

India, emerging as super economic power



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India's economic advancement in the past 70 years is one of the most fascinating success stories. Faced with multiple woes, ranging from near absence of infrastructure to almost everything needed for economic enhancement, India's odyssey towards economic independence was dotted with challenges. It was the determination of our founding fathers who did not give up and build the country brick by brick. The concept of Five-Year-Plan was a great beginning in the right direction, with an emphasis on eradication of poverty and woes of farmers.

There were multiple problems which had crept into the system over the years in the system and the ease of doing business was never encouraging. Foreign reserves were never assuring, while the flow of foreign direct investments (FDI) was minimal. As a result, the demand for the opening up economy began gaining momentum when Rajiv Gandhi was the country's Prime Minister. Due to political turmoil there was not much happening till PV Narasimha Rao became the country's Prime Minister and he opened the gate for foreign investors by liberalising norms, thus beginning the era of economic liberalisation. The pace of foreign as well as domestic investment remained sluggish during 1996 to 1999 due to political instability and Kargil War.

However, Indian economy bounced back post-Kargil War, thanks to the visionary leadership of the then Prime Minister Atal Bihari Vajpayee. In fact, the 'feel good factor' of liberalisation became explicit and the flow of investment and disinvestment of PSUs to fund major infrastructure projects including roads and power plants picked up momentum. Since then Indian economy has not looked back. In fact, even during the global economic crisis in 2008, Indian economy showed resurgence and maintained an upward growth rate, emerging as a bright spot for the world investors.

Now under the leadership of Prime Minister Narendra Modi, India has become the fastest growing economy in the world, leaving behind China. A series of reforms initiated by Prime Minister Modi has significantly increased the ease of doing business in the country. That is why India is today one of the most sought after investment destination of world's leading firms. It is, perhaps, for the first time in the history of independent India that the world's top CEOs are committing huge investments in India on their own, a rare phenomenon indeed!

Prime Minister Modi's demonetisation decision has created a solid ground for the formalization of Indian economy. Indian economy has suffered a lot due to its over dependence on informal or unorganised sector, which could be a major source of employment but in the process end up causing huge losses to the economy by way of tax evasion and violation of labour laws, which have negative bearing on the final output of workforce. Similarly, the landmark Goods and

Services Tax (GST) is all set to give a new boost to the country's economy. It will have long term positive impact on investment and growth. According to the International Monetary Fund (IMF), "this tax reform and the elimination of targeted subsidies are needed to widen the revenue base and expand the fiscal envelope to support investment in infrastructure, education, and healthcare."

Targeted Delivery of Financial and Other Subsidies (Benefits and Services) Act 2016, rationalisation of subsidies, enactment of Insolvency and Bankruptcy Code 2016 and operationalisation of National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) for new corporate insolvency framework are some other measures which will add lot of resilience to the country's economy.

The World Bank has predicted India's growth at 7.7 per cent during 2017-18, which reinforces the fact that fundamentals of Indian economy remain quite strong and are capable of absorbing the aftershocks of policy 'disruptions'. India has all the potential to grow at a much higher pace if the Centre takes care of industrial and manufacturing sectors. IMF too has underlined the need for removing long-standing structural bottlenecks so that market efficiency improves. Indian economy had grown at 7.6 per cent in 2015-16. According to the World Bank, India's gross domestic product (GDP) could grow at 7.7 per cent in 2017, supported by "expectations of a rebound in agriculture, civil service pay reforms supporting consumption, increasingly positive contributions from exports and a recovery of private investment in the medium term." India's recent growth rate of more than 7 percent annually has been the strongest among G-20 countries.

The latest OECD Economic Survey of India 2017 finds that the acceleration of structural reforms and the move toward a rule-based macroeconomic policy framework are sustaining the country's longstanding rapid economic expansion. Liberalising norms for a wide range of FDIs will lead to a kind of surge in job and employment creation. Barring the small negative list, Prime Minister Modi has ensured that all sectors get FDIs through the automatic approval route. According to an estimate, net FDI inflows during April-December 2016-17 increased to US \$ 31.18 billion from US \$ 27.22 billion during the last corresponding period. India's foreign exchange reserves stood at US \$ 367.93 billion on March 24, 2017 with the current account deficit (CAD) at sustainable level of 1.3 percent and 1.1 percent in 2014-15 and 2015-16.

If we go by other economic indicators, there are many more things to cheer about. India's Gross Fiscal Deficit (GFD) was restricted at 3.5 percent in 2016-17. The GFD for the year 2017-18 has been pegged at 3.2 percent with a commitment to achieve three per cent next year. With the Central government under the leadership of Prime Minister Narendra Modi committed to enhance fiscal resilience through sustained focus on quality expenditure and higher tax realizations, India looks all set to script many more successes in the economic area, moving towards achieving the goal of economic supremacy.

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Views expressed in the article are author's personal.

(The feature has been contributed by PIB Chandigarh)

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