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Strategy for achieving double digit growth rate in India

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Abstract

In recent years, many major reforms are initiated in India to give a boost and acceleration to the growth of GDP, to realize the dream of achieving double digit growth rate. As an increasingly transformed economy, many prospering opportunities have grown with the size of market and so also many hidden challenges and bottlenecks are arising. Government in consultation with good policy makers and institutions of international repute is trying to streamline the strategies and structural reforms to accelerate the GDP growth to cater the needs of inclusive growth. Major Key areas, where the focus needs to be are fiscal reform, increasing productive expenditure in social sector like education and health, attracting more FDI for infrastructural development through PPP model, policy transparency and improving the efficiency of institutions in delivering the timely service by practicing norms of good governance. This paper highlights the areas of intervention in achieving double digit growth rate in India.

Keywords: FDI, PPP model, Fiscal reform and good governance.

Introduction

Growth matters for every economy in the world be it developed or developing. Over recent years most of the developed nations are in recession due to financial crisis followed by slowdown in trade and other economic activities. But in this period of slowdown, Indian economy has grown at the rate of five percent which is highly praiseworthy. There is huge excess capacity and underutilized resources which needs to be tapped. Proper strategy needs to be carried out to accelerate the GDP growth to reach double digit. Achieving the dream figure of GDP is not far by looking into the size of market driven by increasing demand due to high population growth in India. Challenges are many at the same time untapped opportunities has the potential to give the much required impetus for higher growth.

Strategy to be adopted—Areas of focus

The macroeconomic fundamentals of the Indian economy are strong, and there is no reason we can't build an economy that capitalizes on our strengths and allows us to reach the double digit figure. We have to address the range of areas from education to innovation to infrastructure and trade that are actionable now and would be an important step to putting us on that path. Economists believes on the factors that make an economy grow: human capital, demand, strong institutions and governance, innovation, and financial capital.

Improving quality of human capital

India's growing population is the biggest asset, if we will look into the composition of age group then it's 65 percent of the total population is under the age of 35. Which turns out to be the most supplementing factor to the productivity and to national income of the country. But capitalizing this human resource we need to improve their quality of education by providing them proper skill based education (technical and vocational). Accessibility and affordability of quality education produces able bodied working class who not only contributes to the productivity with suitable jobs in this growing economy but also gives the impetus to demand side of the market and other economic activities. As a nation, we are spending less than 6 percent of our GDP on education especially on higher education. The outcome of this less spending by government on education is lack of research and development leading to poor innovation. Migration of talent is very common in India and we have not yet developed

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the required infrastructure for research and development, so the environment of innovation is Mostly absent. Improving the quality of education is the best input to produce the optimum output of skilled and efficient workforce.

Addressing infrastructural bottlenecks

Infrastructural development is the pre-condition and pre-requisite for higher growth of GDP. So any development strategy for realizing the dream of double digit figure of growth requires presence of better infrastructural facilities. The biggest disadvantage and drag on India's growth path is the bottlenecks in infrastructure. Among many infrastructural facilities that we required these two are very important, construction of new express highways and improving electricity generation through new thermal and hydel projects. Growing urbanization and increasing population coupled up with industrialization process demands better and larger coverage of infrastructure. Taking the amount of capital needed and time period involved in construction of infra projects, we must allow more and more FDI into infra sector. Public Private Partnership (PPP) model must be initiated at large scale in big infra projects to improve the efficiency, avoid the shortage of capital and stalling of projects.

Making exports cost competitive

Our declining exports and increasing import in world trade is a cause of concern, which has resulted higher current account deficit and declining foreign exchange reserve. So to make our exports more cost competitive we have to improve our methods of production with advanced and superior technology. Development of dedicated infrastructural facilities like Special Economic Zone (SEZ), Export Processing Zone (EPZ) with single window clearance system and promoting exporters with other concessional benefits. India has comparative advantage in the production of many products, so in production of those we have to be cost competitive and the biggest comparative advantage of our country is its growing population which adds up young and educated people to the total workforce. This advantage of easily available workforce must be capitalized and tapped to the benefit of increasing production at large scale.

Allowing more FDI by raising limit

Foreign Direct Investment (FDI) plays a very key role in the development of the Indian Economy. Looking into the amount of financial capital required for the development needs, FDI is most preferable option to address the constraints of capital. FDI not only brings capital but also other factors like better managerial practices, better technology and competition are associated with it. So, FDI limits needs to be raised in many sectors and proper regulatory norms has to be in place with certain degree of flexibility and autonomy for foreign capital. Till recent date FDI limit in many sectors are very less in comparison to our Asian neighbors which is a drag on our growth path. So, many restrictions has to be liberalized and removed for realizing the potential of foreign capital.

Improving investment climate for entrepreneurs

Growing size of market in India has the potential to accelerate the industrialization process and emergence of new entrepreneurs. So government must come forward with suitable policy framework and desired training programs for entrepreneurial class. A positive signal with favorable

investment climate boosts the entrepreneurial culture.

Generation of large employment opportunities is need of the hour to absorb growing labour force and in fulfilling this target in sustainable manner seeks continual production from entrepreneurs.

Improving the performance of agricultural sector

Annual growth rate of 4 percent in agriculture sector will provide the much required inducement to reach the double digit GDP figure. Nearly 56 percent of population are involved in agriculture but it's contribution to GDP is less than 16 percent which is a cause of concern, so this sector needs more investment from different government and private agencies. Farmers barely seeks improved agricultural infrastructure facilities in the form of regulated markets, storage facilities, transport connectivity, electricity facilities and accessibility to formal channel of credit. Upliftment of rural economy needs revival of growth and performance of this sector.

Reduction of subsidy and debt burden through fiscal reform

The large percent of government revenue is drained out in paying interest rate on borrowed public debt. Declining tax to GDP ratio and increasing debt to GDP ratio is serious cause of declining fiscal health of the country. To address this problem of deteriorating fiscal situation, government has taken some stringent measures through fiscal reforms to address the leakages and generation of revenues. Because fiscal slippage is a drag on the growth of the country. Meeting the burgeoning plan and non-plan expenditure combined with increasing import bill has become too difficult for the government to contain. Only slew of measure in the name of fiscal measures are not sufficient to reduce fiscal deficit because the biggest challenge for the government has been the issue of subsidy burden and unproductive expenditure, which needs to be cut substantially.

Increasing financial inclusion coverage

Government has taken a very good measure recently by implementing Jandhan Yojana for ensuring that every household must have a bank account. So, increasing financial accessibility will not only help the government to transfer the benefit to the beneficiary having bank account under different government policy but also help the people to save their earned money to be multiplied. It will help us in mobilizing some amount of saving from domestic sources through formal channel.

Promotion of small scale industries and entrepreneurship

Small scale industries provides 50 percent of total industrial output and nearly 45 percent of total exports and have the potential to generate large employment opportunities. So, government must come forward with suitable policies to promote small scale industries with focus on credit need, training programs for entrepreneurs and proper marketing facilities for produces from these industries.

Making social sector spending more productive

Becoming the second populous country in the world, we need better educational institutions and better medical facilities for our human capital. Every year government is

sanctioning large amount of money as budgetary support to be spend on improving condition of existing institutions and setting up new ones, but lack of accountability and transparency in spending leads to serious malfunctioning in these institutions. Building up institutions of national and international repute we require good infrastructural facilities with advanced equipment to nurture the research and development culture for the growth of the country.

Effective and result oriented implementation of suitable policies

The major problem in India is lack of political consensus among political parties over the issue of implementing and designing any welfare improving policies. We fail to think and act rationally for the development of the country as a result of this the desirable net effect of any suitable policy is much less in our country. Effective and result oriented policies requires strong participation of People, Politicians and Policy makers.

Ensuring good governance and healthy competition

The delay and slow growth rate is largely due to deficit of good governance in government run institutions. Poor work culture due to lack of transparency and accountability has become a curse. There is substantial benefits of competition on the economy, so any kind of restrictive and monopoly practices needs to be eliminated or prevented through proper policy mechanisms in place. Minimum government and maximum governance is the dream which every citizens of the country looks for but it will be possible when the functioning of public institutions will be guided by the principles of good governance. Appreciation must come from the people who are in the tail end.

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