THE EMERGING ISSUES OF INDIAN ECONOMY

Dr. Bharati Yadav

Mahatma Phule Mahavidyalaya, Pimpri, Pune - 411017

After Independence, India embarked on planned development with the objective of achieving a self-reliant socialistic pattern of society. The measures taken towards the same were initiation of a centralized planning machinery for economic planning and public investment decision making expansion of public investment in basic and key industries and intervention in the market through a number of regulatory measures and controls. The policy framework was a mixed economy with the coexistence of public and private sectors with a dominance of public sector in many key areas. The policy of approach was that of excessive intervention in the market mechanism to control and regulate to domestic economy and external sector.

Agriculture:

A basic problem in agriculture has been low and declining growth rate in recent years

The share of agriculture has been consistently coming down. However, a noticeable fall happened after 1991.

Share of Agriculture in India

Years	Share in GDP	Population depending on agriculture (%)	Share in Export	Average growth rate
1951	59.2	69.5	15.8	3.2
1961	57.8	67.8	15.9	2.4
1971	52.3	66.2	15.2	3.2
1981	44.2	64.7	14.3	3.7
1991	34.9	63.4	16.7	3.1
2001	26.6	60.0	12.7	2.9
2009	17.8	59.2	16.2	2.5

Source: Compiled from Economic survey

The share of agriculture in the GDP of India in 1951, 59.2 percent By 1990, the share of agriculture in the GDP of India down to 34.9 percent this further reduced to just 17.8 percent in 2009. At the same time, the percentage of population depending on agriculture continued to be at a higher level. In 1951, 69.5 percent of population depended on agriculture, which continued only with marginal variations in the later years. According to the latest statistics, still 59.2 percent of the population depends on agriculture. It is seen that the average growth rate of agriculture has been decline from 3.2 percent to 2.5 percent during the period of 1951 to 2009.

Poverty:

Poverty still remains the basic socio-economic problem of the Indian economy. According to the latest estimates more than one-fourth of the population lives below the poverty line.

Poverty ratio in India (%)

Year	1973-74	1977-78	1987-88	1993-94	1999-2000	2004-05
Rural	56.44	53.07	39.06	37.27	27.09	28.30
Urban	49.23	47.40	40.12	32.36	23.62	25.70
Total	54.93	51.81	39.34	35.97	26.10	27.50

Source: Planning commission Report 1993 and 2008.

The data on poverty suggest that, India remained as a very poor country where majority of the people were poor. The table shows that there had been a steady decline in the poverty ratio in rural and urban areas during the three decades since 1973-74. The poverty ratio fell to 54.93 percent in 1973-74 to 35.97 percent in 1993-94 and to 27.5 percent in 2004-05. The total number of poor people in the country was estimated 30.17 crores in 2004-05

Unemployment:

The failure to generate adequate productive and gainful employment on a large scale to absorb the growing labour force is one of the basic economic problems of the Indian economy since Independence. The high rate of unemployment among the youth, educated, females, agricultural labourers, rural workers etc. is the current major problem.

Unemployment Rate in India (CDS Basis)

Item	1983	1993-94	1999-2000	2004-05
Total unemployment	9.22	6.06	7.31	8.28
Rural unemployment	8.85	5.61	7.16	8.28
Urban unemployment	10.55	7.46	7.74	8.28
Female unemployment	9.99	6.43	7.44	9.37
Male unemployment	8.96	5.94	7.24	7.88

Source: Planning Commission (2008), Eleventh five year plan 2007-12. VOL.1.

Above table gives the unemployment, rates of different categories of unemployment between 1983 and 2004-05. In the early 1980s, the rate of unemployment was 9.22 percent for the total unemployed persons in India.

Infrastructure:

Infrastructure, both economic and social, plays a crucial role in determining the prosperity of an economy by enhancing the productive capacity in a self - accelerating process of economic development.

Nevertheless, India is still facing the problem of a supply-side deficit. Considering this fact, the total investment required in infrastructure during the Tenth Five year plan, initially projected at Rs. 1,089,400 Crore, has been revised to Rs. 1,108,800 Crore in the mid term appraisal of the tenth plan. The committee on infrastructure, headed by the prime minister, has estimated the investment requirements as Rs. 172,000 Crore in the National Highways sector by 2012, Rs. 40,000 Crore for airports by 2010 and Rs. 50,000 Crore for ports by 2012. A substantial share of this investment is expected to come from the private sector. It has also been estimated that India has the potential to absorb US$ 150 billion of foreign Direct Investment (FDI) in the next years in the infrastructure alone (Govt. of India 2007)

Education:

Public expenditure on education is one of the lowest in India. In most countries, the education expenditure accounts for 6-10 per cent of the GNP. In India, it is 3.5 percent of the GNP, which is lower than most of the developing countries, we are for behind the target of spending 6 percent of the GNP on education as recommended by the National education commission (1964-66). The expenditure on higher education is also one of the lowest in India, declining from its peak of 1 percent of the GNP in 1980-81 to less than 0.6 percent currently, that’s why a large section of population cannot afford the educational services provided in private sector, strengthening the public institutions are crucial for improving the welfare of people.

Health:

More hospitals and health care institutions started in the private sector. A large section of the population that is part of the lower-middle class and poor category cannot afford the services of the private hospitals and health care centers. Due to general neglect, poor administration and low public spending, there is a steady deterioration in the quality of the health services in the public sector.

Basic health indicators - comparison with the Best (2007-08)

Health Indicator	India	Global Best	Scope for improvement
Life expectancy at birth (years)	64	83	29.7
Total health expenditure (THE) (%GDP)	4.1	19.1	365.9
Government share in THE (%)	26.2	99.8	280.9
Health's share in the Govt. exp. (%)	3.7	32.1	767.6

Source: Who (2010) World Health Statistics 2010.

If India desires to catch up with the best, it needs to improve the health system indicators first. First, India's health expenditure is well below the best and even below the average. Secondly, the government shares in the total health expenditure. Thirdly, the private healthcare spending is almost entirely unorganized. Fourthly, the proportion of birth's attended by skilled personnel is low.

Backwardness of Rural Areas:

In India, nearly 72 percent of the population lives in the rural areas and the rural development has been a major objectives of economic development since independence. During the post-independence period, a dualistic pattern of development took place in the country. While the rural areas remained backward without much change, the urban areas witnessed rapid development. Large investment in physical and social infrastructure took place in cities, towns, industrial and commercial centers, port towns, etc. This increased the disparities in development in the rural and urban areas. The reforms had not succeeded in the promotion of investment and technological changes resulting in the generation of non-agricultural activities in rural areas in a big way.

External Sector:

As many governments in the world switched over to an outward orientation in their policies to exploit the growing trade opportunities, India policy makers with the import substitution till the end of the 1980s. The export pessimism become a self-fulfilling prophecy, as its share of the world exports declined steadily from a small 2 percent in 1950-51 to a negligible 0.4 percent in 1989-90. For the five-year period 1985-90, the trade deficit averaged to 3 percent of the GDP while the current account deficit averaged to 2.2 percent of the GDP. To finance these deficits, the government switched over to external borrowings. The dependence on the expensive commercial borrowings and the NRI deposits increased the debt burden and worsened the external debt indicators. The debt services ratio, the external debt stock to the GDP ratio and the debt to exports ratio peaked at 35, 39 and 563, respectively. The proportion of the short-terms debt in the total external debt attained its highest level in march 1991 at 10.3 percent. As a ratio to foreign currency reserves, the short term debt soared to a dangerous 382 percent, signaling the heightened fragility of India's external finance . The reduction in the remittance inflows and increase in the oil price due to the Gulf War pushed the Indian economy to face an unprecedented macro-economic and balance of payments crisis.

Conclusions:

The above analysis about the emerging issues of the Indian economy may be concluded with the some observation. The Indian economy have not achieved the desired results in some fronts like reduction of unemployment and poverty, rural development, improvements in the condition of the rural and urban poor, expansion of public services, infrastructural development etc. The growth in speculative investments in stocks, real estate, gold and other assets has created unhealthy and undesirable social effects. some of the policies pursued in agriculture adversely affected the interests of the small and marginal farmers and resulted in the suicides of a large number of farmers in different parts of the country. The reforms have marginalized the poor sections of the society like landless agricultural labourers, marginal formers, tribal people, workers in informal sectors and workers solely dependent on agriculture and allied activities. Likewise, the policies have failed to improve public have failed to improve public education, health services and public utilities and strengthen the network for PDS.

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