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INDIA @75 : NOSTALGIA AND ASPIRATIONS

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In the life of a nation, 75 years is not a large span. Going by the history of nation states in the world over the last three years, 75 years could be equated to the prime of youth, when an Indian takes full charge of his / her adult life and marches on with confidence. In this journey forward, while hopes and aspirations are the prime movers, once in a while there is a nostalgic yearning for the past. This essay looks at both these aspects of nostalgia and aspiration of the Indian economy.

Nostalgia Let us start with some indicators of nostalgia.

When India started its 'tryst with destiny' in 1947, India's national income grew at the rate of 1.1 per cent during the period 1914 through 1947. Such growth numbers tend to transmit a feeling of uncomfortable chill these days. Illustratively, India's recent growth of 6.8 per cent during 2022-23 is seen with some degree of pessimism. This feeling of discomfort even after growing at 6.8 per cent, in some sense, captures the confidence and aspiration of present-day India. In fact, during the 20-year period, 2000-01 through 2019-20, Indian GDP growth at 6.9 per cent was one of the bright spots of the global economy. Besides, between the 1991 crisis and the pandemic year of 2020, India did not witness any major economic crisis.



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Effectively, India has remained by and large resilient to various external shocks. In terms of macroeconomics, both the fiscal and current account deficits were reasonably under check. Inflation has remained more or less under control and Latin America type of inflationary numbers are unheard of in India. Such buoyant growth and macroeconomic stability have been accompanied by the democratic ethos of the country. These are big achievements.

Where did the Indian growth come from? It is well-known that after a series of measures followed by the green revolution of the 1960s, India achieved reasonable self-sufficiency in food. And thanks to the buoyant agricultural production and the nature of Indian democracy, independent India had never ever had any pan-Indian famine. But later on, agriculture became a laggard sector. Unfortunately, the industrial sector failed to gain its full momentum in India. While the prevalence of the license-permit raj is often held responsible for the lack of vitality in the Industrial sector, such an argument loses its steam after 30 years of Indian liberalization. In the Indian case, the growth dynamism came primarily from the services sector, led by sectors like (a) trade, hotels, transport, and communication; and (b) finance, insurance, real estate, and business services.

While a dynamic services sector has given its fillip to growth, such a strategy could have an attendant adverse impact on the employment situation in India. After all, the industrial sector has much more power to generate employment. Despite the abolition of the erstwhile license-permit Raj and a plethora of policies, the absence of a vibrant industrial sector has continued to remain an Achilles heel of the Indian economy. This is all the more serious, in view of the fact that India will supersede China as the most populous state in the world by the end of next year. Estimates suggest that to accommodate its growing workforce in a productive manner, India needs to create around 90 million non-farm jobs by 2030[2]. It will be difficult to attain this target without a well-functioning manufacturing sector. The recent spate of industrial policy measures announced in India is an attempt to boost the manufacturing sector. The effectiveness of these policies will be important to ensure a sustained phase of inclusive growth in India.

Poverty, Human development, and Inequality

An area where India has done well is in reducing the abject poverty in the country. Poverty rate in India is declining steadily over the years. While more than half of the population was below the poverty line during the independence, poverty rates started declining steadily since the late 1960s. Recent estimates by the World Bank indicates that using an international poverty line of \$ 1.90/day (in Purchasing Power Parity terms), India's poverty rate in 2019 is 10.2 percent and it is down from 22.5 percent in 2011[3]. According to the Global Multidimensional Poverty Index 2022, between 2005-06 and 2019-21, 415 million people have exited poverty in India. This is a remarkable achievement, but India needs to continue its serious work on poverty reduction because the same report also indicates that India still has the largest number of poor people in the world.

Over the years, India’s performance in Human Development Index (HDI) has been somewhat lackluster. The HDI is a summary indicator which attempts to measure a country’s achievements in key dimensions of human development. According to these data, India has steadily improved its own HDI scores over the years (the last two years being the exception where India’s HDI score has decreased). But India’s ranking in the HDI index has not improved over the years. India is currently the 132nd rank country among the 191 countries and territories for which the HDI is published[4].

Another possible fallout of the rapid growth experienced by India is the sharp rise of inequality in the country. According to the World Inequality Report 2022, inequality in India, both in terms of wealth and income, is growing rapidly since 1971 and the income and wealth share of the top 10 percent and the top 1 percent have consistently increased. A study by Ghatak et. al. (2022) suggests that in India, the gap between the rich and the poor is one of the largest among its several peers and developed economies. The same report however suggests that over the last few years, as India’s growth has slowed down, it may have put a brake on the growing inequality

Aspirations

India recently superseded the U.K economy in terms of GDP. With a GDP of USD 3.5 trillion, India emerged as the fifth biggest economy in the World (Table 1).

Country	Size of the Economy (GDP)		Average Well-being (Per Capita GDP)	
	Rank	GDP at current Prices (USD Trillion)	Rank	Per Capita GDP at current prices (USD)
United States	1	25.0	7	75,180
China	2	20.3	66	14,340
Japan	3	4.3	30	34,358
Germany	4	4.0	19	48,398
India	5	3.5	141	2,466
United Kingdom	6	3.2	22	47,318
France	7	2.8	25	42,330
Canada	8	2.2	11	56,794
Russia	9	2.1	65	14,665
Italy	10	2.0	31	33,740

Source: World Economic Outlook Database, October 2022, IMF

This should legitimately make us proud and we can aspire that in not so distant future we may even become the third largest economy in the world, next to China and the US. But such euphoria should not make us oblivious about the fact that with a population of 1.38 billion, India's average GDP in 2022 is expected to be little less than USD 2500, and India's rank in terms of average well-being among the 196 economies stood at 141!

Such stark differences in ranking in terms of GDP and per capita GDP also point to the roadblocks on way to our aspirations. How far are the fruits of growth been equitably distributed? According to data released by Oxfam, the top 10 per cent of the Indian population holds 77 per cent of the total national wealth and 73 per cent of the wealth generated in 2017 went to the richest 1 per cent. Access to healthcare among the poorest of the poor still remains an issue.

Quo Vadis?

It is no point quibbling over the phenomenon whether the glass is half-full or half-empty. India after 75 years of independence with its substantial growth dynamism, the advantage of abundant labour, an educated middle class and a significant diaspora, is aspiring to move further. This journey has to involve all!



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[2] India's turning point: An economic agenda to spur growth and jobs- McKinsey Global Institute, August 2020

[3] 'Poverty in India Has Declined over the Last Decade But Not As Much As Previously Thought', Policy Research Working Paper number 9994, April 2022, World Bank

[4] More data on HDI of India can be found here [Specific country data | Human Development Reports \(undp.org\)](#)

[5] Trends in Economic Inequality in India- by Maitreesh Ghatak, Ramya Raghavan and Linchuan Xu, available at: [Trends in Economic Inequality in India | The India Forum](#)