



India: Nation on a Move

This editorial is based on [“For a stronger economy: We need economic reforms beyond liberalisation”](#) which was published in The Indian Express on 07/09/2022. It talks about the growth of Indian economy after liberalisation and areas where India has a comparative advantage for development.

For Prelims: International Monetary Fund (IMF), E-choupal, Current Account Deficit, World Inequality Report 2022, Baba Kalyani Committee on SEZs, Make in India.

For Mains: Potential Areas that Provide Comparative Edge to India, Obstacles to India's Economic Growth, Economic Survey 2021-22.

Despite all the disruptions caused by the global pandemic, India's [balance of payments](#) remained in surplus throughout the last 2 years.

According to figures from the [International Monetary Fund \(IMF\)](#), India passed the United Kingdom (UK) to become the [5th largest economy in the world](#) in the last quarter of 2021.

IMF and [World Bank](#) endeavour to ensure that other countries can benefit from India's development, especially their main financiers, the large capital exporters. But the IMF-WB holy trinity of **structural land, labour and other market-opening reforms harms India's domestic market** and, beyond a point, runs into severe resistance that imposes large political costs.

After **1991**, India began to loosen its economic restrictions and an **increased level of liberalisation led to growth in the country's private sector**. Since then, the growth journey that our country has made has been a **tale of ups and downs, opportunities utilised, and lessons learnt**.

Although, liberalisation has created new opportunities, **India's transformation into a global economic force has yet to fully benefit all its citizens**.

What are the Potential Areas that Provide Comparative Edge to India?

- **Inward Looking Liberalised Economy:** The [Indian economy](#) is largely an inward looking and domestic demand driven economy.
 - Further, India is no more a closed but rather a liberalised economy with the aim of further enhancing its competitive advantages that will place India right **on the track to becoming a middle-income country by 2047**.
- **Demographic Dividend:** India entered the [demographic dividend](#) opportunity window in 2005-06 and will remain there till 2055-56. Almost **65 percent of Indians are of working age**, making India the potential workforce for over half of Asia in the future.
- **Front Runner in Agriculture:** [Agriculture](#), with its allied sectors, is unquestionably the **largest livelihood provider in India**, more so in the vast rural areas. Further, in India, **cropping**

patterns have shifted in favour of [cash crops](#) such as sugarcane and rubber.

- According to the [Economic Survey 2021-22](#), agriculture and the allied sector proved to be the most resilient to the Covid-19 shock as it registered a growth of **3.6% in 2020-21** and improved to **3.9% in 2021-22**.
- Also, [Food processing](#) is emerging as a 'Sunrise Industry'.
- **Well Placed to Benefit from IT and Business Services Outsourcing:** India has long been recognized as a tech-savvy country. Indian IT giants such as **Infosys, WIPRO and TCS** have made their mark on the global platform.
 - Low-cost advantage, large pool of English-speaking skilled manpower and latest technology solutions makes **India the most attractive outsourcing hub**.
- **Preferred Travel Destination:** With the **vast cultural and natural resources**, India continues to charm **international tourists with its rich history and remarkable diversity**.
 - In the post-pandemic era, **travel and tourism are reviving as the world's pent-up travel desire rekindles**, which presents India with the opportunity to grow its tourism industry in order to provide warm hospitality and generate employment.

What are the Roadblocks in Achieving Sustainable Economic Growth?

- **Contemporary Geopolitical Issues:** Emerging markets (including India) bear the brunt of the geopolitical risk in more ways than one including [supply chain constraints](#) widening the gap between demand and supply.
 - For instance, [the Russia- Ukraine War](#) has resulted in global shortages forcing **India to pay more for the import of crude oil** and fertilisers.
- **Jobless Growth in Recent Past:** According to [CMIE \(Centre for Monitoring Indian Economy\)](#), the unemployment rate in India is around 7-8%. This is because job growth has not kept pace with GDP growth.
 - **Only 40% of the labour force that is capable of working is actually working** or looking for work, in which women have a lower participation rate.
- **Widening Trade Deficit:** India's **export trend has declined**, with India's [trade deficit](#) reaching a record **31 billion dollars in July 2022** due to recessionary trends in developed economies (like the US) and higher commodity prices.
 - The capital outflows and the **rising current account deficit** is putting [pressure on the Indian rupee](#).
- **Menace of Climate Change:** Crossing of paths between **economic progress and climate change** is unavoidable for developing countries like India as **many aspects of the economic development are interlaced with the wellbeing of the environment** in the absence of which economic growth is adversely impacted.
 - Agricultural production, water resources, human health, and ecosystems are influenced significantly by the [Indian Summer Monsoon \(ISM\)](#). However, the ISM has experienced erratic patterns recently that have resulted in **devastating floods and heat waves**.
- **Widening Rich-Poor Gap:** As per the ['World Inequality Report 2022'](#), top 10% of India's population hold 57% of the total **national income** while the bottom 50% share has gone down to 13%.
 - India's inequality is **driven by limited upward mobility** due to **unequal opportunity**.



What Should be the Way Forward?

- **Setting up Economic Development Goals:** India's performance depends not only on how well it addresses the challenges of today but also in its **preparedness for future challenges**.
 - India needs to ensure that its **policy choices are robust and forward looking** with modern technological solutions. For this, an effective strategy for India needs to be based on a **transparent articulation of the country's economic development goals**.
 - These goals should outline an ambition that is **bold, energising, and reflective of the aspirations of the country**.
- **Integration of Social and Economic Development:** Economic growth that does not achieve social development fractures society and ultimately erodes the very foundations of prosperity.
 - Thus, there needs to focus on enabling the **creation of competitive jobs** for those currently outside of the active labour market **blended with adequate social security measures**.
- **Manufacturing in India, for India:** There is a need to strengthen the **Make in India** initiative with special emphasis on the 'zero defect zero effect'.
 - There is also a need for reform in the **banking sector** that can **help boost small-scale manufacturing instead of only large-scale**.
- **Providing Ease of Doing Business:** For attracting more foreign investment, laying down the **specific opportunities in different sectors and a healthy business environment** that provides ease to do business is very important.
- **Empowering Indian Youth:** To harness the demographic dividend in the near future, **skill development needs to be integrated with conventional schooling in India**.
 - India can draw on examples like Peru, that provides with the **Innova Schools** an interesting model for providing **cost-effective quality education to students**.
- **Unlocking the Potential of Indian Women:** Closing the **gender gap in education and financial and digital inclusion** of women and breaking down the **glass ceiling** should be the priorities.
- **Strengthening Special Economic Zones:** More **special economic zones** are needed to enhance foreign investment, increase exports, and support regional development.
 - **Baba Kalyani Committee on SEZs** has recommended that **MSME investments in SEZs be promoted by linking them to MSME schemes** and allowing **sector-specific SEZs**.

Drishti Mains Question

Growth journey of India has been a tale of ups and downs. Examine India's economic growth trajectory and major obstacles.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q.1 With reference to the Indian economy after the 1991 economic liberalisation, consider the following statements: (2020)

1. Worker productivity (Rs. per worker at 2004-05 prices) increased in urban areas while it decreased in rural areas.
2. The percentage share of rural areas in the workforce steadily increased.
3. In rural areas, the growth in non-farm economy increased.
4. The growth rate in rural employment decreased.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 3 and 4 only
- (c) 3 only
- (d) 1, 2 and 4 only

Ans: (b)

Mains

Q. Do you agree that the Indian economy has recently experienced V-shaped recovery? Give reasons in support of your answer. **(2021)**

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