

# CHAPTER-16

## **INDIA'S ECONOMIC LANDSCAPE: ACHIEVEMENTS AND CHALLENGES AT 75 YEARS OF INDEPENDENCE**

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**DOI: <https://doi.org/10.52458/9788196897451.nsp.2024.eb.ch-16>**

**Ch.Id:-GU/NSP/EB/IESDSPR/2024/Ch-16**

## **ABSTRACT**

*As India celebrates 75 years of independence, this analysis reflects on the nation's remarkable economic journey, examining both successes and challenges. From an agrarian economy at independence, India has evolved into one of the world's top five economies, showcasing substantial achievements. The World Bank's India Economic Update notes India's robust growth rate of 7.2% in FY 22/23, surpassing many G-20 nations. The success is evident in rising per capita income, reduction in multi-dimensional poverty, and strides in science and technology. Policy changes, fiscal discipline, and progressive tax reforms have contributed to India's economic resilience. Despite these triumphs, challenges persist, such as a burgeoning population, weak demand, persistent unemployment, infrastructure gaps, balance of payment concerns, rising private debt, and alarming inequality. The looming threat of climate change adds complexity. To sustain and enhance its global standing, India must confront these challenges, emphasizing education, skill development, and proactive economic reforms.*

**Keywords:** *Indian Economy Growth, Per Capita Income, Multi-dimensional Poverty Reduction, Economic Structural Changes & Policy Reforms and Adaptation.*

## **1. INTRODUCTION**

The Indian economy is one of the top five economies of the world in the post-COVID situation. With the country completing 75 years of independence, it is a good time to analyse the successes achieved by the nation and challenges faced by it. At the time of independence, Indian was a pre-dominantly agricultural economy with a major portion of the population dependent directly or indirectly on agriculture and allied activities for sustenance. Today the situation has changed. India has successfully held the mantle of presidency of the G-20 from 1<sup>st</sup> December 2022 to 30<sup>th</sup> November 2023 and was able to get a declaration adopted with full consensus.

## **2. SUCCESSES OF INDIAN ECONOMY**

As per the World Bank's India Economic Update, India was one of the fastest growing major economies in FY 22/23 with a growth rate of 7.2 % (World Bank, 2023). This growth rate was the second highest among G-20 countries and almost double the average of emerging market economies globally.

**Table 1: Net National income and per capita income (2011-12 series)**

Year	Net National Income (Rs. Crore)		Per capita income (NNI)	
	Current prices	Constant prices	Current prices	Constant prices
1950-51	9531	448483	265	12493
1960-61	17608	719592	397	16207
1970-71	43598	1011757	806	18702
1980-81	135470	1352931	1995	19925
1991-92	585053	2303954	6835	26915
2001-02	2057006	4112858	19779	39547
2011-12	7742330	7742330	63462	63462
2021-22 (PE)	20529727	12519976	1500007	91481

*Source: NSO, from Economic Survey 2022-23.*

- i. **Economy Size** – The Indian economy is currently the fifth largest economy in the world in US dollar terms. The IMF has projected that by 2027 Indian economy will become the third largest in the world. While Indian economy had exhibited around 3% growth rate till the late 80s except certain years. At times growth rate was also negative. After the New Economic policy of 1991, growth rates showed an improvement ranging between 7-8 percent for a number of years. However, the global financial crisis of 2007-08 and later domestic credit crisis led to a slowdown in the economy with year-over-year growth rates of net national income falling to 5.0% in 2011-12, 4.5 % in 2012-13 and then improving to 6.0% and higher from 2013-14 onwards under the influence of various fiscal and monetary policy changes. The COVID-19 pandemic was another shock to the global economic system which led to recessionary trends all over. However, the country has exhibited resilience in the face of extreme conditions and emerged as one of the fastest growing economies.
  
- ii. **Multi-dimensional poverty** - There has been a reduction in multidimensional poverty over the years. There has been a tangible progress in standard of living in the rural areas with improved availability of electricity, drinking water, medical facilities, roads, and communication services. More number of institutional births are taking place. Immunisation and pre- and post-natal care have improved. Similarly, education and health of girls and women is being actively promoted

along with increased avenues for self-development, skill-enhancement, and employment opportunities. All these steps have led to a reduction in multi-dimensional poverty.

- iii. Structure of economy** - At the time of independence, India was a basically agrarian economy with a highly underdeveloped industrial sector. So, the early five- year plans focussed on developing the industrial base of the country. Domestic industries were given significant trade protection, industrial licensing was adopted massively to ensure that the private sector did not grow unhindered and become monopolistic. Many sectors were segregated for the public sector. By the 1980s, the political view changed in favour of promoting the private sector as the state-owned enterprises were unable to provide adequate results. The situation improved after slight lightening of controls in the 80s. Finally in 1991 faced with a foreign exchange shortage, the New Economic Policy was adopted with the guiding principles of Liberalisation, Privatisation and Globalisation. The economy grew rapidly after the adoption of the new policy. In agriculture, abolition of Zamindari System, enactment of Ceiling Act and redistribution of land among the landless were some measures undertaken to increase agricultural production. However, by the 1960s and 1970s many flaws of these policies became evident. Both agriculture and industry showed signs of failure and Indian economic growth became sluggish. Further, it led to inefficiency and corruption. Then came the era of 'Green Revolution' which made India self-sufficient in foodgrains. Today, the problem in India is not of hunger but of micronutrient deficiency.
- iv. Policy changes** - Government policy has changed over the years to reflect the changes in the economy and society. Over the last few years, the government policy of fiscal discipline to address large fiscal deficits, reduction of current account deficit and steps for inflation control have brought about change in economic environment. The government has undertaken a number of tax reforms for both direct and indirect taxes. The Insolvency and Bankruptcy Code 2015 addressed industrial misconduct and reduced the non-performing assets (NPAs) of banks. Calibrated liberalisation after 1991 increased net foreign direct investment inflows in the country. The demonetisation in 2016 led to reduction in black money and increased tax compliance. The roll-out of Goods and Services Tax (GST) in 2017 has similarly improved the tax collection from secondary sector while also reducing the tax burden of companies. 2019 saw a reduction in corporate tax rate (Nageswaran et al, 2023).

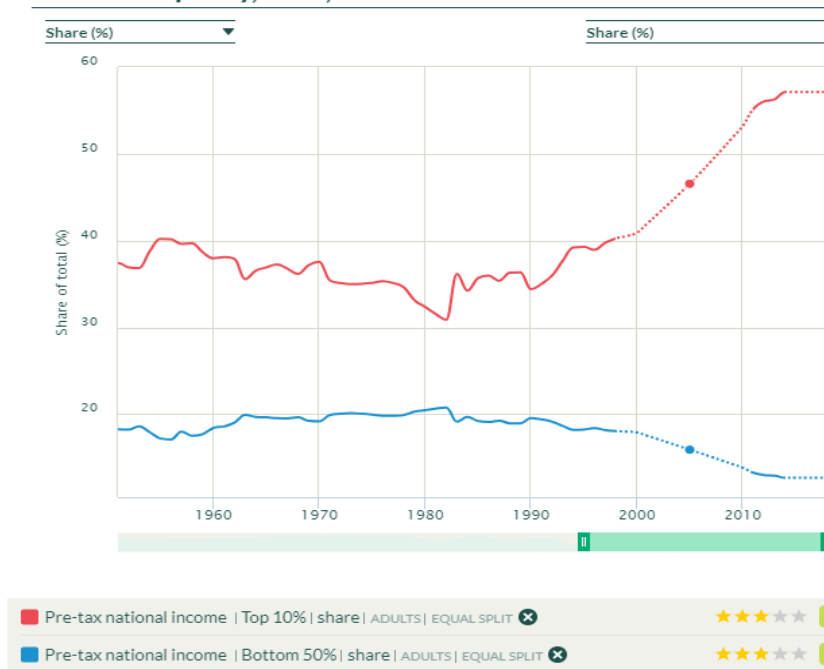
- v. **Science and technology**- India has made rapid progress in the field of science and technology. It is now a nuclear power. With successful launch of a number of satellites, and space missions to the Moon, Mars and Sun, India has proved itself a space power. The country has made a name for itself in the field of medicine and hospital care. The pharmaceutical industry of India provides generic medicines to many countries. Since cost of medical care is lower in India, many foreigners prefer to undergo operations here. The country emerged as a provider of vaccines during the COVID-19 pandemic. Further it has achieved leading position in a number of industries such as automobile industry, agro-based industries, computer software etc.

### **3. CHALLENGES OF INDIAN ECONOMY**

- i. **Huge Population:** population projection by UN using data for 1990, 2022 and projections for 2050 points out that India will top the list of the most populous countries in the coming years (United Nations, 2022). It is expected that India's current population is approximately 1.42 billion which is equivalent to 17.76% of the total world population. India is advertised as one of the youngest nations in the world on account of its demographic dividend. But this working age population will reach its peak by 2030. After that the dependency ratio will continue to increase.
- ii. **Unemployment:** Even after 75 years of independence, unemployment remains a major challenge for the economy. Unemployment in India is present in all forms – structural, seasonal, under unemployment, disguised unemployment. The migration of youth from rural areas of Bihar, Uttar Pradesh to Maharashtra Gujrat, Delhi, Chennai and other urban cities in search of jobs is due to lack of employment opportunities in their home states. The post COVID situation has further increased unemployment in the country.
- iii. **Infrastructure:** India lacks proper infrastructure such as roads, communication and telecom facilities, proper transportation services trains, waterways, ports, adequate warehousing facilities help promote internal and external trade thereby increasing employment opportunities.
- iv. **Balance Of Payment Situation:** with imports exceeding exports, India has had a continuous current account deficit. The low competitiveness of Indian exports in the global market as well as inelastic demand for many foreign goods and services, mainly oil has made the balance of payment situation very precarious.

- v. **Private Debt:** Easy availability of credit and low interest rates have encouraged households to undertake loans. Also, corporate loans have increased adding to total private loans forwarded by the banking sector. While in itself increased credit creation is an indicator of a growing economy, the problem arises when these loans are not returned timely nor backed by proper security. Increasing NPAs of public sector banks over the years have weakened the banking sector and exposed the economy to financial crises.
- vi. **Inequality:** High level of inequality continues to prevail in the Indian economy. According to the World Inequality Database, inequality has been increasing over the years. As seen in Figure 1, the top 10 percent of the population accounted for around 37% of national income in 1951 which rose to nearly 56% in 2019. The bottom 50% of population had a share of above 18% in 1951 but this has fallen to nearly 12% in 2019.

**Income inequality, India, 1951-2019**



**Figure-1: Income inequality in India 1951-2019**

Source: World Inequality Database,

[https://wid.world/share/#0/countrytimeseries/sptinc\\_p90p100\\_z;sptinc\\_p0p50\\_z/IN/2015/eu/k/p/yearly/s/false/10.436499999999999/60/curve/false/1951/2019](https://wid.world/share/#0/countrytimeseries/sptinc_p90p100_z;sptinc_p0p50_z/IN/2015/eu/k/p/yearly/s/false/10.436499999999999/60/curve/false/1951/2019)

#### **4. CLIMATE CHANGE AND ASSOCIATED CHALLENGES**

Climate change is expected to impact India severely as India is considered to be highly vulnerable to risks associated with climate change. The Reserve Bank of India (RBI) has estimated that up to 4.5% of India's GDP could be affected by 2030 in the form of lost work hours due to extreme heat and humidity. Indian agriculture, already a gamble in the monsoons, will be the biggest loser due to changing heat and rainfall conditions. The construction sector and industry sector will also be affected strongly (Forbes India, ) Maintaining food security for the masses and energy security in the face of extreme climatic events like torrential rainfall, extremely hot summers and winters, cyclones and hailstorms are going to be challenges that India must face (Sultana, 2023) as it transitions to a more green economy. In the last 75 years India has been able to overcome a number of challenges and has scripted a story of success.

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