

The Future Of India's Growth Prospects

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ABSTRACT

In the past decade, India has shown tremendous economic growth patterns amid hue and cry over the economic disparities and imbalances. The Gross Domestic Product (GDP) growth rate has been impressive but other indicators of economic development such as infrastructure, income inequality, Index of Industrial Production (IIP) have been alarming and unsatisfactory. Recent structural changes in the Indian economy such as changes in FDI policy, Demonetisation, and implementation of Goods and Service Tax (GST) have witnessed contradictory patterns. This article focuses on the issues of India's economic growth and the prevalent anomalies. It also captures the expectation of Modi's government regarding the future of the Indian economy.

KEYWORDS: Indian Economy, Economic Growth, Modi, China.

1. INTRODUCTION

India adopted the New Economic Policy of Liberalisation, Privatization, and Globalization in 1991 during the regime of the Indian National Congress (INC). Since 1991, India witnessed an increasing economic growth prospect with respect to the GDP indicator. More or less in the last two decades, India has achieved a title of emerging economies by the multilateral organizations internationally. The Multinational Corporations (MNCs) started investing in India in the form of Foreign Direct Investment (FDI) which crossed a stock of US\$ million in 2016. Due to such a huge regular investment, India has a controlled Current Account Deficit as well as a stable Balance of Payments. The FDI investment in the initial years of the 1990s has a spillover effect on the pattern of economic growth. Even the growth pattern of the 2000s can be traced back to the causes of 1990s FDI investment. In 2014, the coalition government of the Indian National Congress lost its national election and the National Democratic Alliance led by Bhartiya Janta Party (BJP) came into power. Narendra Modi became the Prime Minister amid euphoria over the development issues and promise of a new regime of growth and development. Back in the 1990s BJP was at the center of criticizing Globalisation on the pretext of the pathetic condition of Small and Medium Enterprise of India. From 2014 onwards radical changes and tests in the Indian economy were conducted with the hope of bringing a new era of growth and development without bureaucratic corruption. However, much has not changed except the nomenclature of the government policies.

2. ASSESSMENT OF MODI'S GOVERNMENT TOWARDS INDIA'S ECONOMIC PROSPECTS

In 2014 when Modi came into power, it started the tenure with optimism about the Indian economy in both the short run and long run. However, policies implemented in the last three years' tenure have raised concern both by the Modi government and by other opposition parties. The political objection to the new policies has forced the Modi government to introspect the policies. In order to make an appropriate assessment, the section is divided into short-term assessment and medium-term assessment of economic prospects.

2.1. SHORT TERM ASSESSMENT

There is always a debate on the period to be selected for the short term. Few researchers have defined it as the time between two structural breaks. Without going into the quantitative assessment of the period for the sake of making the study parsimonious, a time of one ruling cycle of 5 years may be assumed to be a short period. For the Modi, government the short period will end in early 2019. The last 3-4 years will be the evidence for the expectation of the next short term of 4-5 years subject it's coming into power again. Modi government principle argued for the wrong structural development of the Indian economy by INC and categorically defined the last 60 years of the rule of Congress (more or less) as mayhem and destruction of the economy ignoring the logical and factual development of several indicators. With such a base Modi government attempted to make several radical changes in the Indian economy but from 2014 onwards the growth of the Indian economy started shrinking and at times the IIP was at a minimum and alarming value. The already successfully functioning of Planning Commission was stopped by replacing it by Niti Ayog that took the last three years to be fully operative. However, the Modi government has given the argument that the closing of the Planning Commission was aimed at boosting the economic growth of India (Reuters Staff, 2015). The opposition has argued that Niti Ayog acted as the PR

of the Modi government (UNI, 2018). Since its inception in late 2014, Niti Ayog has organized a series of lectures, discussions, and conclaves on the Indian economy but has failed to impress the people due to the bad implementation of new economic policies of the Indian government. The next 4 to 5 years are crucial for Niti Ayog as it targets to tackle the growing concerns over unemployment rates which have become the greatest challenge for the Modi government. Niti Ayog has now started focusing on the creation of jobs, as it is important for the Modi government to return to power in 2019 (PTI, 2017a).

With respect to Annual Average GDP growth rate patterns, India has shown good performance when compared with the global slowdown. In 2014 the GDP rate was around 6.5% while in 2015 it was around 7%. In 2016 it reached 7.8% and averaged to 7.5% in 2017. In the last three months of 2017 on year on year basis, the GDP rate was 7.2% beating the expectation of 6.5% (Trading Economics, 2018a). These results have given confidence to the Modi government and have challenged opposition about negative remarks regarding Modi's economic policies. According to a UN report, India's GDP growth is on the path of 7.2% in 2018 and is expected to reach 7.4% in 2019 (PTI, 2017b). World Bank has also given positive signals for the growth of the Indian economy. According to World Bank, the expected growth rate of the Indian economy in fiscal 2018-19 is expected to be 7.3% (BT, 2018). All these reports have given a reason for the Modi government to be optimistic about the growth of the Indian economy in the future short term. A comparison of India's GDP rate with China suggests that China is lagging as the GDP growth rate of China is falling and was below 7% for the last three consecutive years.

2.2. MEDIUM-TERM ASSESSMENT

The medium-term assessment should focus on the next ten years' expectations of the Modi government regarding the Indian economy. AS has already been discussed the GDP growth rate appears to be promising for India. Modi movement has announced a medium project of New India to be achieved in 2022. Niti Ayog has already started working on achieving certain targets till 2022. New India initiative by the Modi government focuses on agriculture, malnutrition, higher education, and jobs. It appears very difficult to achieve in this short time but its achievement in medium-term of next decade is acceptable. Modi government has started several schemes in selected states regarding an increase in agricultural output as well as supporting the farmers. The single selling price for crops subsidized insurance cover for crops, free fertilizers, loan waivers, etc. has become part of the agricultural policy of the government. Modi wants the next revolution for the agricultural sector of India. The government has made several MOUs with leading countries in agricultural technology like Israel and the United States of America. The New India Vision document focuses on 15-year achievement and thus is a specific plan for the medium-term (PTI, 2017a). The implementation of the Goods and Service Tax in July 2016 has been revolutionary in promoting structural changes in the medium term. Though presently the government has failed to implement the concept of "One Nation, One Tax" as multiple rates of GST prevail, there is a strong expectation that in the next decade a single rate will prevail.

3. MAIN CONSTRAINTS OF INDIA'S FUTURE GROWTH

The main constraints of India's future growth can be divided into Economic dominance and political dominance and the present Modi government is focusing on both points.

3.1. ECONOMIC DOMINANCE

It is a well-known fact that globally India is considered to economically dominate the world when it comes to emerging economies. India has already demonstrated regional dominance in terms of economic indicators such as trade and investment. The huge population of India acts as a large consumer base attracting MNCs to set up their business in India. If Britishers colonized the world with the help of German watches, Middle East maps, etc. India is set to dominate with the coming of such MNCs as its hope for technology and skills transfer through MNCs FDI. Though India faces a Current Account Deficit reflecting trade imbalances, it is not alarming and in the long term, it is expected to be under the 5% benchmark unlike European countries having unsustainable CAD. State governments in order to support new entrepreneurs in the Indian economy are promoting incubation centers. Special Economic Zones has given tax holiday packages to the manufacturing sector. All this has set the right tone for the economic dominance of India regionally and globally. One thing in which India is lagging is inventions in technology and research and development. However, with changes in the higher education policies, the future may be better. The second Silicon Valley of the world exists in India after the USA and India excel in revenues from Outsourcing contracts from developed countries (Srinivasan, 2016). The business community in India has expanded and has got support from the Modi government. The list of the world's top billionaires includes Indians such as Tatas, Ambanis, and Adanis with around 100 billionaires in India (PTI, 2017c).

3.2. POLITICAL DOMINANCE

When Modi came into power in 2014, the political dominance of India was declining. However, with his myriad diplomatic trips all over the world, he made a mark. Not only did he travel to the regional countries such as Bhutan, China, Myanmar, Nepal, Sri Lanka, etc. he even traveled to developed countries of the European Union, USA, Brazil, Russia, South Africa, etc. Modi was able to garner support from all over the world for India's political dominance in the multi-polar world order. Multilateral and Global meetings witnessed the presidential and keynote speeches of Prime Minister Modi such as United

Nations, BRICS summit, ASEAN, World Economic Forum, etc. The number of joint military exercises of the Indian Army increased and India became a major purchaser of Defence items (Rajagopal, 2017). India's investment in regional countries has increased such as Afghanistan, Sri Lanka, Bhutan, Nepal, etc. with the objective of political dominance.

4. CONCLUSION

Modi government has implemented such policies that have surely improved investment in the economy as well as better GDP growth rate. However, Modi has also failed to improve exports, smooth implementation of new indirect taxes, and reduce the Corruption Perception Index. Still, the Modi government is optimistic about the economy in the future. Modi is more inclined towards American Trans-Pacific deals rather than going for open cooperation with China. India may surpass China in the next 10-15 years only in a few indicators while in the majority of indicators it will lack.

CONFLICT OF INTEREST

None.

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