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## Indian Economy and Problem

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### **Abstract:**

*The economy of India is a developing mixed economy. It is the world's seventh-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). The country ranks 139th in per capita GDP (nominal) with \$2,134 and 122nd in per capita GDP (PPP) with \$7,783 as of 2018. After the 1991 economic liberalization, India achieved 6-7% average GDP growth annually. Since 2014 with the exception of 2017, India's economy has been the world's fastest growing major economy, surpassing China.*

*The long-term growth prospective of the Indian economy is positive due to its young population, corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. India topped the World Bank's growth outlook for the first time in fiscal year 2015–16, during which the economy grew 7.6%. Despite previous reforms, economic growth is still significantly slowed by bureaucracy, poor infrastructure, and inflexible labor laws (especially the inability to lay off workers in a business slowdown).*

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### **Introduction:**

An economy refers to the way a nation makes economic choices about how the nation will use its resources to produce and distribute goods and services. The Indian Economy was called an underdeveloped economy but slowly become a developing economy but is now referred to as the mixed economy.

An economic system is defined by a way wherein the country's resources are utilized to produce goods and services in such a manner that these goods and services are distributed for consumption. It is a system that involves production, distribution, and consumption of goods and services between the entities in a particular society.

The economy of India stands as the world's 12th largest according to the market exchange rates and is also the 4th largest economy on the basis of Purchasing Power Parity. The Indian Economic System was

based on the basis of Social Democratic policies from the year 1947 to 1991.

Since 1991, the Indian economy has pursued free-market liberalization, greater openness in trade and increase investment in infrastructure. This helped the Indian economy to achieve a rapid rate of economic growth and economic development. However, the economy still faces various problems and challenges. let's have a look on Major problems faced by the Indian economy and the economic problems.

### **Objective of the Research Paper:**

1. Describe the meaning Of Indian economy.
2. To study the current issue of Indian economy.

### **Research Methodology:**

The research paper based on secondary data collected from various

books, research paper, newspapers, journals, and different Google website.

**The following points highlight the major problems of the Indian economy:**

**Unemployment:** Despite rapid economic growth, unemployment is still an issue in both rural and urban areas. The fast rate of economic growth has left unskilled workers behind, and they have struggled to find work in growing industries. In 2017, the official unemployment rate was just below 5%. However, a report by the OECD found over 30% of people aged 15-29 in India are not in employment, education or training (NEETs). Live mint reported on March 6, 2017. With, little if any government welfare support for the unemployed, it leads to dire poverty.

**Poor educational standards:** Although India has benefited from a high % of English speakers, (important for call centre industry) there is still high levels of illiteracy amongst the population. It is worse in rural areas and amongst women. Over 50% of Indian women are illiterate. This limits economic development and a more skilled workforce.

**Poor Infrastructure:** Many Indians lack basic amenities lack access to running water. Indian public services are creaking under the strain of bureaucracy and inefficiency. Over 40% of Indian fruit rots before it reaches the market; this is one example of the supply constraints and inefficiency's facing the Indian economy.

**Balance of Payments Deterioration:** Although India has built up large amounts of foreign currency reserves, the high rates of economic growth have been at the cost of a persistent current account deficit. In late 2012, the current account reached a peak of 6% of GDP. Since then there has been an improvement in the current account. But, the Indian economy has seen imports grow faster than exports.

**High levels of Private Debt:** Buoyed by a property boom the amount of lending in India has grown by 30% in the past year. However, there are concerns about the risk

of such loans. If they are dependent on rising property prices it could be problematic. Furthermore, if inflation increases further it may force the RBI to increase interest rates. If interest rates rise substantially it will leave those indebted facing rising interest payments and potentially reducing consumer spending in the future

**Large Budget Deficit:** India has one of the largest budget deficits in the developing world. Excluding subsidies, it amounts to nearly 8% of GDP. Although it is fallen a little in the past year. It still allows little scope for increasing investment in public services like health and education.

**Rigid Labour Laws:** As an example Firms employing more than 100 people cannot fire workers without government permission. The effect of this is to discourage firms from expanding to over 100 people. It also discourages foreign investment. Trades Unions have an important political power base and governments often shy away from tackling potentially politically sensitive labour laws.

**Inefficient Agriculture:** Agriculture produces 17.4% of economic output but, over 51% of the work forces are employed in agriculture. This is the most inefficient sector of the **economy** and reform has proved slow.

**Poor Tax Collection Rates:** According to the Economist, India has one of the poorest tax to GDP rates in the whole world. India's tax revenue as a % of GDP is just 12%. Compared to an EU average of 45%. This poor tax collection rate reflects widespread corruption, tax avoidance and complicated tax rates. In 2017, Narendra Modi has sought to improve tax collection rates and reduce complications through the introduction of a general sales tax (GST) which involves a single tax rate – rather than tax rates applied multiple times at different stages of production.

**Poverty Reduction:** After almost 70 years of Independence, India not only has a low per capita income, but Indian economy also has great inequalities in the distribution of

income and wealth. In India, with the time, inequalities are on the rise. The logical corollary of this inequality is mass poverty. Nearly 60 percent of the total population share one-third of India's national income while only rich 5 percent of the total population enjoy the same amount of national income. This inequality worsens the problem of poverty. In 1972-73, more than 50 percent of the total population lived below the poverty line.

**Demographic Problem:** So far as the size of population is concerned, India ranks second next only to China (1312 million in 2006). During the decade of 1991, the growth rate of population in India was 1.61 p.c. per annum, as compared to 0.7 p.c. growth rate of population of developed countries.

High birth rate (23.5 per 1000) coupled with low death rate (7.5. per 1000 in 2005-06) is the genuine cause for population explosion in India. In the 20th century, India's population went up by 5 p.c. as against 3 p.c. increase in the world's population as a whole.

There are roughly 480 million people (38%) who belong to the working-age group. Of these, 62% reside in rural India and nearly 73% of them (333 million) are literate. Despite strides made by successive governments in achieving the goal of education for all, India continues to lag behind other developing countries. In 1960, South Korea, Hong Kong and Thailand had literacy rates of nearly 70% in the region, while India lagged behind with 28%. By the 1990s, the East Asian tigers had crossed the 90% literacy mark compared to just 50% in India. In 1990 and 1999, China's literacy rates were higher than India's by 28% and 27%, respectively.

**Lack of Technological Penetration:** Accessibility of the Internet to all Indians is an urgent priority. In India, the cost of mobile phone access is already low by international standards. And with a supportive policy environment involving smart spectrum management, public-private

partnerships, and intelligent regulations of Internet markets can be achieved for Internet access.

**Low Productivity:** The total productivity of the resources and labor is very low in India in compared to the developed countries. The total factor productivity of a system can be increased by improving the productivity of the most constrained resource in the system, and/or obtaining more of the scarcest resource.

Japan had Land and space, and money, not labor, as the scarcest resources for Japanese companies. Then, they applied methods of total quality management. And, now they are amongst the top productive nations in the world. We can try to learn from Japanese model of enhancing productivity.

**Low per Capita Income:** National income and per capita income are the parameters to gauge the economic growth of any country. It is said that higher the level of national income, higher is the rate of economic growth. India's net national product (NNP) at factor cost in 2007-08 at 1999-2000 prices stood at Rs 27,60,325 Cr. Population during the time stood at 1124 million.

**Stressed Banking Sector:** The RBI's December Financial Stability Report 2016 said that large borrowers (the RBI defines these as debtors to whom lenders have an exposure of at least Rs5 Cr) account for 56% of bank debt and 88% of their NPAs. Even the Finance Ministry has accepted the fact that the stressed assets or NPA problem is mostly confined to 50 large loan defaulters.

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