शोध संचयन
SHODH SANCHAYAN
ISSN 2249-9180 (Online)
ISSN 0975-1254 (Print)
RNI No.: DELBIL/2010/31292

An Internationally Indexed Refereed Research Journal & A complete Periodical dedicated to Humanities & Social Science Research
मानविकी एवं समाज विज्ञान के मौलिक एवं अंतरानुशासनात्मक शोध पर केन्द्रित

Half Yearly

Vol-4, Issue-1
15 Jan-2013

Indian Economic Structure-: A View Point

- Dr. V. K. Goswami

Associate Professor, Department of Applied Economics, University of Lucknow

www.shodh.net

Web Portal of Humanity & Social Science Research

The economic structure and rates of growth across the states in India are markedly different, with significant disparities in income per capita growth as well as sector-specific performance. The high-income states have typically led the Indian growth story with their high growth rates, while regional inequality continues to increase. This paper surveys the literature and offers its own assessment of the drivers of change.

Key words: *- liberalization, capital inflows, economic structure, change*

India has one of the largest and fastest growing economies in the world. Unfortunately it is also one of the poorest countries in the world. The main reason for this is the very large population that the country has. There has been strong growth in recent years as the government has made a concerted effort to improve the economic strength of the nation. There is however still a long way to go. There have certainly been areas of improvement but it has been very uneven. The result is a country in which there is a large high tech sector while at the same time a large percentage of the population is still engaged in traditional small scale farming.

For many years the Indian economy struggled due to poor government policy. There were way too many regulations designed to limit foreign investment. There was also a great deal of red tape that had to be navigated if you wanted to start a business. This had a serious impact on the economy and in the early nineties the government decided that liberalizing the economy would be the best way to encourage growth. In large part they have succeeded in doing this. Although agriculture still remains the largest industry in the country the growth has mainly been in the service and manufacturing sectors.

The growth of the Indian economy is somewhat unusual in that it has done so with very little export. Compared to a country like China that has relied heavily on manufacturing products for export, India has exported very little. Most of the growth has been because of consumer demand within the country and by lots of travelers coming to India for health tourism. This has resulted in slower growth than China has had recently but it has also been more stable. India came through the recent global financial crisis virtually unscathed because so little of its economy depends on foreign trade.

One of the great strengths that India has as it attempts to grow its economy is its very good education system. India has become a major player in the high tech field because of its highly educated workforce. Unfortunately this education is very unevenly spread. A relatively small group of people receive a very good education while a much larger group receives little if any education. The result is that there is a fairly high rate of unemployment in India despite the economic growth of the country. Given the massive population this is unlikely to change anytime soon.

There are a few issues that are hindering the growth of the Indian economy that will need to be overcome. The biggest is a lack of resources, particularly in the energy sector. The country is heavily dependent on resources imported from other countries. The other big issue that will need to be dealt with is a need to improve the infrastructure. This is especially true when it comes to things like electricity.

Economic Development in India

The economic development in India followed socialist-inspired policies for most of its independent history, including state-ownership of many sectors; extensive regulation and red tape known as "License Raj"; and isolation from the world economy. India's per capita income increased at only around 1% annualized rate in the three decades after Independence.[1] Since the mid-1980s, India has slowly opened up its markets through economic liberalization. After more fundamental reforms since 1991 and their renewal in the 2000s, India has progressed towards a free market economy.

In the late 2000s, India's growth reached 7.5%, which will double the average income in a decade. Analysts say that if India pushed more fundamental market reforms, it could sustain the rate and even reach the government's 2011 target of 10%.[1] States

शोध संचयन
SHODH SANCHAYAN
ISSN 2249-9180 (Online)
ISSN 0975-1254 (Print)
RNI No.: DELBIL/2010/31292

An Internationally Indexed Refereed Research Journal & A complete Periodical dedicated to Humanities & Social Science Research
मानविकी एवं समाज विज्ञान के मौलिक एवं अंतरानुशासनात्मक शोध पर केन्द्रित

Half Yearly

Vol-4, Issue-1
15 Jan-2013

Indian Economic Structure-: A View Point

Dr. V. K. Goswami

Associate Professor, Department of Applied Economics, University of Lucknow

www.shodh.net

Web Portal of Humanity & Social Science Research

have large responsibilities over their economies. Maharashtra has proved all time hit contributor to boost up the economic rise since independence. The annualized 1999-2008 growth rates for Tamil Nadu (9.8), Gujarat (9.6%), Haryana (9.1%), or Delhi (8.9%) were significantly higher than for Bihar (5.1%), Uttar Pradesh (4.4%), or Madhya Pradesh (6.5%). India is the tenth-largest economy in the world and the third largest by purchasing power parity adjusted exchange rates (PPP). On per capita basis, it ranks140th in the world or 129th by PPP.

The economic growth has been driven by the expansion of services that have been growing consistently faster than other sectors. It is argued that the pattern of Indian development has been a specific one and that the country may be able to skip the intermediate industrialization-led phase in the transformation of its economic structure. Serious concerns have been raised about the jobless nature of the economic growth.

Favourable macroeconomic performance has been a necessary but not sufficient condition for the significant reduction of poverty among the Indian population. The rate of poverty decline has not been higher in the post-reform period (since 1991). The improvements in some other non-economic dimensions of social development have been even less favourable. The most pronounced example is an exceptionally high and persistent level of child malnutrition (46% in 2005-6).

The progress of economic reforms in India is followed closely. The World Bank suggests that the most important priorities are public sector reform, infrastructure, agricultural and rural development, removal of labor regulations, reforms in lagging states, and HIV/AIDS. For 2012, India ranked 132nd in Ease of Doing Business Index, which is setback as compared with China 91st and Brazil 126th. According to Index of Economic Freedom World Ranking an annual survey on economic freedom of the nations, India ranks 123rd as compared with China and Russia which ranks 138th and 144th respectively in 2012.

Some Economic Indicators

GDP	
2010-11	8.60%
2009-10	7.40%

(Apr-Dec)

IIP	
Dec-10	1.60%
Dec-09	18.00%

As on	28-Feb-11	28-Feb-10		As on	28-Feb-11	28-Feb-10
Bank rate	6.00%	6.00%		CRR	6.00%	5.50%
Repo rate	6.50%	4.75%		PLR/Base rate*	8.25-9.50%	11.00-12.00%
Reverse repo	5.50%	3.25%		CMR	5.50-7.15%	2.00-3.40%

Inflation (WPI)	
Jan-11	8.23%
Jan-10	8.53%

Oil Price (World Average)	
Feb-11	98.30
Feb-10	73.04

Spot Price FOB $ per barrel

		Dec-10	Dec-09		Dec-10	FY2010-11 *	FY2009-10*
	Production Index	Index 93-94 =100			Change (YoY, %)		
	(Index of Industrial Production)	353.6	348.2		**1.6**	**8.6**	8.6
1.	**Mining**	216.9	209.0		3.8	7.7	8.7
2.	**Manufacturing**	385.0	381.1		**1.0**	**9.1**	8.9
3.	**Electricity**	249.3	235.2		6.0	4.7	5.7

*Apr-Dec. Compilation is now based on new series of WPI (for the IIP items reported in value terms).

शोध संचयन
SHODH SANCHAYAN
ISSN 2249-9180 (Online)
ISSN 0975-1254 (Print)
RNI No.: DELBIL/2010/31292

An Internationally Indexed Refereed Research Journal & A complete Periodical dedicated to Humanities & Social Science Research
मानविकी एवं समाज विज्ञान के मौलिक एवं अंतरानुशासनात्मक शोध पर केन्द्रित

Half Yearly

Vol-4, Issue-1
15 Jan-2013

Indian Economic Structure-: A View Point

Dr. V. K. Goswami

Associate Professor, Department of Applied Economics, University of Lucknow

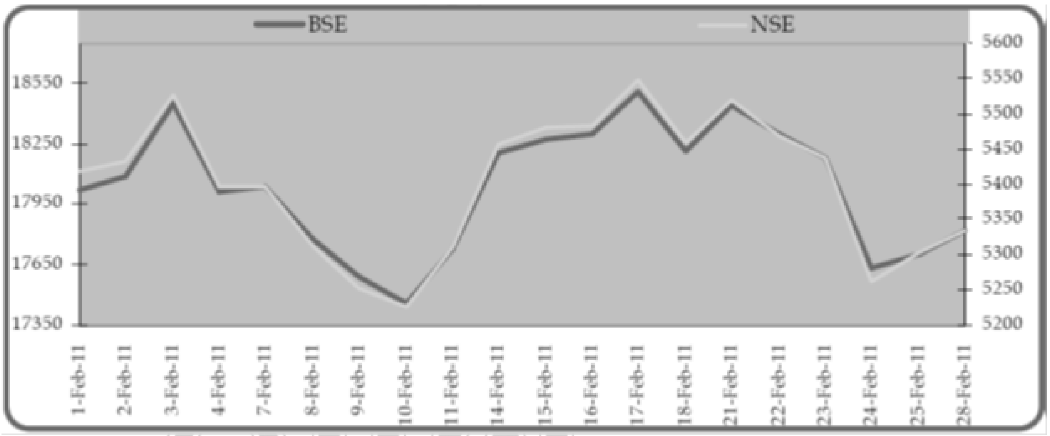
www.shodh.net

Web Portal of Humanity & Social Science Research

Inflation

Wholesale Price Index (Base: 2004-05=100) (Inflation %)	All Commodities	Primary Articles	Food Articles	Non-food Articles	Crude Petroleum	Manufactured Products
November - 2010	142.3 (7.48)	182.6	180.2	167.7	196.4	128.4
December - 2010	144.1 (8.40)	188.9	186.9	171.6	201.1	128.9
January - 2011	145.9 (8.23)	193.4	190.7	177.9	207.5	129.9

Source: www.ecofin-surge.co.in/at-a-glance.html



Source: www.ecofin-surge.co.in/at-a-glance.html

GDP growth rate

Since the economic liberalization of 1991, India's GDP has been growing at a higher rate.

Year	**Growth (real) (%)**
2000	5.5
2001	6.0
2002	4.3
2003	8.3
2004	6.2
2005	8.4
2006	9.2
2007	9.0
2008	7.4
2009	7.4
2010	10.4
2011	7.2
2012	5.3

शोध संचयन
SHODH SANCHAYAN
ISSN 2249-9180 (Online)
ISSN 0975-1254 (Print)
RNI No.: DELBIL/2010/31292

An Internationally Indexed Refereed Research Journal & A complete Periodical dedicated to Humanities & Social Science Research

मानविकी एवं समाज विज्ञान के मौलिक एवं अंतरानुशासनात्मक शोध पर केन्द्रित

Half Yearly

Vol-4, Issue-1
15 Jan-2013

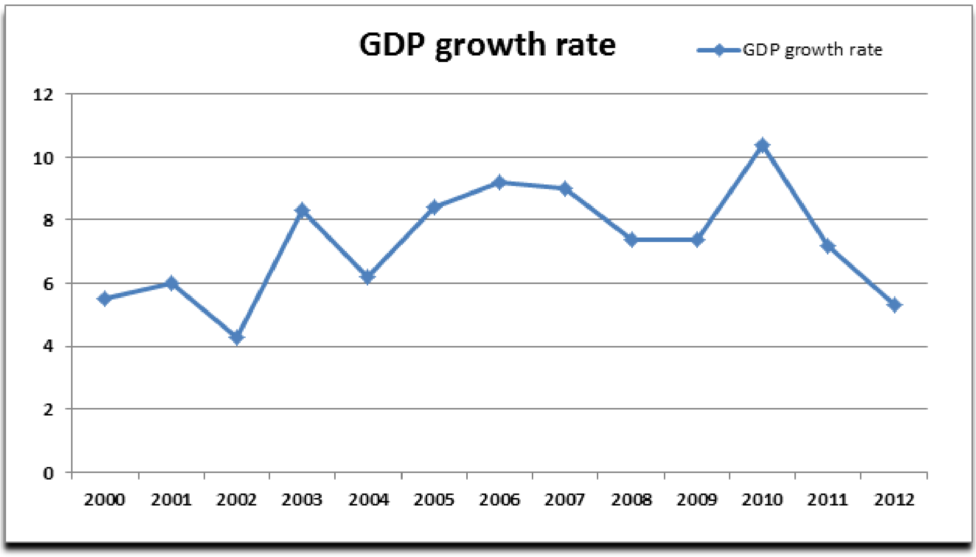
Indian Economic Structure-: A View Point

Dr. V. K. Goswami

Associate Professor, Department of Applied Economics, University of Lucknow

www.shodh.net

Web Portal of Humanity & Social Science Research



Sectoral value-added as a share (%) of GDP

Country/Economy	Agriculture	Manufacturing industry	Non- manufacturing industry	Services
India	18	15	12	55

Source: Global Competitiveness Index 2011-201

Industrial Growth

Indian industry achieved an impressive growth in the last fiscal 2006-07. The overall industrial production grew at 11.3% in 2006-07 as against the growth of 8.2% in the previous fiscal. The growth was more manufacturing sector led, which grew by 12.3% in 2006-07 as compared to 9.1% a year ago. Mining and electricity sectors too pushed the overall industrial growth posting a high growth of 5.1% and 7.2% in 2006-07 respectively as against the 1.0% and 5.3% growth respectively in 2005-06. Data as per the use-based classification shows that basic and capital goods - a proxy for investment demand have clocked growths of 10.2% and 17.7% respectively in 2006-07 in contrast to 6.7% and 15.8% registered during the previous fiscal. However, the consumer durables saw a slight slowdown in 2006-07 on account of lower growths in both the consumer durables and non-durables. During the last fiscal production of consumer goods grew at 10 % as against the 12% growth in the previous fiscal.

In 2006-07, among the 16 industry sectors, 12 industry sectors swept past the growths recorded in the previous fiscal. Production growth slid for 2 industry sectors and remained low for the remaining sectors. The sectors that improved their performance were basic metals, transport equipment, cotton textiles, machinery and equipment, wood, non metallic mineral products, rubber, metal products and parts, manmade textiles, basic chemicals, paper and food products.

Agriculture

India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 18.6% of the GDP in 2005, employed 60% of the total workforce and despite a steady decline of its share in the GDP, is still the largest economic sector and plays a significant role in the overall socio-economic development of India. Yields per unit area of all crops have grown since 1950, due to the special emphasis placed on agriculture in the five-year plans and steady improvements in irrigation, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since the green revolution.

India is the largest producer in the world of milk, cashew nuts, coconuts, tea, ginger, turmeric and black pepper. It also has the world's largest cattle population (193 million). It is the second largest producer of wheat, rice, sugar, groundnut and inland fish. It is the third largest producer of tobacco. India accounts for 10% of the world fruit production with first rank in the production of banana and sapota.

The required level of investment for the development of marketing, storage and cold storage infrastructure is estimated to be huge. The government has implemented various schemes to raise investment in marketing infrastructure. Among these schemes are Construction of Rural Go downs, Market Research and Information Network, and

शोध संचयन
SHODH SANCHAYAN
ISSN 2249-9180 (Online)
ISSN 0975-1254 (Print)
RNI No.: DELBIL/2010/31292

An Internationally Indexed Refereed Research Journal & A complete Periodical dedicated to Humanities & Social Science Research
मानविकी एवं समाज विज्ञान के मौलिक एवं अंतरानुशासनात्मक शोध पर केन्द्रित

Half Yearly

Vol-4, Issue-1
15 Jan-2013

Indian Economic Structure-: A View Point

Dr. V. K. Goswami

Associate Professor, Department of Applied Economics, University of Lucknow

www.shodh.net

Web Portal of Humanity & Social Science Research

Development / Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization.

Main problems in the agricultural sector, as listed by the World Bank, is:

- India's large agricultural subsidies are hampering productivity-enhancing investment.
- Overregulation of agriculture has increased costs, price risks and uncertainty.
- Government interventions in labour, land, and credit markets.
- Inadequate infrastructure and services.

Research and development

The Indian Agricultural Research Institute (IARI), established in 1905, was responsible for the research leading to the "Indian Green Revolution" of the 1970s. The Indian Council of Agricultural Research (ICAR) is the apex body in Kundiure and related allied fields, including research and education. The Union Minister of Agriculture is the President of the ICAR. The Indian Agricultural Statistics Research Institute develops new techniques for the design of agricultural experiments, analyses data in agriculture, and specializes in statistical techniques for animal and plant breeding. Prof. M.S. Swaminathan is known as "Father of the Green Revolution" and heads the MS Swaminathan Research Foundation. He is known for his advocacy of environmentally sustainable agriculture and sustainable food security.

Industrial output

India is tenth in the world in factory output. Manufacturing sector in addition to mining, quarrying, electricity and gas together is on account for 27.6% of the GDP and employs 17% of the total workforce. Economic reforms introduced after 1991 brought foreign competition, led to privatisation of certain public sector industries, opened up sectors hitherto reserved for the public sector and led to an expansion in the production of fast-moving consumer goods. In recent years, Indian cities have continued to liberalize, but excessive and burdensome business regulations remain a problem in some cities, like Kochi and Kolkata.

Post-liberalisation, the Indian private sector, which was usually run by oligopolies of old family firms and required political connections to prosper was faced with foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, focusing on designing new products and relying on low labour costs and technology. The Indian market offers endless possibilities for investors.

Services

India is fifteenth in services output. Service industry employ English-speaking workers on the supply side and on the demand side, has increased demand from foreign consumers interested in India's service exports or those looking to outsource their operations. India's IT industry, despite contributing significantly to its balance of payments, accounts for only about 1% of the total GDP or 1/50th of the total services.

During the Internet bubble that led up to 2000, heavy investments in undersea fiber optic cables connected Asia to the rest of the world. The fall that followed the economic boom resulted in the auction of cheap fiber optic cables at one-tenth of their original price. This development resulted in widely available low-cost communications infrastructure. All of these investments and events, not to mention a swell of available talent, resulted in India becoming almost overnight the center for outsourcing of Business process. Within this sector and events, the ITES-BPO sector has become a big employment generator especially amongst young college graduates. The number of professionals employed by IT and ITES sectors is estimated at around 1.3 million as on March 2006. Also, Indian IT-ITES is estimated to have helped create an additional 3 million job opportunities through indirect and induced employment.

Its economic growth is stalling. So it may be time for India to squeeze more productivity out of its large, poor, sleepy and over-subsidized agricultural sector.

Unlike China, India forgot to urbanize, researchers at Gavekal point out in a note. And the first step of urbanization should have been land reform. Industrial economies often get there by handing farmers control of their land. This encourages agricultural workers to save, invest and eventually become rich enough to send their children to university and perhaps move to the cities themselves. Yet India, Gavekal's Will Freeman writes, remains a land of "tenant farmers, who are little better than serfs, have low entrepreneurial potential and limited labor mobility."

शोध संचयन
SHODH SANCHAYAN
ISSN 2249-9180 (Online)
ISSN 0975-1254 (Print)
RNI No.: DELBIL/2010/31292

An Internationally Indexed Refereed Research Journal & A complete Periodical dedicated to Humanities & Social Science Research
मानविकी एवं समाज विज्ञान के मौलिक एवं अंतरानुशासनात्मक शोध पर केन्द्रित

Half Yearly

Vol-4, Issue-1
15 Jan-2013

Indian Economic Structure-: A View Point

Dr. V. K. Goswami

Associate Professor, Department of Applied Economics, University of Lucknow

www.shodh.net

Web Portal of Humanity & Social Science Research

Nearly 70% of Indians still live in the countryside and more than half are farmers, Freeman elaborates. And India's farmers are less productive than those in Thailand, Malaysia, Vietnam, China, Japan, and South Korea. India, he argues: "remains saddled with a huge pool of unproductive rural labor that cannot contribute to sustainable savings growth and therefore industrialization."

Indian Assessment on the Global Competitiveness Index 2011-2012

India ranks 56th in this year's assessment, the country drops five places and demonstrates only minor changes in its competitiveness performance since last year. 25 Among the BRICS, India continues to rank on a par with South Africa (50th) and Brazil (53rd) and ahead of Russia (66th), but its gap with China is widening: the score difference between the two economies has increased six fold between 2006 and today, the gap expanding from less than 0.1 to 0.6 points. India continues to be penalized for its mediocre accomplishments in the areas considered to be the basic factors underpinning competitiveness. The country's supply of transport, ICT, and energy infrastructure remains largely insufficient and ill-adapted to the needs business (89th). Indeed, the Indian business community continues to cite infrastructure as the single biggest hindrance to doing business in the country. It must be noted, however, that the situation has been slowly improving since 2006, although this does not translate into a higher ranking because other countries have been improving faster. The picture is similar in the health and basic education pillar (101st). Despite improvements across the board over the past few years, public health and education quality remain a prime cause of concern. While we observe some encouraging trends in these two areas, the same cannot be said of the country's institutions and macroeconomic environment, the other two dimensions comprising the basic requirements component of the GCI. In the past five years, discontent in the business community about the lack of reforms and the apparent inability of the government to provide a more conducive environment for business has been growing. Corruption (99th) and burdensome regulation (96th) certainly fuel this discontent. Since 2006, India's score in the institutions pillar has plunged from 4.5 to 3.8. Meanwhile, the macroeconomic environment (105th) continues to be characterized by large and repeated public deficits and the highest debt-to-GDP ratio among the BRICS. More recently, the stability of the country's macroeconomic environment is being undermined by high inflation, near or above 10 percent. As a result, India has been hovering around the 100 mark in this pillar for the past five years. Despite these considerable challenges, India does possess a number of remarkable strengths in the more advanced and complex drivers of competitiveness. This "reversed" pattern of development is characteristic of India. The country boasts a vast domestic market that allows for economies of scale and attracts investors. It can rely on a well-developed and sophisticated financial market (21st) that can channel financial resources to good use, and it boasts reasonably sophisticated (43rd) and innovative (38th) businesses.

The Global Competitiveness Index 2011-2012 (India Position)

Elements	**Rank**	**Score**
Basic Requirement	91	4.25
Institutions	69	3.84
Infrastructure	89	3.60
Macroeconomic environment	105	4.30
Health and primary education	101	5.25
Efficiency Enhancers	37	4.46
Higher education	87	3.88
Goods market efficiency	70	4.21
Labor market efficiency	81	4.20
Financial market development	21	4.93
Technological readiness	93	3.36
Market size	3	6.16

शोध संचयन
SHODH SANCHAYAN
ISSN 2249-9180 (Online)
ISSN 0975-1254 (Print)
RNI No.: DELBIL/2010/31292

An Internationally Indexed Refereed Research Journal & A complete Periodical dedicated to Humanities & Social Science Research
मानविकी एवं समाज विज्ञान के मौलिक एवं अंतरानुशासनात्मक शोध पर केन्द्रित

Half Yearly

Vol-4, Issue-1
15 Jan-2013

Indian Economic Structure-: A View Point

Dr. V. K. Goswami

Associate Professor, Department of Applied Economics, University of Lucknow

www.shodh.net

Web Portal of Humanity & Social Science Research

The present economic emergency in India

- India is in the midst of a grave economic emergency. This is substantiated by our growth path over the last one year along with the trend pressure group in other significant macro-economic parameters.
- This is not our first difference of opinion with bumpy economic weather. We faced an economic catastrophe of equal extent in 1991. We faced it again in 1997 as outcome of the Asian crisis. The great depression of 2008 that engulfed the entire world also experienced our elasticity.
- When faced with economic hardship, we, as a nation, have risen to the juncture. Be it 1991, 1997 or even 2008, the country was ruled by union governments, which took hard decisions. We are confident that the present government too is competent of taking tough decisions in the significance of the country.
- There has to be a clear acknowledgment on the part of the ruling parties and the opponent that we are in a crisis circumstances. Natural calamities or external pressure amalgamate us. Economic calamities can be just as shocking and require a similar comeback. We urge the national polity to stand unified and reinforce the hands of strategy makers to act proactively and resolutely.

India's growth chop down to its slowest pace in almost a decade last year, according to government estimates in print, putting further stress on a splintered alliance government in New Delhi that has been widely criticized for its management of the economy. India's economy grew 6.5% in the fiscal year that ended in March, down from 8.4% the year before, as sectors like manufacturing, mining and agriculture did badly. In an upsetting sign for the rest of this year, the story showed a sharp drift off in economic movement in the first three months of 2012, with growth falling to 5.3 percent, from 9.2 percent a year earlier. Analysts were expectant India's growth rate to dawdling because of a contraction in new funds by the private sector and the financial special effects of the crisis in Europe, but the numbers were worse than predicted. Furthermore, more sectors exhibited slower development, raising new concern about the economy.

Factors behind the crisis

- The mixture of low growth, high inflation, high fiscal deficit and highest ever trade / current account deficit has raised a lot of fear.
- The decline in the economic state of affairs has been marginally qualified to developments taking place overseas.
- While the supreme ruler debt catastrophe in the EU and the general weak economic situation in the urbanized world does have a bearing on us
- Excessive monetary contraction, delays and uncertainty over key economic legislations, projects delays on story of factors including stalled ecological clearances, problems in land possession, lingering pause in reforms and an atmosphere of indisposition in decision making in civil service need to be urgently reversed.
- In 2007-08, tax and other revenue amounted to Rs.5.4, while total expenses were Rs.7.1, implying a deficit of Rs.1.7. This was funded largely by Government borrowings of Rs.1.3 (other capital receipts like loan recoveries and fresh deposits in Government saving schemes, contributed the balance). Effectively therefore, the Government in credit its income just about by a third and financed nearly one fifth of its expenditure through borrowings. Over a period of four years, this situation radically worsened.
- In 2011-12, Government income was at Rs.7.7 TN while expenses were Rs.13.2 TN. This amounted to a deficit of Rs.5.2 TN which another time had to be funded largely by borrowings (Rs.4.4 TN). As a percentage of GDP, the fiscal deficit was 5.9 per cent but as a percentage of revenue, it was 68 per cent. Effectively therefore, the Government now borrows almost two thirds of what it earns and one third of what it spends.
- The reality is that a large chunk of Government expenditure comprises loyal payments - for instance, interest payments at Rs.2.8 tn, defence spending at Rs.1.8 tn and dreadfully, subsidies at Rs.2.2 tn. Additionally, the welfare programmes instituted over the past few years will entail spending commitments to service the NREGS, oil and fertilizer subsidies and now, the food subsidy bill which will cost Rs.1.5 tn per annum. This alone is three times the NREGS expenditure.

शोध संचयन
SHODH SANCHAYAN
ISSN 2249-9180 (Online)
ISSN 0975-1254 (Print)
RNI No.: DELBIL/2010/31292

An Internationally Indexed Refereed Research Journal & A complete Periodical dedicated to Humanities & Social Science Research
मानविकी एवं समाज विज्ञान के मौलिक एवं अंतरानुशासनात्मक शोध पर केन्द्रित

Half Yearly

Vol-4, Issue-1
15 Jan-2013

Indian Economic Structure-: A View Point

Dr. V. K. Goswami

Associate Professor, Department of Applied Economics, University of Lucknow

www.shodh.net

Web Portal of Humanity & Social Science Research

• When I say social solidity, I refer to the all important objective of creating jobs and carrying great weight employment opportunities for the millions who join the labour force every year in India. With 550 million people below the age of 25 years, our rations are so huge that we need to assess all policy decisions in the glow of this single overarching objective.

Implications

We have attempted to evaluate the brunt of the 1991 policy reforms on the industrial sector through a technology-based categorization of the organized manufacturing sector for the period 1980-81 to 2005-06. The analysis shows a slower trend growth rate of value added in the post-reform period. Further, though the study does find some optimistic signs of a structural shift within the manufacturing sector, the changes are too tiny to have any significant brunt.

India's economy is driven by household consumption (67 per cent) and investment (35 per cent) with the external sector having a negative input. Most investment is funded by domestic savings, the space being about 2-3 per cent of gross domestic product (GDP). This makes our economy more resilient to external shocks. At present, India is experiencing high inflation and a high fiscal shortage. Monetary tightening procedures have been instituted to be in command of slow moderately to about 7.5 per cent in 2011-12 and 2012-13. As inflation declines to a satisfactory level and interest rates are condensed by the Reserve Bank of India, growth will spring back to over eight per cent in 2013-14.

A global financial crisis would have an unpleasant impact through condensed growth in exports and significant decline in foreign currency flows. This will be partly offset by the assistance of poorer prices of crude oil and other commodities. The net effect would be a negative aspect risk of GDP growth reducing to about 6-7 per cent in 2012-13. This is regular with the 2008-09 scenarios, when GDP growth dropped to 6.8 % inflation.

In fact, various factors are actually hampering the industrial growth in India - the lack of road and rail network, technology, and skilled labour force. The sector requires investment in infrastructure, R&D and education among other things, to enhance its absorptive capability for reaping the benefits of globalization. For this, the role of the government becomes dominant. Rather, in an all the time more globalised and technologically advancing world, promoting industrialization and growth is a multidimensional multifaceted task that requires coordination from the government at a variety of levels. Thus, for sustainable growth, a correct mix of market and government should be formulated for each industry, especially for the high technology industries. The policy structure for the taken as a whole manufacturing sector should be unique for each industry alarmed, ranging lengthily from specific technology-generating, technology-acquiring and specific means building approaches.

If the goal of inclusive growth in India is to be seriously pursued, the current role of public investment will not suffice. While, the state development expenditure seemed to have helped somewhat, as shown in the global competitive Index 2011-12, they are not sufficient. The state developmental expenses in social sectors are important, the deep structural deficiencies in the of inferior quality states cannot be alleviated without more thorough economic sector funds. We feel that it is the deeper economic developmental reserves that offer more momentous payoffs through structural change and enhanced productivity per capita.

References:

1. Bhattacharya, B. B. and S Sakthivel, 'Regional Growth and Disparity in India: Comparison of Pre- and Post Reform Decades', Economic and Political Weekly, and Volume: 1071-1077, 2004
2. Balakrishnan, P. and Parameswaran M., 'Understanding Economic Growth in India: A Prerequisite', Economic & Political Weekly, 42(27/28): 2915-22, 2007
3. Chaudhuri, S, 'Economic Reforms and Industrial Structure in India', Economic & Political Weekly, 37(2): 155-62, 2002
4. Das, Sandwip and Barua, Alokesh, 'Regional Inequalities, Economic Growth and Liberalization: A Study of the Indian Economy', Journal of Development Studies, Volume 32(3): 364-390, 1996
5. RBI State Finances: A Study of Budgets of 2009-10, Reserve Bank of India, New Delhi, February 22, 2010,
6. Schwab Klaus, World Economic Forum Geneva, Switzerland; The Global Competitiveness Report 2011-2012.
7. Siems, M., 'Reconciling Law & Finance and Comparative Law' 52 McGill Law Journal 55-81, 2007
8. Visaria, S., 'Legal Reform and Loan Repayment: The Microeconomic Impact of Debt Recovery Tribunals in India', working paper, Boston University Department of Economics DP 157, 2006
9. World Bank, Doing Business in South Asia in 2007, country profile of India, 2007