

УДК 330.3(540)

Carol Kissinger, student of the international faculty, Kursk State Medical University, Kursk, Russia

e-mail: carolkissinger61@gmail.com

## ECONOMIC DEVELOPMENT OF INDIA

**Abstract:** Among fast growing developing countries, India is distinctive for the role of the service sector. However, sceptics have raised doubts about both the quality and sustainability of the increase in service sector activity and its implications for economic development. The economy of India is characterized as a developing market economy. It is the world's fifth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). According to the IMF, on a per capita income basis, India ranked 142nd by GDP (nominal) and 119th by GDP (PPP) per capita in 2018. We conclude that sustaining economic growth and rising living standards will require shifting labour out of agriculture into both manufacturing and services and not just into one or the other.

**Keywords:** Private enterprise, Technological infrastructure, Business index, India, Economic growth, GDP, service sector

Кэрол Киссинджер, студентка международного факультета Курского государственного медицинского университета, Курск, Россия

e-mail: carolkissinger61@gmail.com

## ЭКОНОМИЧЕСКОЕ РАЗВИТИЕ ИНДИИ

**Аннотация:** среди быстро растущих развивающихся стран Индия отличается значительной ролью сектора услуг. Однако скептики высказывают сомнения по поводу как качества, так и устойчивости роста деятельности

сектора услуг и его значимости для экономического развития страны. Экономика Индии характеризуется как развивающаяся рыночная экономика. Это пятая по величине экономика в мире по величине номинального ВВП и третья по паритету покупательной способности (ППС). По данным МВФ, Индия в 2018 году занимала 142-е место по ВВП на душу населения (номинальный). Мы пришли к выводу, что поддержание экономического роста и повышение уровня жизни потребуют перевода рабочей силы из сельского хозяйства как в обрабатывающую промышленность, так и в сектор услуг.

Ключевые слова: частное предпринимательство, технологическая инфраструктура, индекс бизнеса, Индия, экономический рост, ВВП, сектор услуг.

The Indian state was more infiltrated by social actors than many states of East and Southeast Asia. Unlike China, India cannot eliminate private enterprise or embrace globalization with the same speed and cruelty. Both full state nationalization and state-sponsored globalization would require a State that had much greater governance in interest groups such as industrialists, farmers and trade unions. Policies aimed at economic growth and development in India should gradually change once the social consensus on the policy was formed. This is a model of development, driven by the relationship between the state and society, where the power of the state, even in its commanding moments, was moderated by the power of social actors [2].

World trade and GDP slowed in 2018 as trade tensions increased. World trade faced renewed headwinds in 2018 as trade tensions and economic policy uncertainty rose sharply. Year-on-year growth in the volume of world merchandise trade fell from 3.9 per cent in the first half of 2018 to 2.7 per cent in the second half of the year. The slowdown became more pronounced towards the end of the year, as relatively strong quarter-on-quarter growth of 1.2 per cent in the third quarter was followed by a decline of 0.3 per cent in the fourth quarter [5].

Slower trade growth was accompanied by weaker output growth in major economies. For example, G20 countries saw their collective GDP increase at an

average year-on-year rate of 3.5 per cent in the second half of 2018, down from 3.9 percent in the first half. The loss of momentum in trade and GDP is partly due to tighter monetary policy, increased financial volatility and the raising of tariffs on widely traded goods in major economies [5].

Trade tensions appear to have contributed significantly to the slowdown. The GDP rate for the years 2011 and 2018 almost remains the same as 2.9 percent. Overall GDP of 2.9 per cent in 2018 was significantly lower than the 3.0 per cent growth recorded in 2017. This strong growth had suggested a return to the stronger pace of trade expansion that characterized the late 1990s and early 2000s but this was not sustained in 2018. The GDP rate was same as 2.8 percent in the years 2014-2015[5].

Table 1: World merchandise GDP growth, 2011-2018

Year	GDP/%
2011	2.9
2012	2.3
2013	2.4
2014	2.8
2015	2.8
2016	2.4
2017	3.0
2018	2.9

The World Bank at present believes that the main focus of the Indian government was to initiate public sector reforms in order to introduce modern technology into the undeveloped rural areas and to overcome resistance to change. India scores low on the Ease of Doing Business Index and on the Index of Economic Freedom, meaning that it is rather problematic to start a new business and to sustain an old business. It is for this reason India cannot use its full potential to improve the economy and hence the lives of its people. Despite some political reticence, India does fulfill all of the emerging market criteria.

In certain categories, in fact, the country extends well beyond the confines of that definition and into developed economy territory. In order to progress to this higher status, a country must achieve a high GDP and GDP per capita, a high level of industrialization, substantial technological infrastructure, sustainable economic development, and a high standard of living [3].

India's GDP is expanding at an exponential rate, having surged 8.8 percent between July 2017 and July 2018. The country is also performing extremely well with regards to other economic benchmarks including purchasing power parity, for which the World Bank ranked it third in the world in 2017. The country was also ranked first in AT Kearney's Global Retail Development Index in 2017, and it has one of the world's fastest-growing e-commerce markets, with sales expected to reach \$200bn by 2026, up from \$39bn in 2017[2]. However, India's per capita GDP trails well behind its other economic benchmarks. According to 2017 statistics from the World Bank, GDP per capita equated to \$1,939, making it 140th in the world. This is a far cry from the \$12,000-\$15,000 benchmark that most economists consider to be the necessary GDP per capita for a country to be labelled a developed economy[4].

"India is a very populous nation," explained Chikermane, noting that the large population has a lowering effect on GDP per capita by distributing wealth over a vast number of citizens. "Our GDP is \$2.6trn, which is approximately equal to that of the UK, but our population is 20 times theirs. Clearly in terms of per capita, we have a long way to go." Inequality is also a particularly pertinent problem, as the gap between the richest and poorest residents of the country has widened significantly over the past 10 to 15 years. "The GDP per capita is an indication that India needs to focus on tackling inequality," said Kattumuri. "This includes exploring how we can provide greater equal opportunities, and how we can enable more inclusive growth across different economic and social strata[2].

In certain areas, though, India is on par with the world's developed economies. It is a major exporter of business process outsourcing services, IT infrastructure and software services, all of which drove \$154bn of revenue in 2017. It is the world's second-largest start-up hub, according to Start up Ranking's latest data, with more

than 5,700 such firms located in the country. India has a highly advanced technological infrastructure, underpinned by an efficient quotidian service and manufacturing economy. It has the second-largest telecommunications market in the world and, according to the International Telecom Union's Global ICT Development Index, India will soon be in the top 10, having been 134th just two years ago[2]. Indian stocks rose on the expectation that a slowdown in economic expansion has bottomed out and growth will recover in 2020 on the back of Finance Minister Nirmala Sitharaman's planned \$1.5 trillion infrastructure push. The S&P BSE Sensex climbed 0.1% to 41,306.6 at the 3:30 pm close in Mumbai. The NSE Nifty 50 Index also advanced by 0.1%. Stocks have largely priced in a slowdown that's seen the country's economy growing at the slowest pace since 2013. Focus is shifting to whether a rally in the benchmark indexes will broaden out to the wider market, and which industries are most likely to benefit from a potential revival in GDP growth in India as well as globally [5].

The Indian rupee (₹) is the only legal tender in India, and is also accepted as legal tender in neighbouring Nepal and Bhutan, both of which peg their currency to that of the Indian rupee. The rupee is divided into 100 paises. The highest-denomination banknote is the ₹2,000 note; the lowest-denomination coin in circulation is the 50 paise coin. Since 30 June 2011, all denominations below 50 paise have ceased to be legal currency. India's monetary system is managed by the Reserve Bank of India (RBI), the country's central bank. Established on 1 April 1935 and nationalised in 1949, the RBI serves as the nation's monetary authority, regulator and supervisor of the monetary system, banker to the government, custodian of foreign exchange reserves, and as an issuer of currency. It is governed by a central board of directors, headed by a governor who is appointed by the Government of India. The Bench mark interest rates are set by the Monetary Policy Committee[4].

After the sharp devaluation in 1991 and transition to current account convertibility in 1994, the value of the rupee has been largely determined by market forces. The rupee has been fairly stable during the decade 2000–2010. Then it started

increasing gradually from 2015-2020 against US\$ except a slight fall during year 2017[1].

Table 2: Comparison of exchange rate of INR Vs US\$ from the year 2010 to 2020

YEAR	INR VS USD
2015	64.05
2016	67.09
2017	64.14
2018	67.71
2019	71.59
2020	71.60

Information technology and bank stocks are some of the best ways to play the economic recovery,” said Prakash Pandey, who oversees investments and research at Plutus Advisors & Consulting Ltd. in New Delhi. “In IT there is not much of a debt problem, compared to other sectors. Growth in business will go straight to the bottom line. Midcap banks also have a lot of potential to gain this year, partly by capitalizing on non-bank lenders’ struggles[4].

#### References

1. The State, Economic Growth and Development in India.  
//<https://doi.org/10.1080/14736480802665238>
2. India continues on its remarkable economic growth journey.  
//<https://www.worldfinance.com>
3. Innovation and economic growth: A case of India.//<https://doi.org/10.18510/hssr.2017.52>
4. India Stocks Rise as Investors Bank on Economic Recovery in 2020.  
//<https://www.bloomberg.com>
5. World trade statistical review 2019. World trade organisation.//<https://www.wto.org>