



Reality and Potential of the Indian Economy

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Abstract: *Indian economy placed tenth in the world economy in terms of nominal GDP and it is third largest by Purchasing Power Parity (PPP). But yet it lacking in several major economical issues like poverty, unemployment and population. The poverty alleviation programs are not implemented effectively. The economic policies of India are becoming critical day by day. The liberalization brought a good sign of development for India. The growth rate for the economy has been worst. Major contributor to Indian GDP 'Agriculture' is lacking in advancement and suffers from inefficiency and traditional technology. This article aims to put emphasis on real economic structure and what is should be out of it.*

Key Words: *GDP, PPP, Agriculture, Inefficiency, economy, traditional, technology*

I. INTRODUCTION

India, the third largest economy in terms of Purchasing Power Parity and it is the second biggest economic revolution after China. Along with China, many find India set to lift 800 million people out of poverty in coming years and economically empowering a total of 1.2 billion people, this size is bigger than the continent Africa. Such a size, an economically empowered one seems to put India along with China as the twin super-powers of the future.

In fact, India is a great power and may be on road to become a giant military power; its economic success as always been hindered by faulty policies framed in the name of idealism and anti-imperialism. Javahar Lal Nehru, our first Prime Minister launched an anti-imperial economic crusade but paradoxically failed to implement the same in the government framework where we till date have bureaucracy trained to serve its masters and not its people.

As an author I would like to draw reader's attention towards how weak our economic policies were before 1991; many of those policies still exist after two decades of liberalisation which is the matter of worry for our economy. An example would be our labour laws; more than 200 labour laws exist at central and state-level; one of them prohibits firing employees even they sleep during office hours.

II. HISTORIC BACKGROUND OF INDIAN ECONOMY

Before the industrial revolution, the prime occupation of the world was agriculture. China and India were respectively the largest and second-largest economies of the world in terms of possessing to their fertile lands and huge populations. However, then came the Industrial Revolution that in its own strange way, coupled with weak political structure of India post Aurangzeb jettisoned the Indian economy downwards. In 1947, India freed itself and as it began its quest for a prosperity, it was widely touted to be economic miracle of the 20th century; but we all know did not happened.

India started on a promising note, building steel plants, opening universities, etc but however, the dislike for the word "Profit" and more concentration on employee over satisfactions soon gave way to the system's exploitation by the employees, which resulted in inefficiency resulting further in import (an exception for the then economic model); although it began as an exception, the exception became a daily ritual; however, the policy towards exports remained undeterred; the result was Balance of payment crisis of 1991 when our country was not left with enough foreign reserves to pay for three weeks' supply of oil. Atal Bihari Vajpayee, in his interview to Tavleen Singh, stated how misdirected the nation's economic policies were under the Soviet influence.

The economic policy was simple; finance the losses of inefficient Public Sector Units (PSUs) via the tax payer's money; the same amount of collected tax that could have gone into infrastructural development, the basic framework of any developed economy.



III. SUBSIDIES: A WELFARE SCHEME OR A DRAIN ON RESOURCES

Another key feature of our budget that has continually run sizeable deficits is “unproductive subsidies”. A lot many countries employ subsidies but for infrastructure development, job creation, things that shall pay off later and while the economy runs deficit in developmental phase, it counters it when the development pays off as created jobs contribute to taxes, directly or indirectly (the spending power allows them to buy goods and services, thereby enabling them to pay indirect taxes). The Indian subsidies is beneficial to beneficiaries but if it go in right hand. Indian subsidies have mainly been vote-garnering schemes such as distributing subsidised grains, food, and other survival commodities (the object of which has been realised to an extremely limited extent).

The key to a persistent employment generation is always the creation of enterprises as well as entrepreneurs, and those too the ones making profits (of course through legal means). However, opposition to Foreign Investment, private enterprises left much of consumer needs unattended and prevented creation of jobs opportunities in the country.

The License Raj (License Pratha) had policies that were paradoxical in ideology. It aimed for self-dependence but failed to address the issue of imports as sanctions on exports, direct and indirect were huge. Oil, was always a crucial import but there were no export-oriented enterprises in India. Economies like South Korea, Japan did not have domestic market but these countries had export-oriented growth; the money generated through exports raised living standards and gradually a domestic market was established. The same policy has been adopted by China.

It has also been seen that even being economically empowered, the population of these countries is less; people are more health conscious and aware of the world they live in. It has been seen in Korea, Italy, and Japan and even in gulf country Iran.

IV. CURRENT SCENARIO

The country is yet to amend its labour laws which were a subject of criticism by the World Bank. Any enterprise having more than 100 labours requires government permission to axe employee. In the face of expansion, such enterprises face issues and many a times this blocks employment creation in the such enterprises. Our labour laws do ensure job security after being appointed on the job but the framework renders job a rare luxury. Vocational courses are in vogue and that shall enable workers to find employment. However, job-creation is not yet what should to feed 700 million youth as the government still has anti-privatisation sentiment. India is one of the toughest places to do business. India even failed to meet the parameter determined regarding employment generation during the five year plans.

India is yet poor in managing transparency in business transactions. The lack of transparency and appointment of several departments for a single objective tends to induce corruption into the prevailing existing system. For instance, to set up a business, the number of clearances required from different departments renders the process cumbersome and corruption then sparks in. This act of bribery and all further act as a impairment to growth of the country.

V. ECONOMY AS CRONY CAPITALISM

Crony Capitalism is a term that holds a huge significance in countries like Philippines, Russia and even China where nepotism aids setting up and success of the business. But, in India, granted that unethical dealings abound in private enterprise, we can't call it Crony Capitalism. Overall, Indian business houses fight a bribe-seeking political framework to have their businesses going. Also, such dealings were rampant in case of Govt. led enterprises as well, more so in that case. Despite, 2G scam and Coalgate, commonwealth games scam, and other scams, the fact is that privatisation and political re-structuring need to get going; the losses caused by these scams would likely seem petty to the ones accrued by repetitive financing of inefficient Govt. enterprises.

VI. CONCLUSION

Indian economy is paralyzed by corrupted system and significance of politicians over it. No doubt, India is one of the powerful nations in the world and it ranks second in terms of population after china. But our economy failed to generate required employment opportunities for young people. The many government enterprises are not performing as expected should be handed over to private players to rehabilitate them. Economic policies and legal policies related to trade and commerce needs to amend to enhance business and trade across the domestic and global level.

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