

# Inclusive growth in Indian economy: Current performance and challenges

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**Abstract:** As the new government of India table its first full-year budget in the front of the nation, a significant opportunity awaits. India has reached double-digit medium-term growth rate. This path would allow the country to attain the central objectives of “Sabka Sath Sabka Vikas” of the still poor and predisposed people, while having enough money the opportunities for progressively young, middle-class, and ambitious India to realize its immeasurable probable. This opening has risen because facts and affluence have aligned in India’s favor. The macro-economy has been concentrated more stable, reforms have been launched in last two years, Government wants to reform Indian economic structure to attract the investment but challenges in other major economies have made India the near-cynosure of eager investors. But if you see current environment of financial world it seems not to good for India or Indian financial policies are not capable to handle it properly. The crisis of Indian banking sector is known by everyone, whole banking sector suffering from the problems of NPA non-performing assets and their bad debts. Production output is now going negative. Indian has not achieved its target to attract the foreign investors as FDI Programs. Indian agriculture sector is now its lowliest stage A transitory macroeconomic evaluation and outlook will set the framework for the wider thematic and policy deliberations that follow.

Rapid, sustainable, and all-inclusive growth requires a strong macroeconomic foundation, key to which is fiscal correction and a credible medium-term fiscal framework. These fundamentals are discussed in this paper.

**Key Words:** GDP, FDI, NPA, Indian economy, Agriculture Sector.

## 1. INTRODUCTION:

Last year, the Finance Minister stood to speak on its full budget, and many people were expecting that he will present a policy document, the government's promises to be solid ground. This time he would present the budget, so expectations have changed suddenly. Now some of the major issues the nation is looking for reliable solutions. Global crude oil prices have fallen, so it fell to \$ 30 a barrel. The government when prices were higher by 120 to 140 dollars, compared to a profit of Rs 1.5 lakh crore. This has helped to reduce the current account deficit and the fiscal deficit has improved. However, many other components of the economy are of concern, particularly the finance minister needs to intervene.

In the last budget, especially energy infrastructure, roads, ports, and telecommunications investment were promised. But many infrastructure sectors do not have the expected results. Yuempeepis (ultra mega power projects) to establish energy sector will not benefit from the investment. Chhattisgarh project they have already indicated that it is not practical. There has been good progress in the road sector, but it is primarily the contribution of investment by states. The budget was not referring to the expansion of airports. This is an area which may be increased by more than 12 per cent. No investment coming from the private sector. With the expansion of the middle class to pay attention to this need. With this point of ports was incorporated, but such a move has not yet.

## The Economic Survey 2015-16



- GDP: GDP growth in the coming year is expected to be up 7.0 percent to 7.75 percent. Review the next two years is expected to more than 8 per cent growth rate.
- Fiscal deficit: Economic Survey for 2015-16, believes that it is possible to earn 3.9 per cent fiscal deficit target.
- Service area: in 2015-16, an increase of gross value added in the services sector contributes about 66.1 percent, which led to the significant net foreign exchange earnings and foreign direct investment (FDI) flows to the region as the most attractive in terms of has emerged.
- The trade deficit for April-January 2015-16, the trade deficit fell to \$ 106.8 billion, during the same period of 2014-15 stood at \$ 119.6 billion.
- FDI inflows into India during 2014 was recorded at US\$ 34 billion, which is 22 percent higher than 2013. 2014-15 and 2015-16 (April-October) and the usually mainly in the service sector has recorded a significant increase in the flow of FDI.
- Tourism: Tourism is a major engine of economic growth and is the creator of various jobs. Economic Survey of India Tourism Development in 2015 foreign tourist arrivals (FTA) in terms of 4.5 per cent and foreign exchange earnings (FEE) in terms of 2.8 per cent, 10.2 per cent and in terms of the FTA in 2014 FEE terms was 9.7 per cent. However, domestic tourism being a major contributor to the region, giving it the necessary momentum is being sustained.
- Agriculture: farmers to ensure sustainable livelihoods and food security need to be radical changes in agriculture. According to the Survey's emphasis on increasing productivity in agriculture.
- Media and entertainment services: According to the Survey, the industry in the past two decades has shown unprecedented growth and the fastest growing industries in India it has joined. By 2019 with a CAGR of 13.9 percent of the industry turnover is expected to reach the level of 1964 billion.
- Postal services: India Post is the world's largest postal network. Financial inclusion towards the Post Office Savings Bank (Posbi) the number of accounts increased from 30.86 million to 33.97 million, the level reached. More than 80 million 'Sukanya Prosperity Plan' accounts have been opened.
- Internal trade: Economic Survey, GVA 1,231,073 crore with a share of 10.7 percent, trade and repair services sector showed a growth rate of 10.8 percent in 2014-15. India's retail market by 2020, rising to US \$ 1.3 trillion and is expected to reach the level of the world's most rapidly growing India will become a major growth market.

## 2. LITERATURE REVIEW:

**Oxfam's report** shows poverty and inequality According to the report, in 1991, after the economic reforms in India in 100-fold increase in the assets of the rich, but in terms of per capita income is still down in three places. China's closed economy, India is the world's largest market, the multinational companies in the guise of liberalism has become the center of tax evasion. According to Oxfam by these companies of more than 509 trillion money has been deposited in tax haven countries.

**World Economy Forum** estimates China's slowdown and the crisis in the global oil crisis cloudy. To fulfill the promise of employment to all these challenges in the coming budget Internet companies, according to the latest report of the World Bank, has been unable to generate the required jobs, then the government's Digital India own 10 million unemployed youth focused programs will show how to employ? India hyped startup extraordinary taxes for the government to exempt, that employs millions of impoverished small-scale industry is trying to restore what? The advantage of falling oil prices in the international world did not the Indian people. Similarly, when the GST will benefit big business and the public will be part of the inflation. That provision states, in coordination with the concrete has to. The annual economic survey has been dubbed the challenging external conditions, despite economic growth in the next financial forecast is 7-7.5 percent. The review said that in the next few years will reach eight per cent GDP growth.

**The Economic Survey** 2015-16 presented in Parliament, fiscal policy and the need to pursue regulatory reform process has emphasized the rapid growth while maintaining macroeconomic stability to achieve goals. The review states that the challenges for the Indian economy and the GDP growth rate during 2015-16 despite lower than projected level of 3.9 percent fiscal target appears achievable. The review stated that the economic growth to 7.2 percent in 2014-15, after 7.6 per cent economic growth in the current fiscal.

Open economy, ready to spend huge population and rapidly growing economy, these things are building an India where there are huge opportunities to do business. Despite this data, ideal for business of multinational companies in the country, India has not. Morgan Stanley said in a report that India's cities are still struggling with lack

of basic facilities. The report has studied the country's two hundred cities. Sixty-six percent of these cities still do not have a supermarket. Most people do not have enough cold storage due to the sale of things associated with daily life around the shops to buy from. Seventy five percent of Indian cities is not the hotel with five star facilities.

**Ravindra H. Dholakia IIMA**, Estimates of urban and rural incomes at the state level are required not only to complete the regional accounts, but also to lend support to various developmental effort sunder taken by the government and private sector entities by properly evaluating and monitoring long term programs. They would also help in cross-checking and verifying several estimates generated out of national level surveys, quality of allocations of income and several other aggregates regularly and routinely carried out by the CSO to state bureaus, and internal consistency of several ratios, proportions and methods used by state bureaus for preparing regional accounts related aggregates

**Jayantilal Bhandari (2016)** says that in the current economic scenario, it is likely that the emerging field of manufacturing and exporting this year will be given priority in budget allocation. In the past 14 months, the country's exports have been declining steadily. In 2015, efforts to increase exports have not proven effective. Last year, 20 percent in 2015 compared to 2014, exports have decreased and been slow improvement in the global economy is difficult to export. Vehicle construction, engineering goods, processed diamonds and leather industries, and is also facing difficulties. The impact on employment is visible. With the new export incentives in the budget of the Special Economic Zone (SEZ), the central government can provide incentives, including tax exemptions. Indeed, government intervention in the world to increase trade and to promote manufacturing exports in the country has drawn up. In the budget for which the minimum alternate tax (MAT) and Dividend Distribution Tax (DDT) is likely to be heavily subsidized. The country's gross domestic product (GDP) is 15 per cent share of the manufacturing sector, while in China it is 30 per cent. The country's annual growth rate in the manufacturing sector, which was about 10 per cent between 2000 and 2010, is now hopeless. FDI in manufacturing would be ensured to facilitate the regulatory regime under which national single window and will focus on deadlines.

### 3. OBJECTIVES OF THE STUDY:

- To analysis the current economic condition and challenges towards Indian economy.
- To discuss about the sensitive economic areas of Indian economy.
- To analyze the global economic changes will effect to Indian market.
- To discuss the effect of government policies in growth of Indian economy.

### 4. RESEARCH METHODOLOGY:

Research and experimental development is work under taken systematically to increase the stock of knowledge. The first objective of this paper fulfill by the analysis of historical premonition. This research paper is carried out with the help of only secondary data. The major tools for the collection of the information has been available collected primarily from journals, articles, journals, RBI bulletin, online databases of Indian Economy, or websites, etc.

### 5. DISCUSSION AND ANALYSIS:

Only if the economy will run faster, when rapid investment, and foreign investment will grow faster then when will the availability of infrastructure. Our cities are facing a shortage of infrastructure. Government to boost economy in India and started working on smart cities. But the success of these programs depends on many things. The first issue of infrastructure development from a place where business can be developed. The road, electricity and rail system network is essential. India still has not enough roads. Expand the number of ports and rail networks is not at that speed, the industry is in desperate need. There are several area of Indian economy which have to look more carefully by the government.

#### Agriculture

The first area is agriculture, which plays an important role in the economy. Nearly sixty percent of the population depends on agriculture, but gross domestic product (GDP) contributed only 17 per cent. The last two years the country has suffered a poor monsoon. Frustration grew in agriculture, where immediate attention is needed. There are some measures to prevent drought, the agricultural production is stagnant. For instance, where pulse production is stable at 25.3 million tonnes, the cash crops such as sugarcane and cotton production has declined. Agricultural insurance is good decision to bring the revised plan, but its impact will take time. In fact, the need is to improve the agricultural trade regime. We all kinds of agricultural products due to increase in MSP should. The increased allocation to the states under the scheme will connect rural areas and increasing their ability to spend. Increased demand for the development of the rural economy is a must.

#### Global economy changes

Secondly, the global economy remains sluggish. Half of European economies are moving at the pace of two per cent. Germany and France in 2016 and growth of 1.7 per cent growth rate of 1.5 per cent is expected. Japan long time to get out of the recession and its growth rate this year is 1.2 percent. The US has sharply outperformed, while the Chinese economy, global growth is the major carrier, is facing recession. The impact will have on world trade. India's exports in the first eight months is 18.5 per cent. Where global demand remains uncertain at this stage, it is difficult to sell their product. Finance Minister before the domestic demand to offset the decline in the global market is increasing the challenge.

#### **Banking sector**

Third, the banking sector, where the crisis at Lehman in the US saw a wave of pleasure. Various sectors of the economy's problems have exposed the weaknesses of the region. In 2011, NPA (non-performing assets) was 2.5 per cent in total, of which 4.9 per cent was 4.5 per cent in 2013-14 and 5.1 percent in September 2015. Cause trouble is that this problem cannot be resolved simply by the provision. If the slowdown in certain sector will have on the debt, the NPA is bound to grow. Therefore, policy measures are necessary in order to better units. Also needed is an independent body which could settle the bad debt.

#### **Urban and rural gap**

Recently the rural and urban population has its initial report, he is warning that despite all government efforts, inclusive development cannot. And the gap between rich and poor in the country has increased. The trickle-down theory behind liberalization western base, regarding the development of the existing world order has many new concepts. One of them is considered synonymous with urbanization development. This concept in urban slums Pasrti have provoked the mouth. Now the question is raised by the recent report of the National Sample Survey. Accordingly, in the villages where the poorest 10 per cent of assets worth Rs 25 071, while the highest 10 percent of urban poor is not the property of Rs 300. This is because most of them have had to flee empty handed from the villages.

It also should not forget that measures such as the abolition of landlordism in rural areas, also create the basis for those who have not ever used to be ground. Neither of them have to pay rent to live in the village, nor pay the price for water. But have to pay rent to live in urban areas. The cost of water and sanitation Vsulni liberalization is introduced. While the wage rate has not increased that sense, the terms inflation has risen. So, how can they have the property? Despite all the pressures of liberalization Indian village has been able to break ties with its thousands of years old culture. Still the price to pay for water and sanitation. Also food and other expenses are lower than the cities.

The survey has revealed another point. Villages where 98.3 per cent of the property while the property is close to the people in the cities 93.5. The trickle-down theory to promote the role of urbanization in bringing prosperity to emphasize, too, was denied by the survey report. The report also states that the property of the rich and the poor in rural areas where the difference is less than 228 times, while in urban areas the difference is fifty thousand times. Most urbanites advantage of the current government policy is to get the creamy layer, which is to occupy generations trade or business. There is a similar disparity in the distribution of assets in the villages. After independence many purposes elimination of landlordism was to promote social equality. The figures prove that the property of countryside manor eradicate the changed conditions of the rural poor, which is the state's welfare role. The report of the National Sample Survey think that we have the chance to develop and promote policies on the existing concept of thinking. We believe the concept of urbanization on the basis of the development will have to rethink.

#### **Cooperative federalism**

The finance minister said last year that the tax collection to states within the spirit of cooperative federalism, ie 42 per cent of the 5.24 lakh crore and plan expenditure directly under the 3.04 lakh crore were given separately. Thus 62 percent of total tax revenues has been allocated from the center. Still, the state argues that the resource is a little more, because the allocation of centrally sponsored schemes to states has been drastically cut. Our pace of increase in spending on education, health and ICDS is not as suited to the requirements. The increase in the area under the rural development scheme in the States were not enough to provide jobs. The crop is grown in rural and frustration.

#### **Corporate infrastructure**

Two years ago his great crop for farmers in the Northeast for a song had to be sold at a price so, because the absence of transport was not possible to send it out. Infrastructure cannot develop in a day. The government will make every effort. Then it should also be investing only an economic but a social and rural. The economic world has been waiting for a long time the tax reforms, which are the goods and services, intellectual property rights and the Bankruptcy

Code as a key policy reforms, which is long overdue decision. Last year, the World Bank's Doing Business Index of IS 130, mounted in India reached number 12 spot, but our country is still far behind Mexico and Russia, respectively, the 38th and 51st place.

Another challenge facing the country, that is, the development of the villages left behind in the race to fear. The majority of the investment in India is focused on the city or those places where infrastructure is already available. So, we may not be able to move faster in that village, because the infrastructure is so worst.



This city-centric development model will succeed here, it remains to be seen, implies the development of inclusive growth, the growth of cities is not just. In India, the government's success depends on how quickly the systemic flaws and how quickly

## 6. CONCLUSION:

The biggest challenge for the economy is to revive rural incomes and demand. It is a great thing, because international economists are predicting a global recession in 2016. If India wants to reduce the damage from the global economic slowdown, the increasing rural demand is crucial. Seems to be focusing on the upcoming budget. Today, the Indian economy is facing a double whammy, because the price decline for producers, but the consumers are paying the price. Raghuram Rajan said recently that the impact of global commodity price deflation as falling prices for producers in India is visible. Most of the increase in consumer prices of food commodities appears as a bad year for agriculture on a large scale because of the decrease in supply. So businessmen and farmers, both are facing a reduction in income, while the common man is facing inflation in food items. This situation appears to be deteriorating, since November, latest data shows that industrial production declined by 3.2 percent in industrial production. This figure clearly shows a slowdown in demand continued, especially in rural demand, which has been affected by the agrarian crisis all round. Not surprisingly, the consumer goods sector 0.5 per cent during April-November appears

Prestigious global economy watchers, including investor George Soros has said that the 2008 recession engulfing the world can. Soros attributed the origin of the latest recession, China's own economic model to try to give recombining. The US economy back on track is not fixed completely, Japan is in recession and Europe's economy is continuously Gist. With this bleak picture, many emerging economies are facing recession and the severe decline, as is happening in China. Contrary to this scenario continue to be so in our policymaking, as if the world holds that India 'a shining star' is. It is far from the truth. It is true that global investors by mid-2015, Brazil, Russia, Indonesia, and India over the emerging economies were different view. But this difference is blurred now because of a perception that the reforms related to the fundamentals of pursuing many policies did not benefit India. The investor community believes that the NDA government came to power after fifteen months had taken time to waste. This year will be even more difficult, because China's economy is declining rapidly and is widely believed to maintain its popularity in China will gradually devalue its currency. Sort devaluation of China's currency could weaken India's competitive ability.

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