



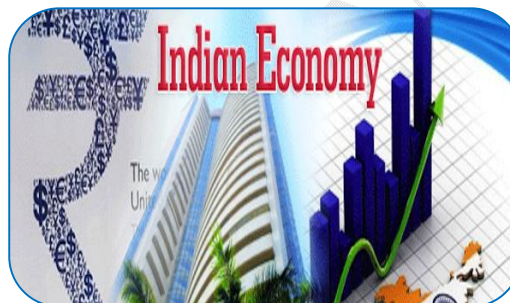
CURRENT TRENDS IN INDIAN ECONOMY

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ABSTRACT :

The Indian economy has experienced large swings in growth and inflation over the past decade. The rapid pace of growth in recent years has seen India become the third largest economy in the world. With the improvement in the economic scenario, there have been various investments in various sectors of the economy. Policymakers need to be watchful and address the current macroeconomic challenges for a sustainable and fruitful recovery.



KEYWORDS : Indian economy, Current trends.

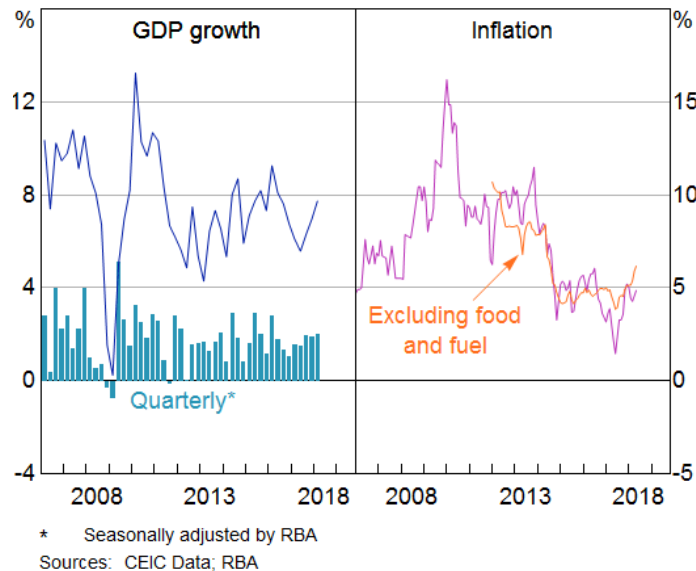
INTRODUCTION

Economic momentum is expected to remain steady in FY 2019. Strong government spending should support growth, as could a possible sustained lull in oil prices, although weak public finances and global trade protectionism could weigh on prospects. Our panelists expect GDP growth of 7.3% in FY 2019, which is unchanged from last month's estimate, and 7.3% again in FY 2020. India is the archetype of industrially developing nations in the world right now, finally nearing the end of a cycle of both industrialization that began decades ago and a transition to a truly open market economy that began in the 1990s. For a long time, India's government practiced strong economic regulation, but the move towards an open market has placed them at the center of many global economic changes. India has also been working to incorporate itself into newer industries, such as technology development and digital technologies. India has a very high rate of technology startups, and the government has sponsored the Digital India Initiative to support widening India's digital infrastructure and services.

The Indian economy has experienced large swings in growth and inflation over the past decade. GDP growth weakened sharply during the global financial crisis (GFC) due to a decline in export demand from advanced economies and a slump in investment. Nonetheless, activity rebounded and high inflation became entrenched after the GFC, supported by an increase in government spending and expansionary monetary policy. While growth subsequently softened due to the withdrawal of stimulus and the rising price of crude oil, more recently, conditions have improved along several dimensions. GDP growth has trended higher, inflation has come down, external fragilities (relating to currency volatility and the size of the current account deficit) have abated and the fiscal position has become more sustainable.

OBJECTIVES OF THE STUDY

- To study the recent developments in Indian economy
- To study the Challenges in Indian economy

Graph no 1.1 India GDP Growth and Inflation

The rapid pace of growth in recent years has seen India become the third largest economy in the world on purchasing power parity (PPP) basis (International Monetary Fund 2017). While India's importance in global trade has grown over the past few decades, its share remains modest - at less than 2 per cent.

RECENT DEVELOPMENTS IN INDIAN ECONOMY

With the improvement in the economic scenario, there have been various investments in various sectors of the economy. The M&A action in India expanded 53.3 percent to US\$ 77.6 billion out of 2017 while private value (PE) bargains came to US\$ 24.4 billion. Some of the important recent developments in Indian economy are as follows:

- Exports from India increased 15.48 per cent year-on-year to US\$ 351.99 billion in April-November 2018.
- Nikkei India Manufacturing Purchasing Managers' Index (PMI) remained at 53.2 in December 2018, appearing in the area.
- Mergers and Acquisitions (M&A) activity in the country has reached US\$ 82.1 billion in 2018 (up to November).
- Income charge accumulation in the nation achieved Rs 2.50 lakh crore (US\$ 35.88 billion) between April-November 2018.
- Companies in India have raised around US\$ 5.52 billion through Initial Public Offers (IPO) in 2018 (up to November).
- India's Foreign Direct Investment (FDI) value inflows came to US\$ 389.60 billion between April 2000 and June 2018, with top level augmentation from administrations, PC programming and equipment, media communications, development, exchanging and cars.
- India's Index of Industrial Production (IIP) rose 5.6 percent year-on-year in April-October 2018.
- Consumer Price Index (CPI) inflation rose moderated to 2.33 per cent in November 2018 from 3.38 per cent in October 2018.
- Around 10.8 million jobs were created in India in 2017.
- India has improved its positioning in the World Bank's Doing Business Report by 23 spots over its 2017 positioning and is positioned 77 among 190 nations in 2019 version of the report.

- India is relied upon to have 100,000 new businesses by 2025, which will make work for 3.25 million individuals and US\$ 500 billion in esteem, according to Mr T V Mohan Das Pai, Chairman, Manipal Global Education.
- The World Bank has expressed that private interests in India is relied upon to develop by 8.8 percent in FY 2018-19 to overwhelm private utilization development of 7.4 percent, and in this way drive the development in India's total national output (GDP) in FY 2018-19.
- India is expected to retain its position as the world's leading recipient of remittances in 2018, with total remittances touching US\$ 80 billion, according to World Bank's Migration and Development Brief.

CHALLENGES IN INDIAN ECONOMY

Firms rated low domestic demand followed by high commodity prices as main concerns in CII's Business Outlook Survey. Stepping up private investment remains a major macroeconomic challenge in the next year. Inflationary pressures also remain a concern. Though food prices are likely to be contained on account of favorable monsoons, caution must be exercised as upside risks still remain in the form of implementation of farm loan waiver and 7th Pay Commission hand-outs.

India's share in world exports is currently at 1.8%. Efforts to increase this figure by way of providing export credit to manufacturers, increasing the capital base of Export Credit Guarantee Scheme (ECGC), increasing subvention to 4% etc. must be undertaken. The economy benefitted from increased foreign inflows during the latter half of 2017. While this is good news, efforts to contain further appreciation of the rupee should be in place as further strengthening may affect exports and job creation.

Bank credit growth hit a 20 year low in 2016-17 with Non-Performing Assets (NPAs) at 9.9%. India has been ranked fifth on the list of countries with highest NPAs. Though bank recapitalization efforts are underway, the economy needs to recover from the bad loan problem quickly for favorable economic growth in the future.

The infrastructure deficit is a major concern and infrastructure investment needs to be stepped up as currently it is not in par with the needs of the economy. Other challenges for the economy include addressing infrastructural bottlenecks in the agricultural sector, investment in human resources to leverage the demographic dividend, increasing expenditure on education and healthcare sectors, and social security provision for the unorganized sector.

With on-going reforms that are beginning to positively impact the economy, CII is optimistic about Indian growth prospects in 2018. At the same time, policymakers need to be watchful and address the current macroeconomic challenges for a sustainable and fruitful recovery.

CONCLUSION

The Indian economy is definitely interesting for analysts all over the world. India is a country with a great potential which has some impressive statistics. The country is attractive to investors from around the world who would like to venture into developing markets. The country is the second-most populous in the world and its technological and health sectors have been growing tremendously.

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