



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.

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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