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(*Special Issue*)
"Twenty-First Century: Cultural and Economic Globalization"

Indian economic development in the 21st century

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Abstract

The Indian economy was in a difficult situation at the time of British rule. India was doing the development wants not of herself, but foreign land. The state that should have been responsible for a breakthrough in agriculture and industry, denied playing even a minor role in this case. On the other side, during the half-century before India's freedom, the world was seeing rapid development and growth in agriculture, trade and industry - on the behest of an active role being played by the states. U.K. rule never made any changes for the development of India (occupational sector, industry, social sector). During freedom, India's literacy was just 17 percent, with a life expectancy of only 32.5 years. Therefore, once India got independence, systematic organization of the economy was a real challenge for the government of that time. The need for growth and development was in huge demand in front of the Indian leadership - as the country was riding on the promises and people ambitions. At present India is ranked the seventh-largest economy, and third largest in terms of Purchasing Power Parity. The Gross Domestic Product per capita in India was $ 1963.55 in 2017. The GDP per Capita in India is equivalent to 16% of the world's average and averaged $ 693.96 from 1960 until 2017. It reached an all-time high of $ 1963.55 in 2017.

Keywords: Socialism, pandemic, industrialization, urbanization, emergence, etc.

Introduction

Freedom brought dreams of not just individual, but also economic, social and political freedom. Seven decades later, these ideals have undergone a transformation as India wants to join the $5 trillion goals. Reflecting on what shaped economic policy and the transition to millennial India; Mint's editors bring you an organized history of the economy since 15 August 1947. In a snippety, easy-to-read format, we analyze the influences of each era—socialism, post-socialism, liberalization and after.

India has risen as the fastest-growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy, visionary leadership and strong partnerships.

India recorded the real GDP expansion of 0.4% in the third quarter of FY21, as per the National Statistical Office second advance estimates. This rise shows a V-shaped recovery progression that started in the second quarter of FY21 after the first wave of covid-19.

As per Economic Survey 2020-21, India's real GDP for FY22 is projected at 11% which is now reduced around 10 percent due to the second wave impact of covid-19. The January 2021 WEO updates an estimation of an 11.5% increase in FY2022 and a 6.8percent rise in FY2023. According to the International Monetary Fund, in the next two years, India is also expected to develop as the fastest-growing economy.

India is concentrating on renewable energy sources to generate energy. India is planning to gain 40% of its energy from non-fossil sources by 2030, which is currently 30% and have plans to increase its renewable energy capacity from to 175 gigawatt (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 a shift in consumer behavior, according to a Boston Consulting Group report. It is predicted to surpass the USA to become the second-largest economy in terms of purchasing power parity by 2040 as per a report by Price water house Coopers.

Objective of the study

- To compare the economy from the eve of independence till the present.
- To study the sector-wise impact on the Indian economy.
- To analyze the growth performance of the Indian economy during past years.
- The impact of the corona pandemic on our economy.

Study of different sectors of economy

India is expected to be among the world's highest-growth nations over the coming years, says a report by IBM Institute for Business Value. Titled 'Indian Century: Defining India's place in a rapidly changing global economy, the report highlights various advantages enjoyed by the Indian economy — entrepreneurial attitudes, healthy demographics, a rising middle class, stable political environment and strong institutions. Some other reports also indicate a positive direction.

Industry

As far as India is concerned, the Fourth to develop industry is going to generate a huge set of opportunities both directly and indirectly. In some of the parts such as the automobile industry, the usage of 4IR technologies, i.e., Robots are already going on. Mani (2017) reports that the density of robots in the Indian producing sector is increasing at a slow rate and most of the robot usage has pinched to the automotive industry in general and in the application area of welding in particular. It is predicted that the usage of other 4IR technologies would take place at a relatively fast pace in parts such as pharmaceuticals, food processing, health, transport, banking, tourism, etc. In fact, such adoption of 4IR technologies would be made fast in those parts which are repetitive and possess greater possibilities of automation and process control. A large and growing market in India with a rising middle class will provide a further boost to the adoption of Fourth industrialization processes in these segments. The accessibility of a large stock of working manpower, in both absolute and the relative sense, will give further opportunity to India to gain from industrialization. In comparison to other major economies of the world, India is going to have the largest workforce of the population in the age group 15-64 years in the post-2020 period and this comparative benefit prevails for the 21st century.

With a large workforce to work and the new emergence of possibilities in various segments, it will be a great opportunity for India to capture its workforce in various productive paths of work. At present, the share of the secondary sector workforce in the total workforce is low and most of it is concentrated in the unorganized sector as the organized sector, being capital intensive, is not generating adequate employment opportunities. Such industrial issuing of manpower would need a serious rethink and for this, an industry-specific approach and the manpower assimilation plan need to be worked out. Industry-level master plan documenting their vision, expansion possibilities and potential markets, need to be prepared along with specifying each industry's ability to generate productive employment at various layers. A best capital-labour ratio wants to be worked out at which the industry should be not only able to grow but also generate productive and good employment.

As per the last Census of India (2011), 31.1 percent of the Indian population lives in city areas and it increased to 33.6 percent in 2017. In comparison to other nations such as China (57.96 percent), Brazil (86.30 percent) and South Africa (65.85 percent), the extent of India's urbanization is very low. There lies the want for increasing these urbanization levels. Moreover, the quality of urbanization needs to be bettered. Most of the Indian urbanization is focused and there lie greater pressures to ensure the delivery of quality services like electricity, road, water and sanitation. With the emergence of new industrialization, there is going to be a change in the existing scenario and there would be the need for the building up of a sound infrastructural base. For this, urban-level planning would be ideal. A positive move is made by the central government in this path through its Smart City Projects. Similarly, a drive to develop the slums and providing better housing and shelter would play a crucial role in providing a further boost to industrial growth.

Agriculture

The agriculture sector gave 17.5percent to the national gross value added in 2015-16. This share of the agriculture sector has been reducing. A standard argument is made that the primary sector share in Gross Domestic Product reduces year after year. Such a statement is correct to some part but if this decline may also be the outcome of a very high incidence of yield gaps, as witnessed in the case of Indian agriculture (Jain and Singh 2015) and it is really a reason for concern. Different studies show the existence of crop-specific gain gaps. If these gain gaps are bridged, there lies enough scope for the augmentation of agricultural output and thus increasing the share and significance of the agricultural sector in Gross Domestic Product. This whole exercise of bridging yield gaps provides the producing sector another set of opportunities to devise such solutions which are practical.

Similarly, the agro-processing industry is in its starting stages. In the 21st century of industrialization, one may visualize the crucial role played by the agro-processing industries especially in the developing world because these industries will play an important role in raising the income levels of the farming classes besides meeting the basic needs of the masses. With the emergence of technologized production systems in the Fourth Industrialization, there lies an appreciable scope for the technical up-gradation of this industry. India being the agricultural economy with an important stock of raw materials and agricultural manufacture will provide an important opportunity for this industry and other sectors.

Market view

India needs to improve its rate of employment expansion and create 9 crores of non-farm jobs between 2023 and 2030s, for captivity and economic expansion according to McKinsey Global Institute. The net employment rate needs to grow by 1.5% per year from 2023 to 2030 to gain an 8-8.5% GDP expansion between 2023 and 2030.

Recent events and developments

With the adoption of globalization, liberalization and privatization there have been investments across various sectors of the economy. Some of the important recent events and developments in the Indian economy are as follows:

- India’s overall exports from April 2020 to February 2021 were estimated at US$ 439.64 billion, (a 10.14% decrease over the same period last year). Overall imports from April 2020 to February 2021 were estimated at US$ 447.44 billion (A 20.83% decrease over the same period last year).
- According to IHS Market, Purchasing Managers' Index (PMI) for manufacturing stood at 57.5 in February 2021.
- Gross tax revenue stood at Rs. 113,143 crore (US$ 15.58 billion) in February 2021, up from Rs. 105,361 crore (US$ 14.51 billion).
- Cumulative FDI equity inflows in India stood at US$ 749.39 billion between April 2000 and December 2020.
- India’s Index of Industrial Production (IIP) for January 2021 stood at 135.2, against 136.6 for December 2020.
- Consumer Food Price Index (CFPI) – combined inflation was 3.87% in February 2021, against 1.96% in January 2021.
- Consumer Price Index (CPI) – combined inflation was 5.03% in February 2021, against 4.06% in January 2021.

Government initiatives

The first Union Budget of the third decade of the 21st century was represented by Minister for Finance & Corporate Affairs, Ms. Nirmala Sitharaman in the Parliament on February 1, 2020. The budget’s main objective at improving the Indian economy through the mixing of short-term, medium-term and long-term measures.

In the Union Budget 2021-22, capital expenditure for FY22 is likely to increase by 34.5 percent at Rs. 5.5 lakh crore (US$ 75.81 billion) over FY21 (BE) to raise the economy.

Increased government expenditure is expected to capture private investments, with a production-linked incentive scheme providing excellent chances. Consistently driven, graded and measured policy support is expected to boost the Indian economy.

In March 2021, the Ministry of Electronics and IT invited applications for the second round of large-scale electronics production under the production-linked incentive scheme. The window to apply for the scheme has been opened until March 31, 2021, which could be further increased in accordance with guidelines issued by Meaty.

In March 2021, following the announcement of incentive schemes for mobile and IT hardware production, the government announced to consider a key scheme for establishing show fabrication units in India. The Ministry of Electronics and Information Technology) has asked expressions of interest from organizations interested in establishing LCD/OLED/AMOLED/QLED-based show fabrication units in India.

In November 2020, the Government of India announced Rs. 2.65 lakh crore (US$ 36 billion) stimulus package to give job chances and provide liquidity support to different sectors such as tourism, aviation, construction and housing. Also, India's cabinet approved the production-linked incentives scheme to provide Rs. 2 trillion (US$ 27 billion) over five years to generate jobs and rise production in the country.

Many foreign companies are setting up their facilities in India on account of different Government initiatives like Make in India and Digital India. Mr. Narendra Modi, Prime Minister of India, launched the Make in India initiative with an objective to boost the country’s manufacturing sector and increase the purchasing power of an average Indian consumer, which would further increase demand and incentive development, thus benefiting investors. The Government of India, under its Make in India initiative, is trying to boost the contribution made by the producing sector with an objective to take it to 25percent of the GDP from the current 17%. Besides, the Government has also come up with the Digital India initiative, which concentrates on three core components: the creation of digital infrastructure, delivering services digitally and increasing digital literacy.

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

- In March 2021, E-commerce Company Flipchart announced plans to increase its grocery services to 70 cities in the next six months. As a result of this planned expansion, customers in seven key cities and 40 neighboring cities will be able to access high-quality grocery items, deals, fast deliveries and a seamless shopping experience.
- In February 2021, another E-commerce company Amazon India announced to start producing electronics products in India. The company plans to start its manufacturing efforts with its contract manufacturer, Cloud Network Technology, a subsidiary of Foxconn in Chennai, and start production in 2021.
- In March 2021, India and Kuwait decided to establish a joint ministerial commission to strengthen ties in sectors such as energy, trade, investment, human resources and IT. According to a joint statement, the commission will be concentrated on developing the best platform to strengthen alliances in areas of energy, trade, economy, investment, human resources, labour, finance, culture, information technology, health, education, defense and security.
- In March 2021, the parliament approved a bill to increase foreign direct investments in the insurance sector from 49% to 74%. Union Minister for Finance and Corporate Affairs, who is trying out the Bill, stated that increasing the FDI limit in the insurance sector will

support insurers in boosting additional funds and overcoming financial issues.

- In March 2021, the parliament passed the ‘National Commission for Allied, Healthcare Professions Bill, 2021’. Union Minister for Health and Family Welfare, Science and Technology and Earth Sciences, Mr. Harsh Vardhan stated that the law aims to fulfill the sector's long-standing demands and increase professional employment opportunities.
- In March 2020, the Union Cabinet approved the revised cost estimate (RCE) of the comprehensive scheme for strengthening of transmission & distribution in Arunachal Pradesh and Sikkim at an estimated cost of Rs. 9,129.32 crore (US$ 1.26 billion) to support the economic growth in those by building up the intrastate transmission and distribution systems.
- In March 2020, the Union Cabinet approved a memorandum of understanding signed between the Ministry of Agriculture and Farmers' Welfare and the Ministry of Agriculture of the Republic of Fiji to build up bilateral ties and collaborate in the area of agricultural and allied sectors.
- India is anticipated to attract investment of around US$ 100 billion in developing the oil and gas infrastructure during 2019-23.
- The Government of India is going to increase public health spending to 2.5percent of the GDP by 2025.
- For the implementation of the Agriculture Export Policy, Government approved an outlay of Rs. 2.068 billion for 2019, aimed at doubling farmer’s income by 2022.

Challenges before India’s attainment of 21st century

However, there are many challenges that may destroy these expectations. Foremost among all is the challenge of changing huge human resources into effective human capital that may support actively the betterment of 21st century industrialization in India. As per the Census of India (2011), the average literacy rate is 82.14percent for males and 65.4percent for females. There exist wide state-level differences with Bihar at the lowest, 73.39% for males and 53.33% for females, of average literacy level. For any country, whose masses do not possess the basic knowledge of reading and writing – leave aside the many skills, it would be difficult to catch them in productive employment. In such a situation, the mere right of a large reserve of the working-age population may not serve the purpose; rather the state has to interfere effectively in raising the human capital levels of the masses.

Another major challenge for India to gain 21st-century industrialization may lie in its ability to change institutional framework and the work cultures. It is progressing slowly in this path. If one takes the World Bank’s ‘Ease of Doing Business Index’ as the yardstick to scale India’s readiness for adapting to the Fourth industrialization, one may remain surprised to find that in 2018, India is ranked at the world at 77th in this index. Though it appears as the first country in South Asia and the third country among the BRICS nations after Russia (31) and China (46) (World Bank 2018), it remains far below in business ranking from Southeast Asian counterparts like Thailand (27), Malaysia (15), Indonesia (73). The situation becomes quite dangerous when we pictured India as the third-largest growing economy of the world in coming times and the low global ranking in the Ease of Doing Business Index is a cause of concern.

Spread of the pandemic

Global spread

Since its first outbreak in Wuhan, China, COVID-19 has infected all countries (in December 2020), and more than 220 countries. The health shock, though global, has transferred through different trajectories across countries in terms of total infections, mortalities, and recoveries. In the starting stages of the pandemic, the Advanced Economies (AE) of the North American and West European region were disproportionately impacted with more than 70 percent of the total cases and total deaths. The pandemic quickly boosted the number of Emerging Market and Developing Economies such as Brazil, India, Mexico, Russia and Turkey- that now constitute around 50 percent of total cases and total deaths. In recent months, amidst a repeating wave, AEs-particularly the United States and several Euro area countries-have considered for an increasing share of cases; in EMDEs, outbreaks in the Latin America and the Caribbean, and Europe and Central Asia regions have continued to grow. It is approved that AEs have been affected harder by the pandemic.

Spread of Pandemic in India (first wave)

India imposed a strict nationwide lockdown during the initial stage of the pandemic in March-April, 2020, followed by gradual unlocking and phasing out of the containment measures. India crossed its top in mid-September with 11.12 lakh active cases on 17th September 2020 and 97,860 daily new cases on 16th September 2020. Subsequently, new cases have declined to less than 16,000 cases per day in January 2021 in spite of the festive season and onset of the winter season. The confirmed cases in India have risen more than 1.06 crore, representing around 11 percent of the world’s total caseload. India’s share in new cases load globally has sharply come down from 31 percent in September 2020 to 4 percent in December 2020. The growth of spread has been controlled with a doubling time of cases rising from 12 days in May 2020 to 249 days in December 2020.

The starting spread of the pandemic was limited primarily to western and northern zones of the country, which contributed 42 and 22 percent respectively. On the other hand, a sharp rise in part of the Southern zone was witnessed since July 2020 with the zone adding more than one-third of the new cases per month on average. The eastern and central regions each having 10 percent of the total cases respectively during the year. All zones, related to the northern region, experienced a single wave of infection till December. The festive season during October and November led to the second wave of infections in the northern region. In per capita terms, the southern zone had the highest caseload at 1226 cases per lakh followed by the western zone at 1124 cases per lakh; the eastern region had the lowest caseload at 342 cases per lakh as of 31st December 2020.

The total number of death in India, as of 31st December 2020, was 1.48 lakh with more than 50 percent of the deaths occurring in western and southern zones of the country. Throughout the pandemic, Maharashtra has been the most affected state having the highest incidence of deaths in India. The northern state witnessed three death waves, with the third wave showing to be the most lethal as deaths exceeded 1.7 times more than what it was during the first wave. In per capita terms, the western zone has been the worst performer with 27 deaths per lakh, followed by the northern region at 13 fatalities per lakh. Deaths per capita have been lower in the eastern and north-eastern zones at 6 and 4 deaths per lakh.

Spread of Pandemic in India (second wave)

When early signs of the second Covid-19 wave seen in India a few months ago, many experts expected that the economic damage would not be as bad as the first wave in 2020. There were two primary causes behind the statement — India had vaccines against the virus and no nationwide lockdown was imposed.

But approximately three months after the first signs of the second wave showed, India is struggling to vaccinate its huge population and rigid lockdowns remain imposed in almost all parts of the country. As a result, the economic growth projections shared earlier have changed sharply. Even SBI, the country's largest public lender, recently hacked its FY22 growth forecast.

Many rating agencies and banks have reduced their FY22 GDP forecast for India in just a matter of months. While India’s March quarter (Q4FY21) GDP growth improved, economists believe that the gains have been spoiled by the second wave of the pandemic. While India’s economy was earlier expected to regain faster among all major economies in FY22, the first-quarter growth has already been hit hard by the second wave. In contrast, developed economies like the US and China have witnessed a far better regain. Even neighboring Bangladesh has passed India in terms of per capita income.

Rising unemployment has shown as the biggest economic concern during the second Covid-19 wave as it has mostly affected the informal economy and poorer households. India Today TV has reported many accounts of families struggling to give ends meet during the second wave.

While no nationwide lockdown was announced this time, the local restrictions imposed across states have had an equally destroying impact on small businesses and their employees.

Lack of demand and the dipping of consumer ideas during the second wave are two other factors that will significantly make India’s economic gain harder.

The lack of demand could last longer during the second wave due to higher healthcare costs and prices of important commodities such as edible oil. During the first wave, demand surge sharply as soon as the pandemic reduced, aided by the festive season in October 2020.

However, citizens are not in a mood to spend freely this time, given the health and financial emergencies that dazed households during the second wave. Multiple surveys have shown that consumer sentiments have been hit hard during the second wave and people are afraid of the uncertainties ahead.

The combination of slow demand expansion and lack of consumer confidence could significantly jump the economy as people are likely to remain hesitant for a longer period before they start spending on discretionary items. The lack of vaccinations and terror of a third coronavirus wave has increased fear among citizens who are likely to save more to prepare for uncertainties.

One major proof of economic weakness is official data on rising loan defaults. It shows that many citizens are struggling to clear debts. Cheque bounces rate for loan repayments have doubled to over 20 percent from the year-ago period while credit card defaults rose to 18 percent, advised a Reuters report, quoting data from Fintech Company Credits Solutions.

All of these factors showed that the second Covid-19 wave has hit the Indian economy too much and the effects of the battering are likely to become more visible as the year progresses.

Conclusion

A decade into the economic reforms, India had taken the right to be called an “emerging economy. When and where the roots of poverty and underdevelopment should be found. Twenty-First Century India is the first study of India's development giving a fully unified account of population and development. It is to gain new projections of the population for fifty years from the Census of 2001. India's population then had already increased to 1 billion.
Twenty-five years later it will increase to 1.4 billion, and will almost certainly be increased to 1.5 billion by mid-century. The projections incorporate for the first time both inter-state moving from one place to another and the role of HIV/AIDS. They also show India's city future, with close to half a billion cities living people by the year 2026. The suggestions of this population growth are then traced out in a range of modeling and analytical work. Increasing numbers are found to make hard the task of achieving widespread education in a number of India's states, while other states are already experiencing reduced in their school-age population. Demographic growth also contributes to poverty and increasing division in social situations among the states. As population growth reduces in the country overall, the manpower continues to have growth relatively fast, with difficult impacts for employment. But national economic growth could be paced by the 'demographic bonus' of the reducing proportion of dependents to workers in the population. The book is reasonably positive about India's food prospects: the country can continue to feed itself. It can also enjoy higher levels of energy use, production, and modern forms of transport while experiencing less chemical pollution. India's cities can become cleaner and healthier spaces to live. Perhaps the most difficult environmental issue, and the one most strongly related to population expansion, is water. However, whether the country will actually gain long-lasting development for all is another matter.

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