

INDIA'S ECONOMIC GROWTH – A REVIEW

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The term Economic growth is the increase in the amount of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product. India averaged 8% annual GDP growth in the three years before the recent global financial crisis. As per India's Planning Commission, economic growth has contributed to a decline in the poverty rate with 37.2% in 2005 to 29.8% in 2010, a drop of 40 million people in the absolute number of the country's poor. GDP growth in the first quarter of 2012 India grew a

paltry 5.3%, battling with a rising inflation for the past two years, a sharp decline in Rupee value by 25% in the past six months to become one of the most horrible performing currencies in the international market. As business confidence is at a low, the IMF, OECD and financial rating agency S&P are all issuing warnings to the Indian government. The term Gross domestic product is the market values of all officially recognized final goods and services produced within a country, in a given period of time, and is often considered an indicator of a country's standard of living.

I. Trend in India's GDP:

TABLE – I
INDIA'S GDP ANNUAL GROWTH RATE

	Year					
	2008	2009	2010	2011	2012	2013
1st Quarter	9.6	8.5	5.8	9.4	7.8	5.3
2nd Quarter	9.3	7.8	6.3	9.3	7.7	5.5
3rd Quarter	9.4	7.5	8.6	8.9	6.9	5.3
4th Quarter	9.7	6.1	7.3	8.3	6.1	4.5

Source: www.tradingeconomics.com and IMF

The Gross Domestic Product in India grew at a worse than expected 4.5 percent in the fourth quarter of 2012 over the same quarter of the previous year. The dismal performance was due to a slowdown in Agriculture, Mining and Manufacturing. India's GDP Annual Growth Rate averaged

5.85 Percent from 1951 until 2012 reaching an all time high of 10.20 Percent in December 1988 and a record low of -5.20 Percent in December 1979.

Table – II
India's GDP Growth Rate

	Year					
	2008	2009	2010	2011	2012	2013
1st Quarter	2.3	0.1	-1.7	2.7	1.9	1
2nd Quarter	2.2	0.6	5.1	2.9	1.5	0.8
3rd Quarter	1.6	0.5	2.5	2.4	1.3	0.8
4th Quarter	5.0	0.8	2.2	2.4	1.8	1.3

Source: www.tradingeconomics.com and IMF

The Gross Domestic Product in India expanded 1.30 percent in the fourth quarter of 2012 over the previous quarter. It has been observed that from 1996 until 2012, India GDP Growth Rate averaged 1.63 Percent, reaching an all time high of 5.80 Percent in December of 2003 and a record low of -1.70 Percent in March of 2009.

Table – III –
India Gross Domestic Product
(Value)

Year	Billions Of Us Dollars
2004	599.461
2005	700.921
2006	810.151
2007	951.339
2008	1242.426
2009	1213.782
2010	1380.640
2011	1729.010
2012	1847.982

Source: www.tradingeconomics.com and IMF

The Gross Domestic Product in India was worth 1847.98 billion US dollars and the GDP value of India represents 2.98 percent of the world economy. It is worth to note that from 1960 until 2011, India GDP averaged 368.8 USD Billion reaching an all time high of 1848.0 USD Billion in December of 2011 and a record low of 36.6 USD Billion in December of 1960. It measures the national income and output for a

given country's economy. The figures in the above must change taking into account the world scenario which is fast evolving in various aspects. It is better to concentrate and work towards increasing growth on various sectors like Petrochemicals, Oil and Gas, Steel, Software, Pharma and Diversified which is the need of the hour.

Table - IV
Real GDP Growth Rates for Emerging Economies at Constant Prices
As on 31st October, 2012

Country	2005	2006	2007	2008	2009	2010	2011	2012	Average 6 years 2006-11
Brazil	3.16	3.96	6.09	5.17	-0.33	7.53	2.73	1.47	4.19
China	11.31	12.68	14.16	9.64	9.21	10.45	9.24	7.83	10.90
India	9.04	9.53	10.00	6.90	5.88	10.09	6.84	4.86	8.21
Russia	6.39	8.15	8.54	5.25	-7.80	4.30	4.30	3.70	3.79
South Africa	5.28	5.60	5.55	3.62	-1.54	2.89	3.12	2.59	3.21

Source: www.planningcommission.nic.in

Among the Brics Countries, India ranked second with 8.21 as per IMF forecasting and China, India and Russia showed an improved sign from 2005 to 2007 and from 2008 to 2011 almost all the countries performances were not in an orderly manner.

Sectoral Composition of Growth

Agricultural sector is the process of producing food, feed, fiber and other goods by the systematic raising of plants and animals. Industry is the segment of economy

concerned with production of goods which includes fuels, fertilizers, and mining and extraction sectors. And the services sector is the non-material equivalent of a good and is defined as an economic activity that does not result in ownership, and this is what differentiates it from providing physical goods.

Table - V
Sectoral Composition of GDP

Rank	Country	Purchasing Power Parity	Agriculture	Industries	Services	Agriculture	Industries	Services
10	India	19,46,765	17.0%	18.0%	65.0%	3,30,950	3,50,418	12,65,397
4	India	40,60,392	18.5%	26.3%	55.2%	7,51,173	10,78,883	22,41,336

Source: www.wikipedia.com

Taking all the sectors in to discussion with regard to Nominal Gross Domestic Product sector composition, 2012 and Purchasing Power Parity Gross Domestic Product sector composition, 2010 which is expressed in percentage and in millions of dollars reveals that India Ranks 10th and 4th respectively. In terms of Food products like Cereals it ranks 1st and 2nd positions in relation to Millet, Rice, Wheat,

Maize, Barley, Rye and Sorghum. As far as vegetables, Fruits, Nuts, spices are concerned it occupies largest producer and second largest producer place. Considering the Non-food Products, India is placed first position for Jute and second position for Cotton and Silk. It is remarkable to note that the Services Sectors outperforms both Industries and Agricultural Sectors.

Table - VI
India Macro Economic Summary 2005-06 to 2012-13 (E) - (As on 04.03.2013)

INDICATORS	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
India's Real GDP Growth Rate	9.48	9.57	9.32	6.72	8.59	9.32	6.21	4.96
Agriculture growth (%)	5.14	4.16	5.80	0.09	0.81	7.94	3.65	1.79
Industry growth (%)	9.72	12.17	9.67	4.44	9.16	9.16	3.49	3.12
Services growth (%)	10.91	10.06	10.27	9.98	10.50	9.75	8.20	6.59

Source: CSO, Ministry of Finance, 01/03/2013 and Data book for DCH 14/03/2013

The data revealed by the Planning Commission, Government of India, shows that GDP rate is not in an orderly manner. It shows a very dismal sign in the year 2012-13 due to poor performance of all the three sectors in the economy. The services industries performance is nearly half of what it was in 2005-06, as regards industry it shows 1/3rd of 2005-06 and agriculture sector is the worst performance comparing to the period 2005-06.

Real Wages and Employment

As per the records of International labour Organization India's real wages cut down 1% between 2008 and 2011, while labour productivity grew 7.6% in the same period. These shows the benefits of the country's economic growth didn't transform into better pay for workers in the after effects of the global economic crisis. Going by the growth in wages and labour productivity in Asia for 1997-2007 and 2008-11 in the Global Wage Report 2012-13, India's real wage growth was 1% in 1999-2007, while labour productivity rose by 5%. In 1999-2007, China's real wage growth was 13.5%, while labour productivity growth was

9%. While China's real wage growth and labour productivity was 11% and 90% respectively in 2008-11.

The report noted that data sources on wage growth indicate that real wages declined in a majority of recent years, shrinking the purchasing power of wage earners. The authoritative sources of data on wage growth in India are the Annual Survey of Industries by the Central Statistics Office and the real wage index published by the Labour Bureau of the Government of India Organization. The story of the Indian labour market goes unyielding laws resulted in low employment generation opportunities with no improvement in wages that contributed for the slowdown in manufacturing industries. Companies are resorting to increasing profit margins for the last three years and efforts have been made to improve productivity without raising wages. The consistent Consumer Price Index rise has also added to low real wages.

In spite of the faster growth in real average wages in emerging regions over the last decade, absolute differences in wage levels across countries and regions remain considerable. US Bureau of Labor Statistics estimates

showed hourly direct pay for manufacturing in 2010 varied from almost \$35 in Denmark, through a little more than \$23 in the US, to \$13 in Greece, between \$5 and \$6 in Brazil, and less than \$1.50 in the Philippines. The total hourly compensation costs in manufacturing were estimated at \$1.36 in China for 2008 and at \$1.17 in India for 2007. "Although these differences are measured in current US dollars and therefore are dependent on exchange rate fluctuations, they nonetheless point towards the persistence of wide gaps in wages and labour productivity across the world," it said.

The Union Government, Minister of State for Labour and Employment Shri K. Suresh told the Rajya Sabha that in a market economy, wage rates were dependent on a number of factors such as production, demand, labour mobility, geographical factors and cost of living. As per the Annual Survey of Industries, Contract workers accounted for less than 20% of all workers in the manufacturing sector in 1999-2000, but increased to almost 32% in 2008-09.

Table – VII
Labour Force and Employment

Labour force and growth rate (%) On CDS basis – in Million					Employment in various NSS Rounds On CDS basis- in Million				
Period	Rural	Urban	Total	Growth %	Period	Rural	Urban	Total	Growth %
1972-73	183.72	39.63	223.35	-	1972-73	168.65	36.10	204.75	-
1977-8	185.28	47.87	233.15	0.91	1977-8	171.04	42.85	213.88	0.92
1983	206.15	57.67	263.82	2.27	1983	187.90	51.59	239.49	2.08
1993-94	252.96	81.24	334.20	2.28	1993-94	238.75	75.18	313.93	2.61
1999-00	270.61	94.27	364.88	1.47	1999-00	251.22	86.97	338.19	1.25
2004-05	302.50	114.7	417.20	2.84	2004-05	277.60	105.20	382.80	2.62
2009-10	306.30	122.6	428.90	0.55	2009-10	285.40	115.40	400.80	0.92

Source: Ministry of Labour and Employment

The labour force in India during the period 2009-10 accounted for 428.9 million comprising 306.3 million rural and 122.6 million urban areas. The employment on CDS

basis in various NSS rounds for the same period works out 400.8 million, the share of 285.4 million and 115.4 million accounted for rural and urban areas respectively.

Table - VIII
Organized Sector Employment

Year	Public	Private	Total
2006	181.88	88.05	269.93
2007	180.02	92.74	272.76
2008	176.74	98.75	275.48
2009	177.95	103.77	281.72
2010	178.62	108.46	287.08

Source: Ministry of Labour and Employment

The organized sector employment, particularly, from public sector decreased from 181.88 to 178.62 for the periods from 2006 to 2010 which may be attributed to Government policies in recruitment process for various sectors. But the private sector share from 88.05 to 108.46 during the periods 2006 to 2010. The reason for increase can be traced to the various opportunities available outside the country in IT and other related sectors.

Regional Growth – States

It is worth to note that reliable State specific GDP data are available from 1960 onwards and the growth has

varied significantly by States and by decades. As per the details available from World Bank South Asia Regional Database, 2005, the figures for the periods from 1960 to 1980 the higher growth was noticed in the States of Haryana, Punjab and Orissa which was largely due to strong growth in agriculture. But from 1980 to 2003 Gujarat, Karnataka, Maharashtra, Rajasthan and West Bengal started taking lead in agriculture. Some States equaled national average, some States grew at about the national average and some States lagged behind the national average of 3.7, 3.1, and 5.6. for the periods 1960 to 1990 and 5.6, 6.0, 3.4 and 5.7 for 1990 to 2003.

Table - IX
State-wise share of GSDP at Factor cost by Industry Origin
At 2004-05 prices

States	Sector	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Andhra Pradesh	Agriculture	20.58	20.04	18.31	19.41	18.22	17.45	17.25	15.43
	Industry	24.28	24.39	25.80	25.53	25.59	25.69	25.52	25.64
	Services	50.65	51.33	51.93	51.13	52.40	53.27	53.63	55.14
Bihar	Agriculture	14.75	16.69	14.47	16.14	13.55	14.97	15.44	15.25
	Industry	44.34	41.97	47.56	46.62	49.21	43.26	43.11	43.51
	Services	34.44	35.31	32.53	32.42	32.97	36.87	36.15	36.67
Haryana	Agriculture	21.89	19.63	20.24	18.60	18.48	16.38	15.89	15.45
	Industry	32.90	32.69	32.10	31.56	30.19	30.03	29.69	29.14
	Services	44.00	46.54	46.58	48.80	50.32	52.64	53.53	54.55
Kerala	Agriculture	14.24	13.74	11.69	10.51	10.16	09.16	08.33	07.67
	Industry	22.93	22.89	22.64	22.44	21.35	21.11	20.60	20.45
	Services	59.59	60.44	62.88	64.42	65.95	67.30	68.80	69.74
Orissa	Agriculture	40.67	38.85	35.41	33.14	31.38	29.36	27.83	25.95
	Industry	34.12	33.14	35.65	37.73	36.86	35.24	35.12	35.55
	Services	42.39	43.89	43.61	42.70	44.64	46.02	47.29	47.99
Punjab	Agriculture	31.12	29.62	27.65	26.37	25.39	23.70	22.79	21.48
	Industry	24.76	25.99	28.64	30.63	30.16	30.91	31.02	31.96
	Services	42.59	42.89	42.31	41.72	43.18	44.14	44.98	45.36
Tamil Nadu	Agriculture	09.60	09.39	09.41	08.45	07.84	07.31	07.05	06.60
	Industry	31.65	31.68	31.20	30.53	28.51	28.07	27.10	26.51
	Services	57.23	57.26	57.94	59.68	62.38	63.40	64.73	65.82
Uttar Pradesh	Agriculture	29.60	28.85	24.49	23.63	22.96	21.57	20.93	20.31
	Industry	23.26	24.14	25.35	25.65	24.31	23.88	24.07	23.63
	Services	47.01	47.28	47.57	48.23	50.35	52.23	52.79	53.89
West Bengal	Agriculture	19.18	18.38	17.22	16.96	15.60	15.39	14.31	00.00
	Industry	21.66	21.05	21.23	21.05	19.72	19.80	19.64	19.04
	Services	54.41	55.94	56.97	57.46	60.28	60.71	62.29	63.46

Source: www.planningcommission.nic.in

From the above table, Tamil Nadu, Uttar Pradesh and West Bengal share of Agriculture started diminishing from 2008-09 and showed very poor in 2011-12, and particularly West Bengal. The main reason attributed for this nothing but poor rainfall and mismanagement of agricultural programme. Among the various States, Kerala with 69.74, Tamil Nadu with 65.82 and West Bengal with 63.46 occupies first, second and third position in terms of Services sector. Considering the Industry Bihar, Orissa and Punjab placed first, second and third rank with 43.51, 35.55 and 31.96 for the year 2011-12. All these things show the seriousness on the part of the States in improving all the sectors with suitable policy measures and taking advantages of the liberalization policies.

Poverty and Human Development

The Planning Commission estimates poverty by every five years with the help of surveys conducted by the National Sample Survey Office on household consumer expenditure. It defines poverty line on the basis of Monthly Per capita Consumption Expenditure. The poverty level calculated in 2009-10 at all India Level was of Rs.673 for rural areas and Rs.860. Based on this, the percentage of people living below the poverty line in the country has declined from 37.2 per cent in 2004-05 to 29.8 per cent in 2009-10. In absolute terms, the number of poor people has fallen by 52.4 million during this period. Of this, 48.1 million are rural poor and 4.3 million are urban poor. Thus poverty has declined on an average by 1.5 percentage points per year between 2004-05 and 2009-10. The annual average rate of decline during the period 2004-05 to 2009-10 is twice the rate of decline during the period 1993-94 to 2004-05.

Table - X
States Specific Poverty Lines for 2009-10 monthly per capita for Rural & Urban – in Rupees

S.No.	States	Rural	Urban
1	Andhra Pradesh	693.8	926.4
2	Bihar	655.6	775.3
3	Haryana	791.6	975.4
4	Kerala	775.3	830.7
5	Orissa	567.1	736.0
6	Punjab	830.0	960.8
7	Tamil Nadu	639.0	800.8
8	Uttar Pradesh	663.7	799.9
9	West Bengal	643.2	830.0

Source: CSO, Ministry of Finance, 01/03/2013 and Data book for DCH 14/03/2013

From the above table it is clear that first three positions cornered by Punjab, Haryana and Kerala as far as rural is concerned and Punjab, Haryana and Andhra Pradesh got first, second and third position in relation to urban areas. To what extent the poverty gets reduced depends on the policy framed and implemented by the Government at the appropriate time.

India is on the brink of a demographic revolution with the proportion of working age population between 15 and 59 years likely to increase from approximately 58 per cent in 2001 to more than 64 per cent by 2021, adding approximately 63.5 million new entrants to the working age group between 2011 and 2016, the bulk of whom will be in the relatively younger age group of 20-35 years. The fruits can be reaped only if this young population is healthy, educated and skilled. The emphasis on human development

also gains significance in the light of our major social indicators in the recent past being less encouraging than those of our neighbours like Bangladesh and Sri Lanka.

As per the latest available Human Development Report, 2011 published by the United Nations Development Programme which estimates the human development index in terms of three basic capabilities – 'to live long and healthy life, to be educated and knowledgeable and to enjoy a decent economic standard of living' - India was 0.547 in 2011 with an overall global ranking of 134 out of 187 countries compared to 119 out of 169 countries in 2010. The growth rate of average annual Human Development Index of India between 2000-11 is among the highest which was supported by the findings of the India Human Development Report, 2011 by the Institute of Applied Manpower Research and the Planning Commission. The main point brought out was nothing but education being the main driver.

Table - XI
Expenditure on Health in Developed and Emerging Economies
(As a percentage of GDP)

Country	Expenditure on health (2010 or latest available year)		
	Public	Private	Total
Australia	6.2	2.9	9.1
Norway	8.1	1.4	9.4
UK	8.0	1.6	9.6
USA	8.5	9.1	17.6
Mexico	2.9	3.3	6.2
Indonesia	1.3	1.3	2.6
Brazil	4.2	4.8	9.0
Russia	3.2	1.9	5.1
India	1.2	2.9	4.1
China	2.7	2.4	5.1
South Africa	3.9	5.0	8.9

Source: OECD Fact book 2013
Economic, Environment and Social Statistics

India's expenditure on health as a per cent of GDP is very low compared to many other developed and emerging countries. Its private-public expenditure is higher than public expenditure and was more than double in 2010. It is also lowest among the BRICS countries. Infant Mortality Rate has fallen from 58 per cent in 2005 to 44 per cent in the year 2011. The National Skill Development Council had skilled around 139305 people and placed 97116 of them, thereby achieving placement of 70 per cent. Till 3rd December, 2012, National Skill Development Council partners had established a present in 25 States and three UTs and covered 312 districts.

The State of Uttar Pradesh for the period 2004-05 took first positions in the Agriculture, Manufacturing and Non-manufacturing Sectors whereas it occupied second position in terms of Services sector but got first position with overall sectors employment to the extent of 65.2 million. The second and third position shared by Maharashtra and West Bengal with 48.1 million and 31.7 million far beyond the comparison of Uttar Pradesh. During the period 2009-10, it has got first position in agriculture, Manufacturing and Non-manufacturing (where it occupied second place in 2004-05) and second position in the Services Sector. Here the position slightly increased but not in a very appreciable manner.

Table - XII
Share of Employment across Sectors – 2004-05 and 2009-10 (In Millions)

States	2004-05				2009-10			
	Agri.	Manuf.	Non Manuf.	Services	Agri.	Manuf.	Non Manuf.	Services
Andhra Pradesh	52.8	11.9	7.0	28.1	51.2	11.0	13.5	24.3
Bihar	76.5	5.0	3.1	15.4	63.8	5.1	10.7	20.4
Delhi	1.0	24.8	6.2	67.9	0.2	27.4	4.9	67.5
Gujarat	62.1	12.6	5.1	20.2	52.2	13.7	7.3	26.8
Haryana	54.8	12.2	7.8	25.2	44.8	15.4	11.9	27.9
Karnataka	64.4	9.4	4.4	21.7	57.3	9.9	7.7	25.1
Madhya Pradesh	63.8	8.9	5.3	22.3	64.4	6.3	14.0	15.3
Maharashtra	45.7	14.8	6.2	34.3	52.9	10.8	6.5	29.8
Orissa	67.1	8.9	6.7	17.3	62.2	8.3	12.1	17.4
Punjab	33.6	15.9	13.1	38.3	45.0	12.7	13.2	29.1
Rajasthan	65.8	8.3	9.4	16.5	47.7	5.9	27.3	19.1
Tamil Nadu	46.4	19.6	7.0	27.1	41.8	17.2	14.0	27.0
Uttar Pradesh	66.4	11.1	4.6	17.9	60.4	9.6	10.9	19.1
West Bengal	49.0	16.7	5.5	29.2	43.4	18.4	7.9	30.3

Source: www.planningcommission.nic.in

CONCLUSION

The global economic and financial crisis which has persisted for the last five years has not only exposed the defenselessness of almost all the countries over the globe to external shocks, but also has lessons for development planning. Countries need to have social safety nets for facing such eventualities, which affect the weak and susceptible the most. India with its focus on inclusive development and timely interventions has, however, been able to endure the crisis better than many other countries. It is to be noted that India ranks 9th in order, with regard to GDP projections 2016 with 2836.06 US Billion Dollars and in terms of purchasing power parity, it is ranked 4th next to Japan with 6449.09 US Billion Dollars as per the IMF, World Economic Outlook Database, October 2012 (as on 31st

October, 2012). Jumping from 9th to 4th is possible provided it follows sustained economic programmes vigorously. Among the Emerging Economies, GDP growth of India for the period 2013 with 8.10 per cent and 2014 marked with 8.15 per cent. As regards inflation, it has been projected with 7.07 per cent and 5.37 per cent for the periods 2013 and 2014.

Considering the above information which shows the true picture of the country at the international level, it is pertinent to see that India should make inclusive growth and development policies and focusing on human development fully. As the Global growth is projected to increase during 2013, as the factors underlying soft global activity are expected to settle, however this upturn is projected to be more gradual than in the year 2012 as per

the World Economic Outlook Projections. It also says the major sources of acceleration of global economic conditions were emerging market economies, stabilization of financial conditions and capital flows to emerging markets remained strong. These points should be clearly recorded in mind by our policy makers while designing various policy measures for the growth and development of our Indian Economy.

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