-12 are based on the new poverty line.

According to table in 1960 34% of total population live below the poverty line in 2011-12 percentage reduced to 21.9% but it is still a heavy amount which hinders production of health service, education and human capital formation. In Rural B.P.L %, & 25.7 .

Low average size of Household

According to data in 1991 average size of household is 5.5 means Quantity of person living in a house is 5.5 which reduce to 4.9 in 2011 shows heavy pressure of population in turn can cause chronic diseases.

Infrastructure Development & Housing for all

Table 4.1 : Statement on Households and Population in India during 1991 -2011

Sr. No.	Area	Total Population (In Crore)			Number of Households (In Crore)			Average Size of Households		
		1991+	2001#	2011	1991	2001	2011	1991	2001	2011
1	Total	84.63	102.87	121.08	15.20	19.35	24.95	5.5	5.3	4.9
2	Urban	21.76	28.61	37.71	11.15	5.58	8.08	5.3	5.1	4.7
3	Rural	62.87	74.26	83.37	4.05	13.77	16.87	5.6	5.4	4.9

Source : Office of Registrar General of India

Note: +: The 1991 Census was not held in Jammu & Kashmir. The population figures includes the population for J&K as projected by the Standing Committee of experts on Population Projection (Oct 1989)

#: Includes estimated population of Paomata, Mao-Maram and Purul sub-divisions of Senapati districts of Manipur.

Non Performing Assets crisis

N.P.A is that crisis which can check money circulation and investment because of much as banks have N.P.A they can't able to create credit for further investment. It also discourage bank customers to deposit in productive way.

As on 31th march total N.P.A's are amount in 227264 crore, in Dec. 2018 864433 crore.

Source : Economic Times on Feb 2019 : (Ministry of state for finance Shri. Pratap Shukla)

If we talk about N.P.A ratio to GDP in march 16. It is 8% and in March 2018 it jumps to 11.6% . Gross NPA ratio for Public sector banks as a category is 14.6% in 2017-18 while as in 1993-94 it was 24.8% according to R.B.I. Main reason was improper verification in loan approval to industrial sector by Psb's and it discourage loan funding to agriculture sector

Source: (Financial stability, report economic outlook and CEIC)

Income Inequality

Indian economy is increasing at nominal GDP only because there is a huge income gap shows

that it is going towards capitalistic economy miserable for medium and low class people because

CHART 1: THE RICH ARE GETTING RICHER AT A FASTER PACE

Share of total wealth in India:

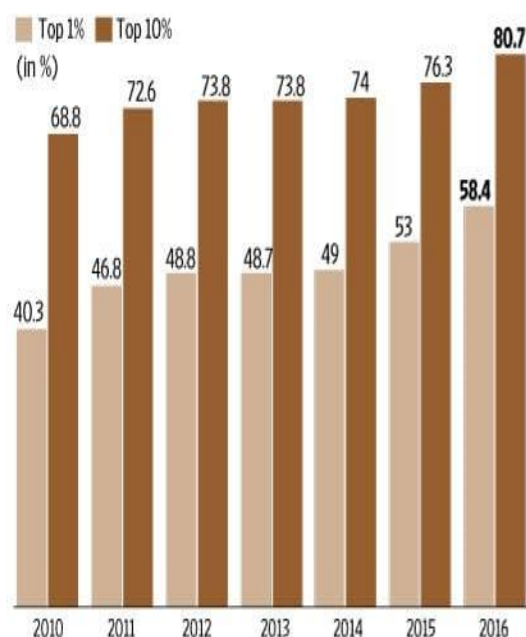
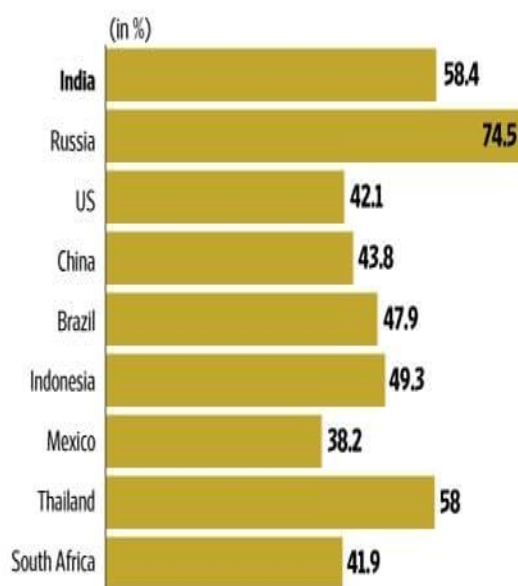


CHART 2: INDIA IS ONE OF THE MOST UNEQUAL COUNTRIES

Share of richest 1% in total wealth:



Source: Credit Suisse Global Wealth Databooks

According to data there are only 1% richest person's are holding 58% of GDP in 2001 its percentage is 36% as time passage it increase showing that India's wealth's only concentrating in gives hands ion constrast developed countries like U.S , CHINA has low concentration of wealth in hands of people 42.1% and 43.8% respectively

Source: Chakravarty, mans (23nd Nov. 2016)

"The richest 1% as Indian's own 58.4% of wealth"

Deceasing Growth Rate of Industry

In 2014 -15 Industrial growth rate is 7.5%, in 2016-17 It decrease to 5.6% which did non stop to reduce but goes to lower 4.45% in 2018-19 which a sign of negativity among businessmen.

Mounting Trade Deficit

Trade deficit is the excess of import than export. India economy is a developing economy facing continuous trade deficit since first five year plan. It is due to huge amount of petroleum import.

Table: Volume of Foreign trade during Different Plan periods (in crores)

Year/ period	Imports	Exports	Trade Deficit
1 st plan (1951-56)	3651	3109	542
2 nd plan (1956-61)	5402	3063	2339
3 rd plan (1961-66)	6119	2735	3384
4 th plan (1969-74)	10035	9426	609
5 th plan (1974-78)	20882	17937	2945
6 th plan(1980-85)	17134	11744	5390
7 th plan(1985-90)	35412	27681	7731
8 th plan (1992-97)	470445	420351	50094
9 th plan(1997-02)	1175975	859530	316445
10 th plan(2002-07)	2658294	1952041	706253
11 th plan(2007-12)	7868723	4944356	2924367

(Source: Economic survey 2012-13) P.A-80 and India 2013

Table shows that trade deficit since first plan trade deficit continuously increase except 4th plan

initially it was only 542 crore and at the end of 11th plan it reaches to 2924367 crore.

**Table: India's Foreign Trade- Us Dollar
(US \$ million)**

Year	Exports	Imports	Trade Deficit
2012-13	300400.6	490.736	190336.1
2013-14	3144115.7	45021.6	135797.9
2014-15	310352	448033.4	137681
2015-16	262291.1	381007.8	118716
2016-17	275852.4	384357	108504
2017-18	303376.2	465578.3	162202.1

Source: Directorate General of Commercial Intelligence and Statistics.

Table Derived by author from the source.

According to table trade deficit continuously increase in first plan is negative 542 crore and in 2018 negatively 162202 million us dollar. Current account deficit in first quarter of 2018-19 April- June is 2.4% of Gdp 15.8 Billion Us\$. Source: Development in Balance of payments April-June 2018-19

Continuous Deprecation of Currency

India is a developing country it required continuous import of machinery, petroleum. Indian currency continuously depreciate due to rising crude oil price and import of technical goods.

Since green revolution major factor was import of wheat and gulf war make worse condition of Indian economy.

**TABLE 141 : EXCHANGE RATE OF THE INDIAN RUPEE VIS-A-VIS SDR,
US DOLLAR, POUND STERLING, D. M. / EURO AND JAPANESE YEN
(Calendar Year – Annual Average)**

Year	₹ per unit of foreign currency)				
	SDR	US Dollar	Pound Sterling	Japanese Yen	Deutsche Mark/Euro
1	2	3	4	5	6
1979	10.5284	8.1467	17.2783	3.9200	4.4483
1980	10.2611	7.8800	18.3242	3.8300	4.3433
1981	10.2418	8.6926	17.5423	3.9600	3.8512
1982	10.4766	9.4924	16.5954	3.8200	3.9129
1983	10.8310	10.1379	15.3653	4.2600	3.9760
1984	11.6482	11.3683	15.1469	4.7900	3.9979
1985	12.5625	12.3640	15.9904	5.2200	4.2282
1986	14.8083	12.6053	18.4924	7.5400	5.8414
1987	16.7617	12.9552	21.2366	8.9800	7.2207
1988	18.6994	13.9147	24.7729	10.8700	7.9297
1989	20.7906	16.2238	26.5515	11.7600	8.6438
1990	23.7922	17.4992	31.2835	12.1600	10.8694
1991	31.0950	22.6890	39.9941	16.9200	13.6991
1992	36.5094	25.9206	45.7104	20.4800	16.6354
1993	42.6318	31.4458	47.2165	28.3625	19.0285
1994	44.9296	31.3742	48.0543	30.7424	19.3729
1995	49.1803	32.4232	51.1680	34.6154	22.6558
1996	51.4350	35.4294	55.3482	32.5975	23.5666
1997	49.9584	36.3196	59.5289	30.0480	20.9857
1998	56.0329	41.2677	68.3511	31.6646	23.5074
1999	58.8799	43.0485	69.6786	37.9595	45.9951
2000	59.2475	44.9401	68.0760	41.7257	41.4939
2001	60.0782	47.1857	67.9834	38.8674	42.2869
2002	62.9532	48.5993	72.9988	38.8730	45.8873
2003	65.2192	46.5819	76.0974	40.2047	52.6604
2004	67.1053	45.3165	82.9983	41.8941	56.3259
2005	65.1404	44.1000	80.2530	40.1020	54.8993
2006	66.6775	45.3070	83.5115	38.9752	56.9279
2007	63.2756	41.3485	82.7218	35.1348	56.6019
2008	68.6477	43.5049	80.1362	42.3079	63.7403
2009	74.5880	48.4049	75.7282	51.8119	67.3928
2010	69.7509	45.7262	70.6912	52.1669	60.6683
2011	73.6424	46.6723	74.7736	58.6244	64.8794
2012	81.7876	53.4376	84.6955	67.0289	68.6729
2013	89.0613	58.5978	91.7716	60.0777	77.8974
2014	92.7309	61.0295	100.5440	57.7919	81.1161
2015	89.7461	64.1519	98.1323	53.0212	71.2435
2016	93.4012	67.1953	91.1248	61.9340	74.3754
2017	90.2966	65.1216	83.8760	58.0652	73.5104

Notes: 1. The exchange rate for Japanese Yen is in ₹ per 100 Yen.
2. Data from 1977 to 1992 are based on official exchange rates.
3. Data from 1993 onwards are based on FEDAI (Foreign Exchange Dealers' Association of India) indicative rates.
4. Data are based on FEDAI (Foreign Exchange Dealers' Association of India) indicative rates till April 2012. RBI reference rates are used w.e.f. May 2012.
5. The Euro replaced the Deutsche Mark w.e.f. January 1, 1999.

Table illustrate in 1979 exchange rate between US \$ and Indian rupees is 1\$ = 8.14 Rupee in 2017 65.12 = 1\$. Main reason India was exporter of low elastic agricultural products before economic reforms and presently high import of petroleum and technique.

Fiscal Deficit

Fiscal deficit is the difference between T.E & T.R (Less than borrowing) Indian economy is facing high fiscal deficit which esuaclarge burden on govt in form of interest and create crowding out effect in the economy in 1981-82 and 1990-91 Fiscal deficit was 5.4% and 8.2% respectively of GDP in 2003 India passed FRBM act 2003 which aim to get 3% fiscal deficit up to 2008 but due to American recession still India fail to achieve this target in 2016-17 it is 3.5 % of GDP 2018-19 to 3.5%.

Source: Budget 2016-17 estimate economic times 2nd February 2019.

Conclusion

On the basic of above data we can say that Indian economy is growing fastly no doubt than developing economies. It ranks 3rd in PPP and business conditions improve for but there are some obstacle which diverts economic development like – unemployment, jobless growth, income in the quality

investors, banking crisis. we can say that it is only quantitative growth not real development.

Suggestions

1. Expert promotion of IT services
2. Import quota of Luxury goods should decrease
3. Reduce non development expenditure. During elections.
4. Focus on Job opportunities rather than unemployment allowance.
5. Use labour intensive technics.
6. Reserve goods for MSME'S after checking of sickness.
7. Increase govt intensive exp. On education to create human capital.

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