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## Accelerating Economic Growth : Trends and Way Forward

- ▶ Covid - 19, Global Developments and Their Impact on India
- ▶ Domestic Economic Situation in the Last few Years
- ▶ Policies for Exports and Trade
- ▶ Monetary Policy for Inflation and Growth
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## Recent Domestic Economic Situation of Indian Economy: An Analysis

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&  
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### ABSTRACT

Indian economy is one of the fastest growing economies of the world on the basis of different economic indicators. Since independence, Government of India has adopted the planning process to increase the pace of growth and development in the country. Due to which, significant growth and development can be observed in various sectors of Indian economy. But the growth path of Indian economy is not smooth as a result, fluctuations can be observed in various economic indicators of the economy over the period of time. Keeping this aspect in mind, the present paper is an attempt to analyze the recent economic situation of Indian economy. To study the domestic economic situation of any economy including India, there is a rationale and logic to understand, analyze and interpret the domestic economic indicators such as GDP, per capita GDP, Saving and investment, sectoral contribution, Gross fixed capital formation, employment situation, Government expenditure, and Government deficits etc. Analysis reveals that No-doubt, efforts are made by the Government to improve the overall conditions of all the sectors of Indian economy which are necessary but not sufficient. To make them sufficient, Government needs to take more corrective measures to move the economy on recovery path.

**Key-words:** GDP, Investment, GFCF, Expenditure and Indian Economy

### I. INTRODUCTION

At present, Indian Economy is considered among middle income developing economies of the world and fifth largest economy by nominal GDP and third largest by purchasing power parity (PPP). According to International Monetary Fund (IMF) report on per capita income basis, India ranked 142th by nominal GDP and 124th by GDP (PPP) in 2020. Before independence, India was colony of Britishers. India's foreign trade was mainly with the Britain and its other colonies. Britishers utilize India's natural resources and use Indian economy as the market for their finished goods. They also economically develop India only for their specific objectives. After Independence, Government of India adopted planning process by establishing the planning commission in 1950. Since 1951, five year plans were formulated keeping in mind the needs of the economy. Various strategies were adopted for economic growth in general and inclusive growth in particular for all the sectors and sections of the society. Over the period of time, various Government came and gone and they have done accordingly for overall growth and

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development of Indian economy. No doubt, various challenges have been faced by the economy due to which growth path is not smooth as a result, fluctuations can be observed in various economic indicators of the economy over the period of time.

Keeping this aspect in mind, the present paper is an attempt to analyze the recent economic situation of Indian economy. To study the domestic economic situation of any economy including India, there is a rationale and logic to understand, analyze and interpret the domestic economic indicators such as GDP, per capita GDP, Saving and investment etc. For this purpose, the present study is divided into three sections. Section II highlights the objective & methodology used in study. Section III presents the analysis of various economic indicators of Indian economy. And lastly section IV concludes the study with policy implications.

## II. OBJECTIVES AND METHODOLOGY

The specific objective of present study is to understand, analyze and interpret the recent economic situation of Indian economy in terms of various selected indicators. In other words, the present work is a humble attempt to analyze the past, present and future of Indian economy on the basis of some parameters. The study is exclusively based on secondary data which has been collected from various issues of Handbook of Statistics on Indian Economy published by Reserve Bank of India (RBI). For the purpose of analysis, data from 2011-12 to 2019-20 is considered and presented in the form of suitable tables and figures. To analyze the recent trends, Annual Growth Rate (AGR) is computed by using following formula:

$$\text{AGR} = (X_t - X_{t-1} / X_{t-1}) \times 100$$

Here,  $X_t$  = Value of X variable in time period 't'

$X_{t-1}$  = Value of X variable in time period 't-1'

To analyze the recent economic situations of Indian economy, selected indicators have been considered in the study.

## III. ECONOMIC TRENDS OF INDIAN ECONOMY: PRESENT SCENARIO

Gross domestic product (GDP) is one of the most common indicators used to track the health of any economy including India. The calculation of a country's GDP takes into consideration a number of different factors like consumption and investment of the nation's economy. GDP is most closely-watched as it is a representation of the total value of goods and services produced by an economy over a specific time period say one financial year. As a measurement, it is often described as being a calculation of the total size of an economy. To analyze the recent economic trends of Indian economy, GDP and per capita GDP is the indicators which we will consider first for the purpose of analysis.

**(a) Gross Domestic Product (GDP) and Per Capita GDP**

GDP can be measured on the basis of Current Price and the Constant Price. GDP at constant price is one of the important measures as it indicates the real increase in output of the economy. It is generally considered that, when real GDP grows it leads to increase in employment in the economy. On the other hand, per capita GDP is studied to understand how the economy is growing with its population. Per capita GDP is calculated by dividing total GDP with population. Data on GDP and per capita GDP at constant rate of Indian Economy since 2013-14 are shown in the following table 1.

It is clear from the table that in 2013-14, GDP at constant rate was ₹ 9801370 Crore and which has increased to ₹ 14565951 Crore in 2019-20. Data reveals the growth of 1.5 times increase in GDP during these seven years. Annual Growth Rate (AGR) of GDP highlights that GDP has increased with the highest rate in 2016-17 that is 8.3 per cent and after this; falling trend in annual growth of GDP is considered. In 2019-20, it has increased with 4.2 per cent.

**Table 1: Gross Domestic Product (GDP) and Per Capita GDP at Constant Rate**

(Amount in ₹ Crore &amp; Base Year 2011-12)

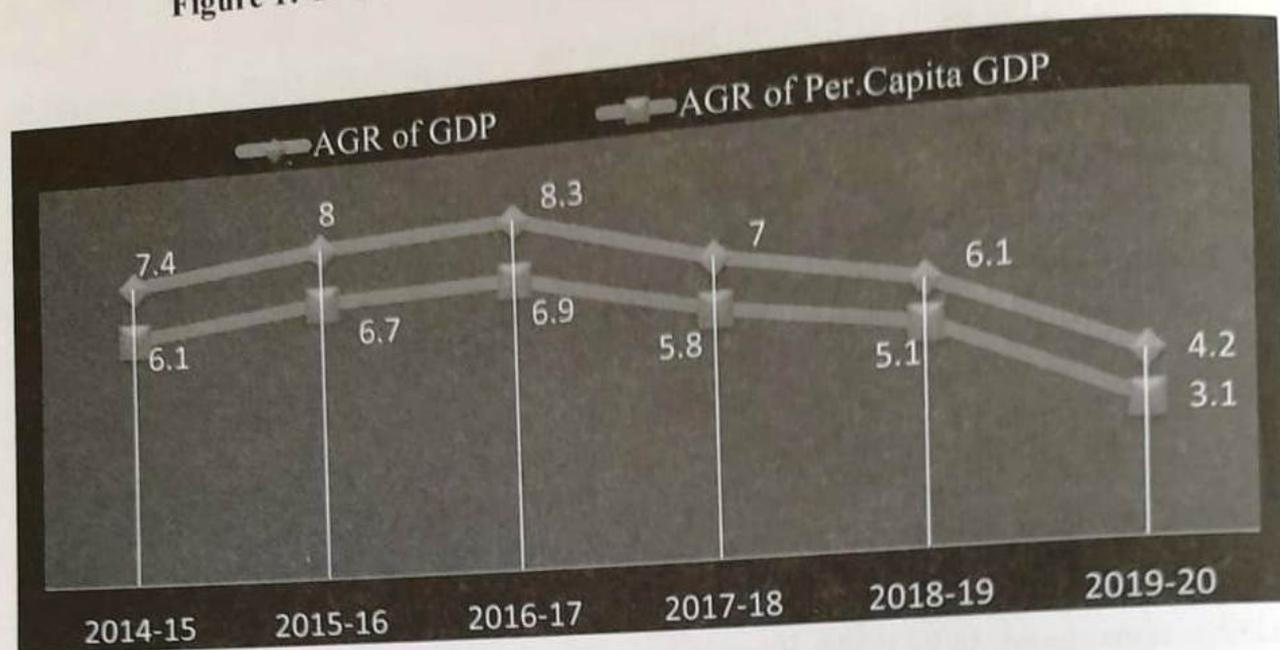
Year	GDP	AGR* (%age)	Per Capita GDP	AGR *(%age)
2013-14	9801370	-	78348	-
2014-15	10527674	7.4	83091	6.1
2015-16	11369493	8.0	88616	6.7
2016-17	12308193	8.3	94751	6.9
2017-18	13175160	7.0	100268	5.8
2018-19	13981426	6.1	105361	5.1
2019-20	14565951	4.2	108620	3.1

**Source:** Handbook of Statistics on Indian Economy, RBI

\* Calculated on the basis of data

Per Capita GDP was ₹ 78348 crore in 2013-14 and it has increased to ₹ 108620 crore in 2019-20. There is 1.3 times increase in per capita GDP during this time period. Data reveals that till 2016-17, per capita GDP has increased with increasing annual growth rate after that it has increased with diminishing rate. Growth rate of GDP and per capita GDP can also be analyzed from the following figure and presents that growth rate of per capita GDP is less than GDP for all the years. GDP and per capita GDP have increased with increasing growth rate till 2016-17 and after that there is sharp decline in both. Falling growth of India's GDP and per capita GDP throws light on the health of Indian economy.

Figure 1: Trend of Annual Growth Rate of GDP and Per Capita GDP



Source: Handbook of Statistics on Indian Economy, RBI

### (b) Sectoral Contribution in Gross Value Added (GVA)

Economic activities are broadly divided into primary, secondary, tertiary activities. Primary sector is related to agriculture, secondary sector is related to industry/manufacturing and tertiary sector is related with services. RBI provides sectoral contribution in following three forms (1) Agriculture, forestry and fishing (2) Industry consists of Mining & Quarrying, Manufacturing, Electricity, Gas, Water Supply & Other Utility Services (3) Services consisting Construction, Trade, Hotels, Transport, Communication and Services Related to Broadcasting, Financial, Real Estate & Professional Services, Public Administration, Defence and Other Services.

It is clear from the following table 2 that in 2013-14, contribution of Agriculture was ₹ 1609198 crore; it has increased to ₹ 1948110 crore in 2019-20. During the time period, it has increased 1.2 times. There was negative annual growth rate of agriculture production in 2014-15 but latter it has improved till 2016-17, again declined in 2017-18 and 2018-19 but revived in 2019-20. In 2013-14, Industrial production was ₹ 2023417 crore, it increased to ₹ 2981793 crore in 2019-20. There is 1.5 times increase in industrial production during the time period under consideration. In 2015-16, it has increased with highest annual growth rate i.e. 11.9 per cent and after that, declining growth rate observe. Service sector GVA was ₹ 5431034 crore in 2013-14, it increased to ₹ 8371217 crore in 2019-20. There is 1.5 times increase in GVA of service sector. Annual growth rate of service sector was highest in 2014-15, after this; there is fall in growth rate except the year 2018-19. It is clear from the analysis that up and down has observed in sectoral contribution in GVA in Indian economy.

**Table 2: Sectoral Contribution in Gross Value Added**

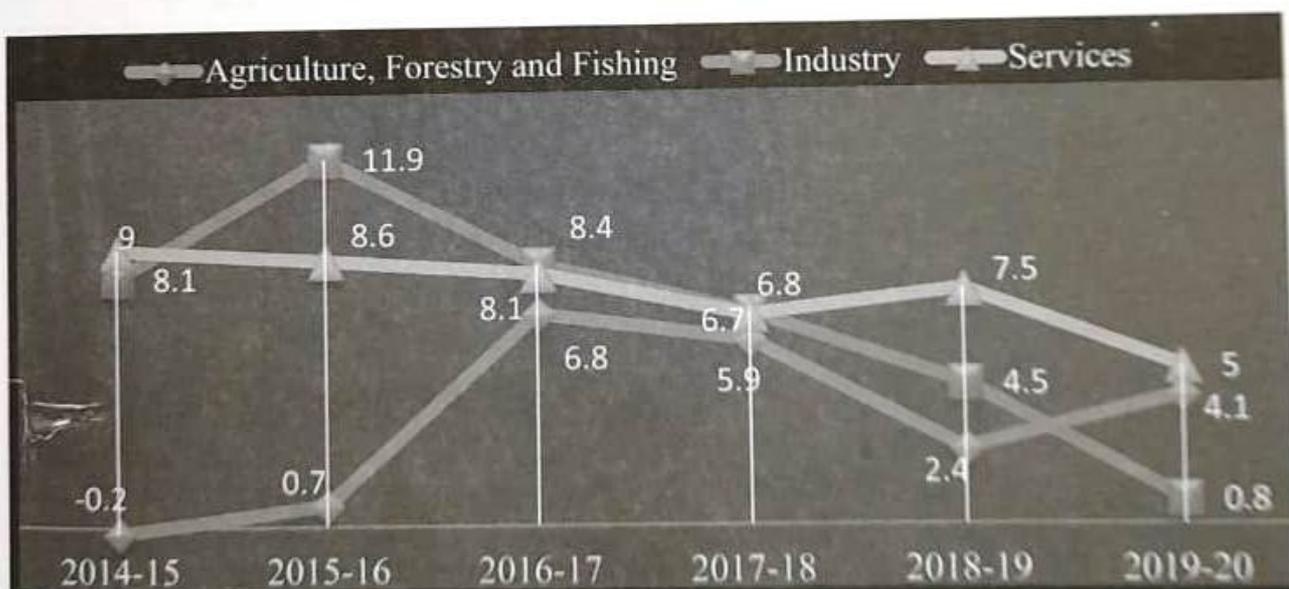
(Amount in ₹ Crore &amp; Base Year 2011-12)

Year	Agriculture, forestry and fishing	AGR* (%age)	Industry	AGR* (%age)	Services	AGR* (%age)
2013-14	1609198	-	2023417	-	5431034	-
2014-15	1605715	-0.2	2186670	8.1	5919748	9.0
2015-16	1616146	0.7	2445981	11.9	6429743	8.6
2016-17	1726004	6.8	2650508	8.4	6951772	8.1
2017-18	1828329	5.9	2831391	6.8	7414694	6.7
2018-19	1872339	2.4	2958272	4.5	7972517	7.5
2019-20	1948110	4.1	2981793	0.8	8371217	5.0

**Source:** Handbook of Statistics on Indian Economy, RBI

\* Calculated on the basis of data

Graphical presentation of annual growth rate of Gross Value Added of sectors is also shown in figure 2. All the three sectors are showing different trend.

**Figure 2: Trend of Annual Growth Rate of GVA of All Sectors****Source:** Handbook of Statistics on Indian Economy, RBI

It is clear from the figure 2 that annual growth rate of agriculture sector is improving in 2019-20. While industrial sector was facing continuous declining growth since 2016-17 and Service sector also faced declining growth in 2019-20. Implications can be drawn from this analysis is that primary sector of Indian economy is still a major player in economic situation of the country. Falling annual growth rate of industrial sector is one of the major challenge to make India a manufacturing hub. Up and down in annual growth rate of services sector is highly correlated with unemployment scenario of Indian economy.

**(c) Gross Fixed Capital Formation (GFCF)**

Gross Fixed Capital Formation (GFCF) includes private and public sector investment on fixed capital including land improvement, construction of roads, railways, new machinery, commercial buildings etc. An increase in GFCF indicates increase in investment in fixed assets leading to higher rate of economic growth in long run. Gross fixed capital formation at constant rate in Indian economy since 2013-14 is shown in the following table 3. It was ₹ 3194924 crore in 2013-14 and increased to ₹ 4334091 crore in 2019-20. There is 1.4 times increase in GFCF during last seven years.

**Table 3: Gross Fixed Capital Formation**

(Amount in ₹ Crore &amp; Base Year 2011-12)

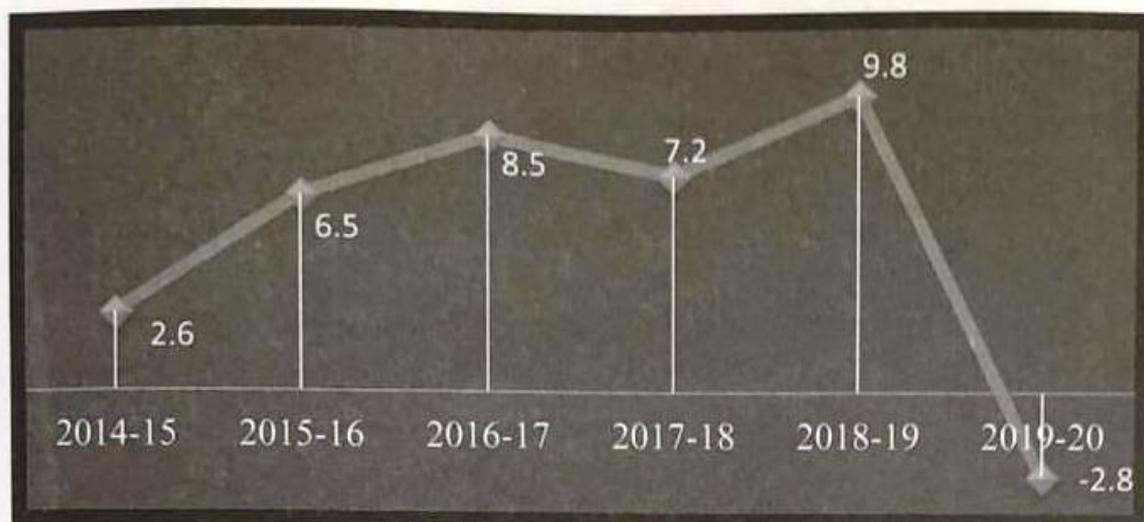
Year	GFCF	AGR (%age)
2013-14	3194924	-
2014-15	3278096	2.6
2015-16	3492183	6.5
2016-17	3787568	8.5
2017-18	4061195	7.2
2018-19	4460967	9.8
2019-20	4334091	-2.8

Source: Handbook of Statistics on Indian Economy, RBI

\* Calculated on the basis of data

Annual growth rate of GFCF of Indian economy is shown in table 3 and trend of AGR of GFCF is also shown through the following figure 3. The Annual growth rate of GFCF was highest in 2018-19 followed by 2016-17 but there is serious decline in GFCF in the year 2019-20 that is -2.8 which has very serious implications for the developing economy like India. Negative annual growth may be due to slow down in Indian economy in general and COVID pandemic lockdown in particular.

Negative GFCF means negative investment which is also known as disinvestment in economy. It will reduce the availability of quality infrastructure for the masses which in turn, reduces the overall well-being of the society.

**Figure 3: Trend of Annual Growth Rate of GFCF**

**Source:** Handbook of Statistics on Indian Economy, RBI

#### (d) Employment Scenario in India

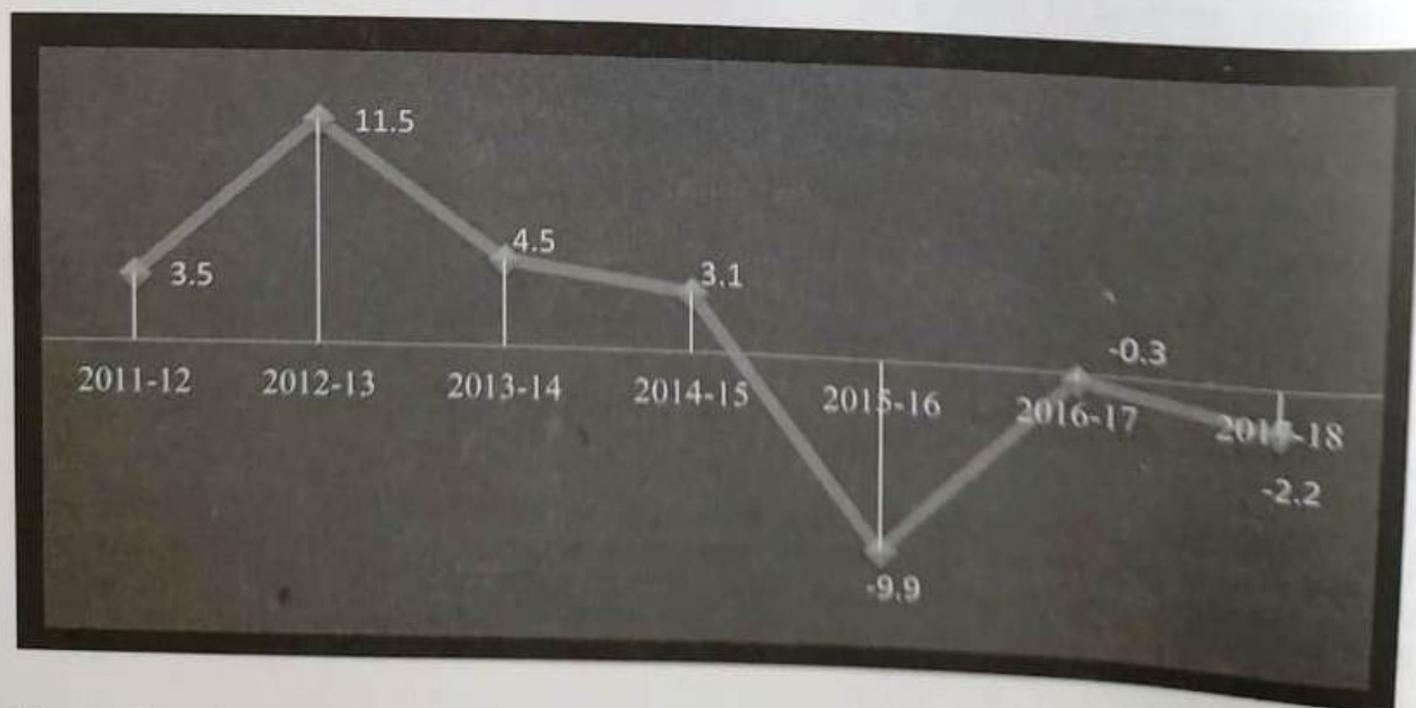
Indian economy is the second largest populated economy in the world after China. The demographic dividend of India is high. It is generally assumed that as any economy moves on upper step of its economic ladder, there is a shift of the labour force from the informal to the formal sector. This transformation is very important for the inclusive economic development of the economy. Since independence of India, generation of employment opportunities in the formal sector has been a priority of policy makers. Employment in public and organized private sector in Indian economy since 2010-11 is shown from the following table 4.

In 2010-11, 388.30 lakh persons were employed in public and organized private sectors. This number has increased till 2014-15 i.e. 482.60 lakh persons. After this there is sharp decline in employment in organized sector and reached to 424.40 lakh persons in 2017-18. Annual growth rate of employment in organized sector is also shown in table 4 and figure 4. It is clear that after 2014-15, negative growth rate in the employment in public and private organized sector has been observed. It implies that number of persons who are getting employment in India is going on decline since 2013-14. In other words, unemployment is going to increase year by year in India or employment opportunities are falling.

Year	Number of Persons on the live register (end-December)	AGR* (%age)
2010-11	388.30	-
2011-12	401.70	3.5
2012-13	447.90	11.5
2013-14	468.00	4.5
2014-15	482.60	3.1
2015-16	435.00	-9.9
2016-17	433.76	-0.3
2017-18	424.40	-2.2
2018-19	NA	-
2019-20	NA	-

**Source:** Handbook of Statistics on Indian economy, RBI  
\* Calculated on the basis of data

Figure 4: Trend of AGR of Employment in Public and Organized Private Sectors



**Source:** Based on Data from Handbook of Statistics on Indian Economy, RBI

**(e) Government Expenditure**

Public expenditure is very much justified in any economy in general and Indian economy in particular. Each Government has to make expenditure on the purchase of goods and provision of public services such as healthcare, education, social protection and defense etc. Broadly, expenditure is divided into two parts: developmental and non-developmental expenditure. Developmental expenditure is incurred on economic and social development of the country while non-development expenditure is incurred on essential general services of routine nature. Central Government expenditure in Indian economy is presents through the following table 5.

**Table 5: Government Expenditure**

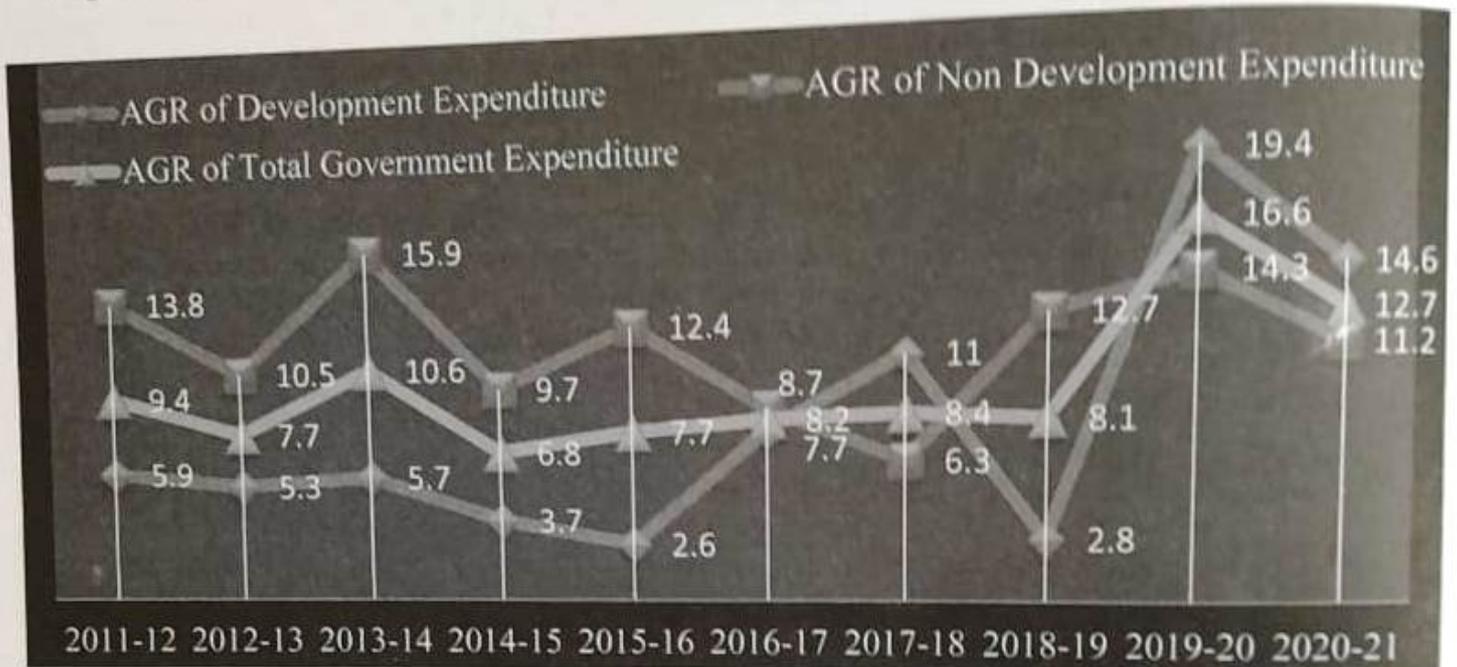
Year	Developmental Expenditure		Non-Developmental Expenditure		Total Expenditure		Ratio of Development and Non-development Expenditure
	Rs. Crores	AGR (%age)	Rs. Crores	AGR (%age)	Rs. Crores	AGR (%age)	
2010-11	666069	-	551471	-	1217540	-	1.2: 1
2011-12	705321	5.9	627075	13.8	1332396	9.4	1.1: 1
2012-13	742417	5.3	692856	10.5	1435273	7.7	1.1: 1
2013-14	784504	5.7	803070	15.9	1587574	10.6	0.9: 1
2014-15	813813	3.7	881159	9.7	1694972	6.8	0.9: 1
2015-16	835019	2.6	990172	12.4	1825191	7.7	0.8: 1
2016-17	899369	7.7	1075825	8.7	1975194	8.2	0.8: 1
2017-18	998201	11.0	1143772	6.3	2141973	8.4	0.9: 1
2018-19	1025979	2.8	1289134	12.7	2315113	8.1	0.8: 1
2019-20	1225349	19.4	1473203	14.3	2698552	16.6	0.8: 1
2020-21	1404032	14.6	1638198	11.2	3042230	12.7	0.9: 1

**Source:** Handbook of Statistics on Indian economy, RBI  
\* Calculated on the basis of data

In 2010-11, Indian Government expenditure was ₹ 1217540 crore out of which ₹ 666069 was developmental expenditure and ₹ 551471 was non-development expenditure. Over the time period, Government expenditure has increased. In 2020-21, Government expenditure was ₹ 3042230 crore out of which ₹ 1404032 crore was developmental and ₹ 1638198 crore was non-developmental expenditure. Over the time period, developmental expenditure and non-development expenditure has increased by 2 and 2.5 times respectively. But it is important to point out that ratio of developmental to non developmental expenditure is falling. Till 2012-13, developmental expenditure was higher but after that, non-development expenditure was higher. Annual Growth Rate (AGR) of Government expenditure is also shown in table 5 and trend of

Annual Growth Rate is also depicted in figure 5. There are fluctuations in AGR of developmental, non-developmental expenditure of the Government.

**Figure 5: Trend of Annual Growth Rate of Central Government Expenditure in India**



Source: Based on Data from Handbook of Statistics on Indian Economy, RBI

#### (f) Scenario of Government Deficits

The Government Deficit is the amount of money in the budget set by which the Government spending surpasses the revenue earned by the Government. Deficit presents the picture of financial health of the economy. To minimize the deficit or the gap between the expenditure and income, either Government has to reduce expenditures or to generate alternate sources of financing. There are mainly three types of deficit: revenue deficit, fiscal deficit and primary deficit

The revenue deficit measures the surplus of Government's revenue expenditure over the revenue receipts. This deficit only incorporates current income and current expenses. Fiscal deficit is the distinction between the Government's total expenditure and its total receipts excludes borrowing. A primary deficit is the amount of money that the Government requires to borrow apart from the interest payments on the formerly borrowed loans.

**Table 6: Key Deficit Indicators of The Central Government**

Year	Gross Fiscal Deficit		Gross Primary Deficit		Revenue Deficit	
	Rs Crores	AGR (%age)	Rs Crores	AGR (%age)	Rs Crores	AGR (%age)
2011-12	515990		242840		394348	
2012-13	490190	-5.0	177020	-27.1	364282	-7.6
2013-14	502858	2.6	128604	-27.4	357048	-1.9
2014-15	510725	1.6	108281	-15.8	365519	2.4
2015-16	532791	4.3	91132	-15.8	342736	-6.2
2016-17	535618	0.5	54904	-39.8	316381	-7.7
2017-18	591062	10.4	62110	13.1	443600	40.2
2018-19	649418	9.9	66770	7.5	454483	2.5
2019-20	766846	18.1	141741	112.3	499544	9.9
2020-21	796337	3.9	88134	-37.8	609219	21.9

**Source:** Handbook of Statistics on Indian economy, RBI

\* Calculated on the basis of data

Table 6 presents the situation of Gross Fiscal deficit, Gross Primary deficit and Revenue deficit of Government of India. In 2011-12, Gross fiscal deficit was ₹ 515990 crore, it has declined in next year but increased gradually to ₹ 796337 crore in 2020-21. It has increased 1.5 times during the time period under consideration. Gross Primary deficit was ₹ 242840 crore in 2011-12, it has declined till 2016-17, then raised but again declined to ₹ 88134 crore in 2020-21, there is 2.8 times decrease in gross primary deficit of the Government of India. Revenue deficit was ₹ 394348 crore in 2011-12. In the year 2012-13, 2013-14, 2015-16 and 2016-17 revenue deficit has declined. But it increased to ₹ 609219 crore in 2020-21. There is 1.6 times increase in revenue deficit of the Government.

#### IV. CONCLUSION & POLICY IMPLICATIONS

In nut-shell, present study is an attempt to analyze the recent domestic economic situation of Indian economy. For this purpose, data on GDP, GDP per capita, Gross value added of different sectors in GDP, Gross fixed capital formation, employment situation, Government expenditure, and Government deficits are explored. Analysis reveals that GDP and per capita GDP have increased by 1.5 and 1.3 times respectively during last seven years which is indicator of nation's health. Contribution of different sectors in gross value added clears that service sector is contributing the most which is followed by industry. Agriculture has least contribution in GVA but in 2019-20, the sector has increasing annual growth rate while industry and service sector has

declining. During last seven years GFCF has also increased except 2019-20, there is negative annual growth rate in 2019-20 which states that GFCF has declined over previous year. To understand and analyze the employment scenario, data on employment is also explored. Employment situation in public and organized private sector has also declined as negative annual growth rate has recorded from 2015-16 onwards.

Over the period of time, Government expenditure has also increased which is justified for the well-being of the society. But ratio of development to non development expenditure has declined indicating that Government's non development expenditure has increased. Gross fiscal deficit and revenue deficit has increased over time but there is decrease in primary deficit of the Government. It can be said although there is increase in GDP per capita GDP, GFCF, Government expenditure but the performance of these economic indicators are not satisfactory. No-doubt, efforts are made by the Government to improve the conditions of all the sectors of Indian economy which are necessary but not sufficient. The Government needs to take more corrective measures in form of fiscal and monetary support to push economic recovery of the nation.

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