Economy of India

The **economy of India** is the seventh-largest in the world measured by nominal GDP and the third-largest by purchasing power parity (PPP). The country is classified as a newly industrialized country, and one of the G-20 major economies, with an average growth rate of approximately 7% over the last two decades. Maharashtra is the wealthiest Indian state with an annual nominal GDP of US$330 billion, roughly equivalent to those of Venezuela and the United Arab Emirates, and accounts for 13.4% of India's GDP, followed by the states of Tamil Nadu (US$170 billion) and Uttar Pradesh (US$150 billion). India's economy became the world's fastest growing major economy in the last quarter of 2014, surpassing the People's Republic of China.

The long-term growth prospective of the Indian economy is positive due to its young population, corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. The Indian economy has the potential to become the world's 3rd-largest economy by the next decade, and one of the two largest economies by mid-century. The International Monetary Fund (IMF) described the Indian economy as the "bright spot" in the global landscape. India topped the World Bank's growth outlook for the first time in fiscal year 2015–16, during which the economy grew 7.6%. Growth is expected to have declined slightly to 7.1% for the 2016–17 fiscal year. According to the IMF, India's growth is expected to rebound to 7.2% in the 2017–18 fiscal and 7.7% in 2018–19.

India has one of the fastest growing service sectors in the world with an annual growth rate above 9% since 2001, which contributed to 57% of GDP in 2012–13. India has become a major exporter of IT services, Business Process Outsourcing (BPO) services, and software services with $167.0 billion worth of service exports in 2013–14. This is the fastest-growing part of the economy. The IT industry continues to be the largest private-sector employer in India. India is the third-largest start-up hub in the world with over 3,100 technology start-ups in 2014–15 The agricultural sector is the largest employer in India's economy but contributes to a declining share of its GDP (17% in 2013–14). India ranks second worldwide in farm output. The industry sector has held a steady share of its economic contribution (26% of GDP in 2013–14). The Indian automobile industry is one of the largest in the world with an annual production of 21.48 million vehicles (mostly two and three wheelers) in 2013–14. India had $600 billion worth of retail market in 2015 and one of world's fastest growing e-commerce markets.

India's two largest stock exchanges, Bombay Stock Exchange and National Stock Exchange of India, had a market capitalization of US$1.71 trillion and US$1.68 trillion as of February 2015, which rank 11th and 12th in the world according to the World Federation of Exchanges. India is also home to the world's third-largest billionaires pool with 111 billionaires in 2016 and the fourth-largest number of ultra-high-net-worth households that have more than US$100 million.

India is a member of the Commonwealth of Nations, the South Asian Association for Regional Cooperation, BIMSTEC, the Non Aligned Movement, the G20, the G8+5, the International Monetary Fund, the World Bank, the World Trade Organization, the United Nations, the BRICS, the Shanghai Cooperation Organization, the Asian Infrastructure Investment Bank and Missile Technology Control Regime

Agriculture

Rice fields near Puri, Odisha on India's east coast

Main articles: Agriculture in India, Forestry in India, Animal husbandry in India, Fishing in India, and Natural resources in India

India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 17% of the GDP and employed 49% of the total workforce in 2014.[119] As the Indian economy has diversified and grown, agriculture's contribution to GDP has steadily declined from 1951 to 2011, yet it is still the country's largest employment source and a significant piece of its overall socio-economic development.[120] Crop-yield-per-unit-area of all crops has grown since 1950, due to the special emphasis placed on agriculture in the five-year plans and steady improvements in irrigation, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since the Green Revolution in India. However, international comparisons reveal the average yield in India is generally 30% to 50% of the highest average yield in the world.[121]The states of Uttar Pradesh, Punjab, Haryana, Madhya Pradesh, Andhra Pradesh, Telangana, Bihar, West Bengal, Gujarat and Maharashtra are key contributors to Indian agriculture.

India receives an average annual rainfall of 1,208 millimetres (47.6 in) and a total annual precipitation of 4000 billion cubic metres, with the total utilisable water resources, including surface and groundwater, amounting to 1123 billion cubic metres.[122] 546,820 square kilometres (211,130 sq mi) of the land area, or about 39% of the total cultivated area, is irrigated.[123] India's inland water resources and marine resources provide employment to nearly six million people in the fisheries sector. In 2010, India had the world's sixth-largest fishing industry.[124]

Amul Dairy Plant at Anand was a highly successful co-operative started during the green revolution in the 1960s

India exports more than 100,000 tonnes of processed cashew kernels every year. There are more than 600 cashew processing units in Kollam alone.[125]

India is the largest producer of milk, jute and pulses, and has the world's second-largest cattle population with 170 million animals in 2011.[126] It is the second-largest producer of rice, wheat, sugarcane, cotton and groundnuts, as well as the second-largest fruit and vegetable producer, accounting for 10.9% and 8.6% of the world fruit and vegetable production, respectively. India is also the second-largest producer and the largest consumer of silk, producing 77,000 tons in 2005.[127] India is the largest exporter of cashew kernels and cashew nut shell liquid (CNSL). Foreign exchange earned by the country through the export of cashew kernels during 2011–12 reached ₹4,390 crore (₹ 43.9 billion) based on statistics from the Cashew Export Promotion Council of India (CEPCI). 131,000 tonnes of kernels were exported during 2011–12.[128] There are about 600 cashew processing units in Kollam, Kerala.[129] India's foodgrain production remained stagnant at approximately 252 million tonnes (MT) during both the 2015–16 and 2014–15 crop years (July–June).[130] India exports several agriculture products, such as Basmati rice, wheat, cereals, spices, fresh fruits, dry fruits, buffalo beef meat, cotton, tea, coffee and other cash crops particularly to the Middle East, Southeast and East Asian countries. About 10 percent of its export earnings come from this trade.[18]

Industry

Industry accounts for 26% of GDP and employs 22% of the total workforce.[131] According to the World Bank, India's industrial manufacturing GDP output in 2015 was 6th largest in the world on current US dollar basis ($559 billion),[132] and 9th largest on inflation-adjusted constant 2005 US dollar basis ($197.1 billion).[133] The industrial sector underwent significant changes due to the 1991 economic reforms, which removed import restrictions, brought in foreign competition, led to the privatisation of certain government-owned public-sector industries, liberalised the foreign direct investment (FDI) regime,[134]improved infrastructure and led to an expansion in the production of fast-moving consumer goods.[135] Post-liberalisation, the Indian private sector was faced with increasing domestic and foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, and relying on cheap labour and new technology. However, this has also reduced employment generation, even among smaller manufacturers who previously relied on labour-intensive processes.[136]

Petroleum products and chemicals

Main article: Oil and gas industry in India

Petroleum products and chemicals are a major contributor to India's industrial GDP, and together they contribute over 34% of its export earnings. India hosts many oil refinery and petrochemical operations, including the world's largest refinery complex in Jamnagar that processes 1.24 million barrels of crude per day.[137] By volume, the Indian chemical industry was the third-largest producer in Asia, and contributed 5% of the country's GDP. India is one of the five-largest producers of agrochemicals, polymers and plastics, dyes and various organic and inorganic chemicals.[138] Despite being a large producer and exporter, India is a net importer of chemicals due to domestic demands.[139]

Pharmaceuticals

Main article: Pharmaceutical industry in India

The Indian pharmaceutical industry has grown in recent years to become a major manufacturer of health care products to the world. India produced about 8% of the global pharmaceutical supply in 2011 by value, including over 60,000 generic brands of medicines.[140] The industry grew from $6 billion in 2005 to $36.7 billion in 2016, a compound annual growth rate (CAGR) of 17.46%. It is expected to grow at a CAGR of 15.92% to reach $55 billion in 2020. India is expected to become the sixth-largest pharmaceutical market in the world by 2020.[141] It is one of the fastest-growing industrial sub-sectors and a significant contributor of India's export earnings.

The state of Gujarat has become a hub for the manufacture and export of pharmaceuticals and active pharmaceutical ingredients (APIs).[142]

Engineering

See also: Automotive industry in India and Electronics and semiconductor manufacturing industry in India

Mahindra XUV 500 is one of the several indigenously designed and manufactured vehicles

Engineering is the largest sub-sector of India's industrial sector, by GDP, and the third-largest by exports.[143] It includes transport equipment, machine tools, capital goods, transformers, switchgears, furnaces, and cast and forged parts for turbines, automobiles and railways. The industry employs about four million workers. On a value-added basis, India's engineering subsector exported $67 billion worth of engineering goods in the 2013–14 fiscal year, and served part of the domestic demand for engineering goods.[144]

The engineering industry of India includes its growing car, motorcycle and scooters industry, and productivity machinery such as tractors. India manufactured and assembled about 18 million passenger and utility vehicles in 2011, of which 2.3 million were exported.[145] India is the largest producer and the largest market for tractors, accounting for 29% of global tractor production in 2013.[145][146] India is the 12th-largest producer and 7th-largest consumer of machine tools.[145]

Gems and jewellery

Many famous stones such as the Koh-i-noor and Hope Diamond (above), came from India.[147][148]

India is one of the largest centres for polishing diamonds and gems and manufacturing jewellery; it is also one of the two largest consumers of gold.[149][150] After crude oil and petroleum products, the export and import of gold, precious metals, precious stones, gems and jewellery accounts for the largest portion of India's global trade. The industry contributes about 7% of India's GDP, employs millions, and is a major source of its foreign-exchange earnings.[151] The gems and jewellery industry, in 2013, created ₹251,000 crore (US$39 billion) in economic output on value-added basis. It is growing sector of Indian economy, and A.T. Kearney projects it to grow to ₹500,000 crore (US$78 billion) by 2018.[152]

The gems and jewellery industry has been economically active in India for several thousand years.[153] Until the 18th century, India was the only major reliable source of diamonds.[149] Now, South Africa and Australia are the major sources of diamonds and precious metals, but along with Antwerp, New York, and Ramat Gan, Indian cities such as Surat and Mumbai are the hubs of world's jewellery polishing, cutting, precision finishing, supply and trade. Unlike other centres, the gems and jewellery industry in India is primarily artisan-driven; the sector is manual, highly fragmented, and almost entirely served by family-owned operations.

The particular strength of this sub-sector is in precision cutting, polishing and processing small diamonds (below one carat).[149] India is also a hub for processing of larger diamonds, pearls and other precious stones. Statistically, 11 out of 12 diamonds set in any jewellery in the world are cut and polished in India.[154] It is also a major hub of gold and other precious-metal-based jewellery. Domestic demand for gold and jewellery products is another driver of India's GDP.[152]

Textile

Main article: Textile industry in India

Textile industry contributes about 4 per cent to the country's GDP, 14 per cent of the industrial production, and 17 per cent to export earnings.[155] India's textile industry has transformed in recent years from a declining sector to a rapidly developing one. After freeing the industry in 2004–2005 from a number of limitations, primarily financial, the government permitted massive investment inflows, both domestic and foreign. From 2004 to 2008, total investment into the textile sector increased by 27 billion dollars. Ludhiana produces 90% of woollens in India and is known as the Manchester of India. Tirupur has gained universal recognition as the leading source of hosiery, knitted garments, casual wear and sportswear. Expanding textile centres such as Ichalkaranji enjoy one of the highest per-capita incomes in the country.[156] India's cotton farms, fibre and textile industry provides employment to 45 million people in India,[155] including some child labour (1%). The sector is estimated to employ around 400,000 children under the age of 18.[157]

Mining

Main article: Mining in India

India's mining industry was the fourth-largest producer of minerals in the world by volume, and eighth-largest producer by value in 2009.[158] In 2013, it mined and processed 89 minerals, of which four were fuel, three were atomic energy minerals, and 80 non-fuel.[159] The government-owned public sector accounted for 68% of mineral production by volume in 2011–12.[160]

Nearly 50% of India's mining industry, by output value, is concentrated in eight states: Odisha, Rajasthan, Chhattisgarh, Andhra Pradesh, Telangana, Jharkhand, Madhya Pradesh and Karnataka. Another 25% of the output by value comes from offshore oil and gas resources.[160] India operated about 3,000 mines in 2010, half of which were coal, limestone and iron ore.[161] On output-value basis, India was one of the five largest producers of mica, chromite, coal, lignite, iron ore, bauxite, barites, zinc and manganese; while being one of the ten largest global producers of many other minerals.[158][160]India was the fourth-largest producer of steel in 2013,[162] and the seventh-largest producer of aluminium.[163]

India's mineral resources are vast.[164] However, its mining industry has declined – contributing 2.3% of its GDP in 2010 compared to 3% in 2000, and employed 2.9 million people – a decreasing percentage of its total labour. India is a net importer of many minerals including coal. India's mining sector decline is because of complex permit, regulatory and administrative procedures, inadequate infrastructure, shortage of capital resources, and slow adoption of environmentally sustainable technologies.[160][165]

Iron and steel

Main article: Iron and steel industry in India

In fiscal year 2014–15, India was the third-largest producer of raw steel[166] and the largest producer of sponge iron. The industry produced 91.46 million tons of finished steel and 9.7 million tons of pig iron. Most iron and steel in India is produced from iron ore.[167]

Defence

Main article: Defence industry of India

With strength of over 1.3 million active personnel, India has the third-largest military force and the largest volunteer army. The total budget sanctioned for the Indian military for the financial year 2017 was (US$53.5 billion). Defence spending is expected to rise to US$620 billion by 2022.[168]

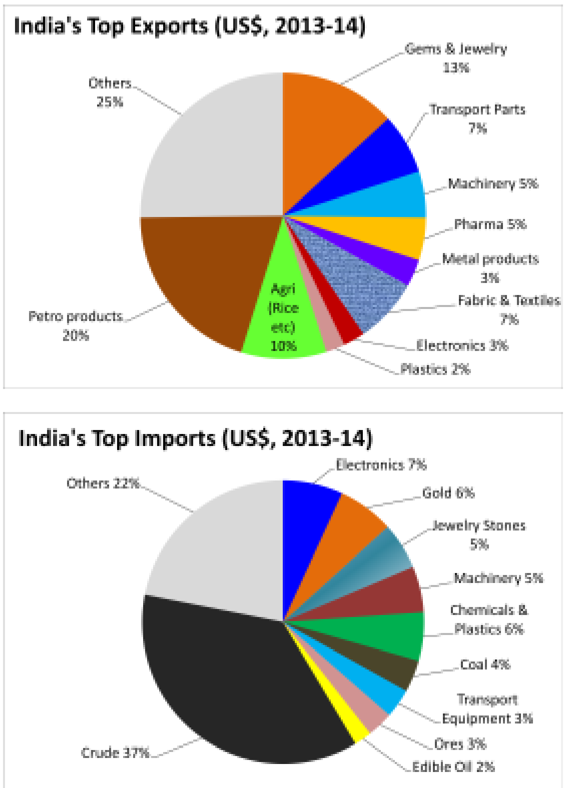
Foreign trade and investment

A map showing the global distribution of Indian exports in 2006 as a percentage of the top market (US at $20.9 billion).

Further information: Globalisation in India

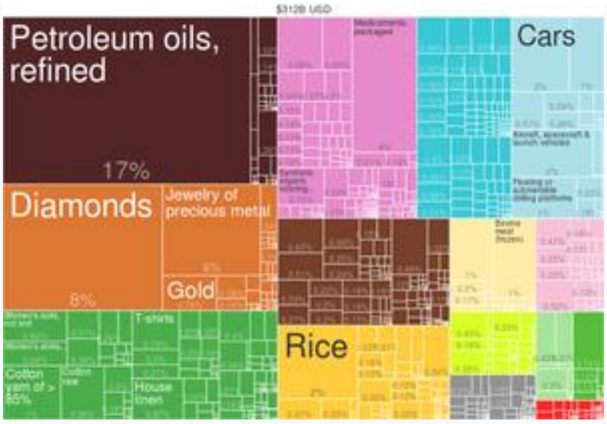
Foreign trade

Further information: List of the largest trading partners of India



India's exports (top) and imports (bottom), by value, in 2013–14.

Until the liberalisation of 1991, India was largely and intentionally isolated from world markets, to protect its economy and to achieve self-reliance. Foreign trade was subject to import tariffs, export taxes and quantitative restrictions, while foreign direct investment (FDI) was restricted by upper-limit equity participation, restrictions on technology transfer, export obligations and government approvals; these approvals were needed for nearly 60% of new FDI in the industrial sector. The restrictions ensured that FDI averaged only around $200 million annually between 1985 and 1991; a large percentage of the capital flows consisted of foreign aid, commercial borrowing and deposits of non-resident Indians.[239] India's exports were stagnant for the first 15 years after independence, due to general neglect of trade policy by the government of that period; imports in the same period, with early industrialisation, consisted predominantly of machinery, raw materials and consumer goods.[240]



India exports by product, 2014[241]

Since liberalisation, the value of India's international trade has increased sharply,[242] with the contribution of total trade in goods and services to the GDP rising from 16% in 1990–91 to 47% in 2009–10.[243][244]Foreign trade accounted for 48.8% of India's GDP in 2015.[11] Globally, India accounts for 1.44% of exports and 2.12% of imports for merchandise trade and 3.34% of exports and 3.31% of imports for commercial services trade.[244] India's major trading partners are the European Union, China, the United States and the United Arab Emirates.[245] In 2006–07, major export commodities included engineering goods, petroleum products, chemicals and pharmaceuticals, gems and jewellery, textiles and garments, agricultural products, iron ore and other minerals. Major import commodities included crude oil and related products, machinery, electronic goods, gold and silver.[246] In November 2010, exports increased 22.3% year-on-year to ₹850.63 billion (US$13 billion), while imports were up 7.5% at ₹1,251.33 billion (US$19 billion). The trade deficit for the same month dropped from ₹468.65 billion (US$7.3 billion) in 2009 to ₹400.7 billion (US$6.2 billion) in 2010.[247]

India is a founding-member of General Agreement on Tariffs and Trade (GATT) and its successor, the WTO. While participating actively in its general council meetings, India has been crucial in voicing the concerns of the developing world. For instance, India has continued its opposition to the inclusion of labour, environmental issues and other non-tariff barriers to trade in WTO policies.[248]

Balance of payments

since independence, India's balance of payments on its current account has been negative. Since economic liberalisation in the 1990s, precipitated by a balance-of-payment crisis, India's exports rose consistently, covering 80.3% of its imports in 2002–03, up from 66.2% in 1990–91.[249] However, the global economic slump followed by a general deceleration in world trade saw the exports as a percentage of imports drop to 61.4% in 2008–09.[250]India's growing oil import bill is seen as the main driver behind the large current account deficit,[251] which rose to $118.7 billion, or 11.11% of GDP, in 2008–09.[252] Between January and October 2010, India imported $82.1 billion worth of crude oil.[251] The Indian economy has run a trade deficit every year from

2002 to 2012, with a merchandise trade deficit of US$189 billion in 2011–12.[253] Its trade with China has the largest deficit, about $31 billion in 2013.[254]

India's reliance on external assistance and concessional debt has decreased since liberalisation of the economy, and the debt service ratio decreased from 35.3% in 1990–91 to 4.4% in 2008–09.[255] In India, external commercial borrowings (ECBs), or commercial loans from non-resident lenders, are being permitted by the government for providing an additional source of funds to Indian corporates. The Ministry of Finance monitors and regulates them through ECB policy guidelines issued by the Reserve Bank of India (RBI) under the Foreign Exchange Management Act of 1999.[256] India's foreign exchange reserves have steadily risen from $5.8 billion in March 1991 to $318.6 billion in December 2009.[257] In 2012, the United Kingdom announced an end to all financial aid to India, citing the growth and robustness of Indian economy.[258][259]

India's current account deficit reached an all-time high in 2013.[260] India has historically funded its current account deficit through borrowings by companies in the overseas markets or remittances by non-resident Indians and portfolio inflows. From April 2016 to January 2017, RBI data showed that, for the first time since 1991, India was funding its deficit through foreign direct investment inflows. *The Economic Times* noted that the development was "a sign of rising confidence among long-term investors in Prime Minister Narendra Modi's ability to strengthen the country's economic foundation for sustained growth".[261]

Foreign direct investment

As the third-largest economy in the world in PPP terms, India has attracted foreign direct investment (FDI).[263]During the year 2011, FDI inflow into India stood at $36.5 billion, 51.1% higher than the 2010 figure of $24.15 billion. India has strengths in telecommunication, information technology and other significant areas such as auto components, chemicals, apparels, pharmaceuticals, and jewellery. Despite a surge in foreign investments, rigid FDI policies[264] were a significant hindrance. Over time, India has adopted a number of FDI reforms.[263] India has a large pool of skilled managerial and technical expertise. The size of the middle-class population stands at 300 million and represents a growing consumer market.[265]

India liberalised its FDI policy in 2005, allowing up to a 100% FDI stake in ventures. Industrial policy reforms have substantially reduced industrial licensing requirements, removed restrictions on expansion and facilitated easy access to foreign technology and investment. The upward growth curve of the real-estate sector owes some credit to a booming economy and liberalised FDI regime. In March 2005, the government amended the rules to allow 100% FDI in the construction sector, including built-up infrastructure and construction development projects comprising housing, commercial premises, hospitals, educational institutions, recreational facilities, and city- and regional-level infrastructure.[266] Between 2012 and 2014, India extended these reforms to defence, telecom, oil, retail, aviation, and other sectors.[267][268]

From 2000 to 2010, the country attracted $178 billion as FDI.[269] The inordinately high investment from Mauritius is due to routing of international funds through the country given significant tax advantages – double taxation is avoided due to a tax treaty between India and Mauritius, and Mauritius is a capital gains tax haven, effectively creating a zero-taxation FDI channel.[270] FDI accounted for 2.1% of India's GDP in 2015.[11]

Outflows

Since 2000, Indian companies have expanded overseas, investing FDI and creating jobs outside India. From 2006 to 2010, FDI by Indian companies outside India amounted to 1.34 per cent of its GDP.[271] Indian companies have deployed FDI and started operations in the United States,[272] Europe and Africa.[273] The Indian company Tata is the United Kingdom's largest manufacturer and private-sector employ.

Conclusion

Indian planning process is an open process. A strong, efficient and incorrupt administration is essential for successful planning. But the underdeveloped country lacks the most. For an efficient administration, a firm educational base is essential. India has the potential to grow like a developed economy if the government is able to meet the plans not only in papers but in reality. There is a need of constant surveillance of plans to get the best result and for better development in the future.