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The Awakening of the Indian Economy during the 21st Century

A thesis submitted to the Department of English Language and Literature as a partial fulfilment of the requirements for the degree of *Master* in Literature and civilization.

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Declaration of Originality

I hereby declare that this submission is my work and that, it contains no material previously published or written by another person nor material which has been accepted for the qualification of any other degree or diploma of a university or other institution.

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Dedication

I dedicate this work to my beloved parents, family, and my precious friends.

Acknowledgments

First, I declare all my thanks and praise to the almighty ALLAH for blessing me to finish my work. I want to express my gratitude to my supervisor Mrs. MOKEDDEM Hayat for her support, help, and patience with me and for being there whenever I needed her.

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Abstract

The Republic of India is a vast country; with a long history and a variety of geographical features, it has the necessary qualifications to become a developed nation such as varieties of climates, wide lands, and natural resources. India has a long history of economic reforms and balances, and it is trying to raise its place in the world though increasing its economy. In the 21st century, India experienced impressive economic growth and it became one of the largest economic powers in the world.

This research aims to explore India from an economic perspective and go through the major reforms that it took to reach the stage of growth. It also tries to determine the major factors that carry the Indian economy now, in addition, to seeing the different outcomes that follow that fast economic growth positively and negatively, in addition to highlighting the different challenges that face the Indian economy in the last two decades and the future expectations for it.

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List of abbreviations

BCE: Before the Common (or current) Era.

BC: Before Christ.

NIC: National Income Committee.

NIU: National Income Unit.

GPD: Growth Domestic Product.

UNDP: United Nation Development Program.

HDI: Human Development Index.

FERA: Foreign Exchanges Regulation Act.

BT: Bacillus Thuringiensis.

GSDP: Gross State Domestic Product.

UNCTAD: United Nations Conference on Trade and Development.

FDI: Foreign Direct Investment.

FII: Foreign Institutional Investment.

DIPP: Department of Industrial Policy and Promotion.

WHO: World Health Organization.

SCB: Scheduled Commercial Banks.

FICCI: Federation of Indian Chambers of Commerce and Industry.

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General Introduction

General Introduction

Due to its huge area and geographical and cultural diversity, India has been the focus of attention since ancient times. A large number of civilizations from all over the world settled in India throughout history, as the beginning of India was from the Indus civilization to what is known today as the Republic of India. One of the most prominent events in India was British colonialism, which drained India's resources in general. The geographical nature of India, which is represented in the vastness of the land, the multiple climates, the distinctive terrain, and the abundance of water; are the main characteristics whatmake India rich in dormant wealth that needs to be properly utilized.

After gaining independence in 1947, India began to think seriously about making itself a competitive economic power. The economy was at that time almost collapsing, as it was a remnant of British colonialism. The social situation at that time was deteriorating like the remnants of colonialism. Poverty, health problems, and a lack of education prevailed there. By 1960, India began to establish constitutions and radical reforms to revitalize the state economically and to stimulate social growth. As a country that relies on agriculture comprehensively, things were not enough for India. Agriculture alone was not enough to establish an economy on it. India was learning from its failed attempts and kept progressing forward slowly, seeking ways to increase its national economy as well as becoming a leading economic figure in the world.

After the rise of the Indian economy, India increased the sources of production in addition to the agricultural sector, to enter various other sectors in the hope of obtaining positive results and raising the economy and its balance. By the twenty-first century, the economic growth rate of India had doubled, and this growth accelerated at a pace that made some specialists in the field, such as Jeffrey Bezos, declare that the twenty-first century would be the golden century for India. However, despite all of that, India is still classified as a third-world country, and many problems like poverty, hunger, lack of healthcare infrastructure, income imbalance, and unemployment are still impacting its society. Though India is growing economically, Challenges and problems grow simultaneously with it. The economic progress came up with social distinctions, and split India into two classes rich and poor. However, the government managed to fix its

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economy, but it did not make it in line with the structure of the nation, which will probably be going to make more challenges for the Indian economy in the future.

Hence, this thesis attempts to analyse the system followed by India in order to strengthen its economy and explain its management method. It also aims to present the basic factors for rapid economic growth with production statistics for each one of them. In addition, this study attempts to show the positive and negative consequences of this large growth.

- ✓ This research intends to answer the following questions:
- How does India enhance its economy during the 21st century?
- What are the outcomes of the fast economic growth on India?

In order to answer those questions, some hypotheses were suggested to carry out the study:

Maybe India used its natural resources, and agriculture to open the space for foreign investments to increase the growth rate and strengthen its industry. As a result, India has built a harmonious structure of sectors that are complementary to each other and capable of increasing growth.

Fast economic growth might not be enough to make India stand as a developed country and get rid of being a third-world country. Economic growth may need an effective management policy to be implemented in the right way to raise the nation.

This study tried to answer the research question through three chapters:

The first chapter includes an overview of India historically, geographically, and its main resources. It also goes through the history of the Indian economy since independence until the beginning of the twenty-first century to reveal the biggest event that happened to its economy through its progress.

The second chapter contains the major factors that played a role in making India an economic power in the twenty-first century, giving statistics for each factor and its income. The chapter studies the reasons that increased the economic growth in the last two decades, and highlights the biggest transformations that happened to those sectors.

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The third chapter holds the results of the fast economic growth on India on both positive and negative sides. It also carries the biggest challenges that face the Indian economy in this century and gives a prediction about the outlook for the Indian economy.

Chapter one

India: a Historical Overview and Key Definitions

1.1. Introduction

Introducing one of the world's largest countries, India is more than just a large landmass; it has a distinct geography with various climates and geographical characteristics that make it a rich land. Due to its long history and its population, which came from different parts of the world, India has many cultures and civilizations. Throughout its long history, India fought hard to be an independent nation politically and economically. However, its main focus was on developing its economy where it resorted to several reforms and comprehensive changes to advance it. Thus, the first chapter gives an overview of India historically and geographically. It also tries to explain the term “economy” with its main branches, and their relationship with India, in addition to the major transformation in the Indian economy throughout history.

1.2. India: An Overview

India is a very large country. It shares borders with China, Nepal, and Bhutan to the north; Bangladesh and Burma/Myanmar to the east; and Pakistan to the north-west. A tiny disputed territory exists with Pakistan, which shares its border with Afghanistan. It is bounded to the east by the Bay of Bengal, to the south by the Indian Ocean, and to the west by the Arabian Sea. The Himalayan mountain range spans the majority of northern India.

India ranks seventh in the world in terms of area. It has the second highest population density in the world after China, and it is expected to exceed it in the next quarter of this century. The country's population is estimated to be 1.3 billion people. 29 percent of the population lives in urban areas. There are around 2,000 ethnic groups in India. (TOPPR-guides, n.d).

Hindi is the official language of India and it is widely spoken in major cities. In metropolitan areas, English is also frequently spoken. 21 other languages are widely spoken throughout the country. The religions that can be found in India are: Hinduism (80.5%), Islam (13.4%), Christianity (2.3%), and Sikhism are the four major faiths in India (1.9%). Buddhists, Jains, and Parsis (1.8%).

1.2.1. India: A Historical Portrait

The issue is that there are ancient myths of Indian history as well as ancient archeological remnants of the Hattapam civilisation, which spread and was uniform (as manifested by the width of streets and the layouts of its buildings and city planning). However, there is no relationship between the two. (Keay, 2004, p1)

The Indus civilization, also known as the Indus Valley Civilization, is the Indian subcontinent's first known urban society. This civilization appears to have existed about 2500-1700 BCE, while the southern sites may have survived into the 2nd millennium BCE. The Indus Civilization was the largest of the world's three early civilizations—the other two were Mesopotamia and Egypt—and the first known civilization in modern India. (Allchin. n. d)

By the end of the Indus valley civilization, India had known new waves of civilization. Started by the Aryans, which came from central Asia after 1500 BC, and during the period between the 4th-14th century, many empires were founded in India such as; the Gupta empire (early 4th century – early 6th century), the Huns (by the end of the 5th century), then the Cholas (late 10th century), the Turks (10th century-14th century), and the Vijayanagar (1346-1564). Lastly, the Mughal Empire conquered southern India by 1687 and remained until 1803 when the British took control of most of India and annexed Assam in stages. In 1947, India officially announced its independence from the British, and that was the official beginning of the republic of India on the road to build an economical giant. (Lambert, 2021)

1.2.2. India: A Geographical Portrait

India is one of the world's oldest civilizations, having a wide range of cultures and a rich cultural legacy. Since its independence, it has made a significant socioeconomic improvement. India has become self-sufficient in agricultural output and is now one of the world's most industrialized countries, as well as one of the few countries to have conquered nature for the benefit of its people. It stretches from the snow-capped Himalayan peaks to the tropical rain forests in the south, covering 32,872,263 square kilometres (1,269,346 square miles). India is the world's seventh-largest country. It is distinguished from the rest of Asia by mountains and the sea, which give the country a distinct geographical identity.

It spans southwards from the Great Himalayas to the Tropic of Cancer, where it tapers out into the Indian Ocean between the Bay of Bengal on the east and the Arabian Sea on the west.

The mainland, which is fully in the northern hemisphere, stretches between latitudes $8^{\circ} 4'$ and $37^{\circ} 6'$ north, longitudes $68^{\circ} 7'$ and $97^{\circ} 25'$ east, and measures approximately 3,214 km from north to south and 2,933 km from east to west between the extreme latitudes and longitudes. It has a land border of approximately 15,200 kilometres. The coastline of the mainland, the Lakshadweep Islands, and the Andaman and Nicobar Islands are 7,516.6 kilometres long. (National Portal of India n.d)

1.3. Strategical land route between East and Middle East

India is the Asian continent's southernmost extension. The Trans Indian Ocean routes, which connect the industrialized countries of Europe in the west and the emerging countries of East Asia in the east, must skirt the beaches of India, giving a key central position to India. The Deccan Peninsula, India's southernmost outpost, juts into the Indian Ocean. It is divided into two seas, the Arabian Sea on the west and the Bay of Bengal on the east, by the Arabian Sea. As a result, India will be able to maintain direct contact with West Asia, East Africa, and Europe. From the west coast, links are made with Southeast Asia, East Asia, and Australia. The eastern seaboard. (Gogoi, n.d)

FIGURE1.1



Source: Adopted from PG 2ndsem Locational Significance on India by Dr. Bharati Gogoi.

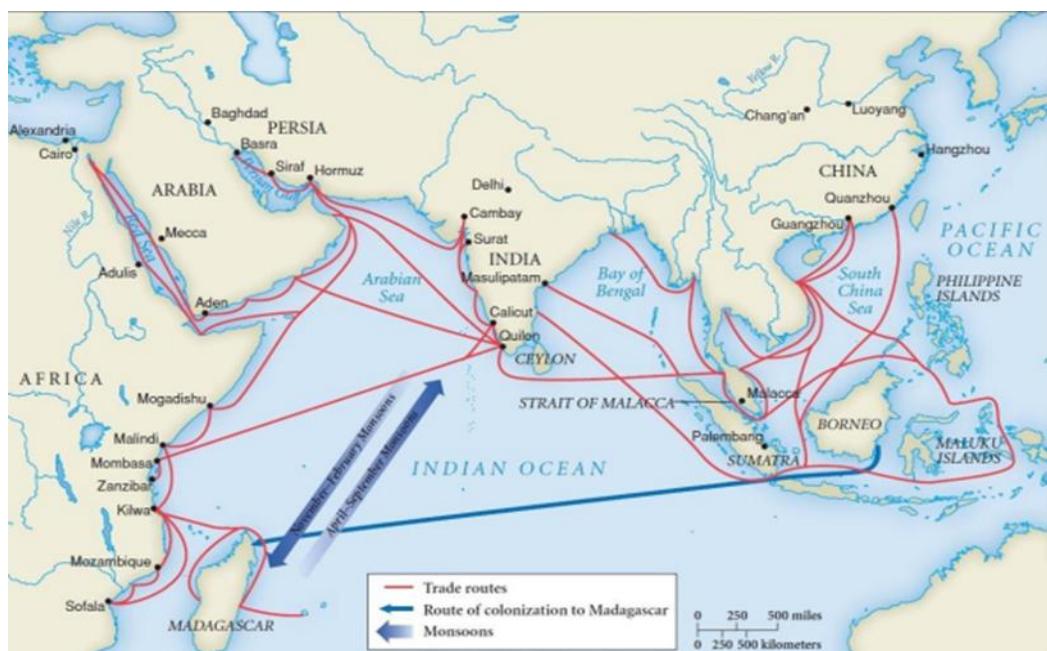
1.3.1. Effective routes between the Middle East and the Far East

Because the Trans-Indo-Ocean routes connect the industrially developed countries of Europe in the west with the impoverished countries of East Asia, India's strategic location midway between the Far East and the Middle East is crucial. India is the most centrally positioned country in South Asia. It has a competitive edge when it comes to conducting business with Australia and African countries. The Middle East and the Far East are two of the world's most populous regions. As a result, India dominates the Indian Ocean and holds a commanding position. A crucial strategic position India's central location is regarded as extremely important. It enables India to maintain close commercial ties with West Asia, Africa, and the Middle East. Europe may be reached by the western shore, whereas Southeast and East Asia can be reached via the eastern coast. India has a one-of-a-kind geographical location.

It has a particularly close relationship with Europe, Africa, and Australia. The Indian subcontinent is at the crossroads of East and West Asia. India is a southward extension of Asia, forming the world's biggest continent South-Central Peninsula. (Gogoi, n.d)

1.3.2. Trade Routes through the Indian Ocean

India's strategic location at the head of the Indian Ocean confers considerable strategic value and aids in the maintenance of trade and commerce. It assists India in maintaining tight ties with West Asia, Africa, and Europe on the western coast, as well as with southeast and east Asia on the eastern shore. It is also an important transit point for marine routes linking the two areas, namely European and East Asian countries. India is situated in the middle of Asia, between the East and the West. India is strategically placed at the crossroads of the trans-Indian Ocean trade routes, which connect western European countries with eastern Asian ones. From its western shore, India could build intimate ties with West Asia, Africa, and Europe. India also acts as a major transit point for water routes linking the two areas, especially Europe and East Asia. India has the longest coastline in the Indian Ocean, which benefits commerce with Africa, Southeast Asia, Australia, and Europe significantly. Because of its maritime location, India benefits from the southwest monsoon seasons. (Gogoi, n.d)

FIGURE 1.2

Source: Adopted from PG 2nd sem Locational Significance on India by Dr. Bharati Gogoi.

1.4. Natural Resources in India

Natural resources are broadly described as all of the items provided by nature on, above, and under the earth's surface. Land, water, forests, fisheries, animals, mineral ores, and energy sources such as coal, petroleum, gas, and uranium are all examples of natural resources. There is no clear relationship between the availability of natural resources and economic development. Many countries are wealthy in natural resources, but they are still undeveloped. India is rich with natural resources, and some of its most essential resources are described below. (Chand, 2013)

a- Land Resources: With a total size of 32, 87.263 square kilometers, India ranks sixth on the globe (32.87 crore hectares). It covers 2.42 percent of the world's total land area. In absolute terms, India is a massive nation. However, due to the large population growth, the land-to-man ratio is unfavorable. Land usage figures are available for approximately 92.9 percent of the total geographical area, or 3,287.3

lakh hectares. The forest covers 21.02 percent of the country's total land area. Around 170.0 million hectares of the total land area of 304.2 million hectares is under agriculture. Food grains outnumber non-food grains in terms of the gross planted area. According to the Agricultural Census, the area run by big holdings (ten hectares or more) has decreased, while the area managed by marginal holdings (less than one hectare) has grown. This suggests that the land is becoming split. (Chand, 2013).

b- Forest Resources: In 2007, India's forest cover was 69.09 million hectares, accounting for 21.02 percent of its geographical area. 8.35 million hectares of this is extremely thick forest, 31.90 million hectares are moderately dense forest, and the remaining 28.84 million hectares are open forests. India has a considerably smaller per capita forest (0.5 hectares) than the rest of the globe (1.9 hectares). According to the National Policy on Woods (1988), forests should encompass one-third (33%) of the country's land area to preserve ecological equilibrium. (Chand, 2013).

c- Mineral Resources: India produces a variety of mineral resources such as; Iron-Ore, Coal and Lignite, Bauxite, Crude Oil, Gold, Diamond, Limestone, Manganese, Copper, Barytes, Chromite, Dolomite, Fluorspar, Gypsum, Graphite, Ilmenite, Kaolin, Lead and Zinc, Nickel, Phosphate Minerals, Tungsten, Magnesite, Fireclay. (Chand, 2013)

1.5. Economy Development

Before studying an economy of any country, anyone must know what the term “economy” means and how it works.

1.5.1. Economics Meaning

It is noteworthy to start by defining the word ‘economics’ which comes from the ancient Greek word *oikonomia*, where *Oikos* means house and *nomos* means custom or law (“Eatwell et al., 1987). In an aim to elicit the Indian thoughts regarding economic ideas, Satish Y. Deodhar in his book *Economic Sutra: Ancient Indian Antecedents to Economic Thought* (2019) draws an important distinction between the modern economic theory, which focuses on the pursuit of material wealth, and pleasures alone as an end in itself. He pondered that Indian texts have treated economic well-being as one of the four

purusharthas or life objectives “These four life objectives are *dharma*, *artha*, *kama* and *moksha*, that is, righteous conduct, acquisition of wealth, pleasure and love, and salvation”(Deodhar, 2019)

Economics is the study of how societies use limited resources to produce valued things and allocate them to diverse individuals. Economics is the study of how people, corporations, governments, and other organizations in any society make decisions, and how these decisions influence how a society uses its resources. (Singh, 2020)

Macroeconomics and Microeconomics:“Simply put, if macroeconomics (macro) is about the forest, microeconomics (micro) is about the trees. While the former deals with the big picture (the forest) the latter deals with the details (the trees) that make up the forest. Micro and macro are the Greek words that mean ‘small’ and ‘big’, respectively.

While micro tries to understand the choices customers make and the income they earn, macro tries to understand the dynamics of inflation and growth”.(Singh, 2020, p8)

1.5.2. Economy and its types:

An economy is a large network of interconnected production, consumption, and trade activities that help determine how finite resources are allocated. The production, consumption, and distribution of products and services are utilized to meet the requirements of individuals who live and work within the economy, also known as an economic system. (Kenton, 2022)

The economy is the application of economics. It is a still-frame depiction of economic activity. Each country, organization, and family has its own economy. It is commonly used in the context of countries—the Indian economy, the US economy, the Japanese economy, and so on. While economic concepts and theories stay constant, the economies of nations exhibit diversity because of the socioeconomic diversity that countries have. (Singh, 2020)

1.5.3. Types and Sectors of Economies:

- ✓ **First Sector:**It contains economic activities such as mining, agricultural activity, oil exploration, and so on, which continue while natural resources are being utilized. When the agriculture sector (one of the major sectors) generates at least

50% of a country's national income and livelihood, it means that the country has an agricultural economy.

- ✓ **Second Sector:** It covers all business operations that occur when raw materials obtained from the primary sector are processed (also called the industrial sector). Manufacturing is also one of its subsectors and has proven to be the most important employment in Western developed nations. An industrial economy is one in which the secondary sector generates at least half of a country's national GDP and employment.
- ✓ **Third Sector:** This sector includes all economic operations that create services, such as education, healthcare, banking, communication, and so on. A service economy exists when this sector contributes at least half of a country's national income and livelihood. Later, specialists developed two additional economic sectors: quaternary and quinary. Nonetheless, they are tertiary sector subsectors.
- ✓ **Fourth Sector:** Education, research and development, and other activities connected to knowledge are included in this sector, which is also known as the "knowledge" sector. The sector is the most crucial in determining the quality of an economy's human resources.
- ✓ **Fifth Sector:** It encompasses all of the actions that lead to top-level decisions. It consists of the highest levels of decision-makers in governments (including their bureaucracies) and the private corporate sector. This sector employs a small number of people; rather, they are regarded as the "brains" behind an economy's socioeconomic success.

Growth and economy sectors: In 1960, W.W. Rostow published a hypothesis regarding how industrialized countries grew, according to which economies expand in five linear stages through their three primary sectors, namely agriculture, industry, and services. However, numerous nations deviated from this typical pattern, including India and many other South-east Asian countries, such as Indonesia, the Philippines, Thailand, and Vietnam. These countries transitioned from an agrarian to a service economy without significantly expanding their manufacturing sector. By the late 1990s, India had transitioned from agricultural dominance to service dominance, with services accounting for more than 50% of the national GDP. (Singh, 2020)

1.5.4. Structure of Economy:

Human life is based on the consumption of various things (goods and services). Some of them are also essential like food, water, shelter, cloth, etc. The biggest struggle for humanity was how to supply those things to people.

- ✓ **Market Economy:** This is the first formal economic system to emerge from the old economic system.

This component was dubbed the "invisible hand" by Adam Smith since it is self-interest that pushes individuals and firms to engage in economic activity. To achieve more prosperity, there should be a greater division of labor (specialization of the labor force) and market competition. The government should adopt a "leave it alone" strategy to ensure the smooth running of economic operations.

The terms "capitalism" and "free market" refer to two very distinct economic systems. There may be some government control in a capitalist system, but the private owner cannot have a monopoly on the market and so prohibits competition. That is why, in a free market economy, unrestricted competition is possible without outside interference (demand and supply).

- ✓ **Non-Market Economy:** Essentially, this system comes as a "response" to the market economy system, and was based on the next key concepts:

A country's resources should be used for the benefit of everybody. Resources are best utilised when they are owned by society/community (Socialism/Communism). As a result, the state will perform all economic functions. Based on the assumption that it fosters exploitation, no property rights are granted to people. laborers (i.e., the proletariat) and assist a tiny minority (i.e., the bourgeoisie) in obtaining richer over time, resulting in greater economic disparity.

There was a lack of a market (i.e., the interplay of demand and supply was totally absent). There is no concept of competitiveness (i.e., total state monopoly in the economic sphere).

People must fulfil economic roles (employees in state-owned companies). In exchange, they will get all the necessary governmental services, and the decisions produce and supply.

- ✓ **Mixed Economy:** After the market economy implemented some policy measures (borrowing from the non-market sector) to recover from the Financial Collapse, a mixed economic system was already in place (by the late 1930s). The World Bank recognized the necessity for 'state involvement' in the economy (i.e., the market) in 1944-45, with the announcement to adopt national planning, and France was the first country to announce adopting this system (in 1944-45, with the announcement to adopt national planning). A mixed economy was India's type in the period before the economic reforms (Singh, 2020)

1.5.5. GDP of India: The Gross Domestic Product (GDP) of a country is the total value of all final products and services produced within its borders in a given year. This calendar year in India starts from April 1st to March 31st. It is calculated by combining national private consumption, gross investment, government spending, and trade balance. However, the 'exports-minus-imports' strategy eliminates spending on imports that are not generated in the country.

1.6. The Concept of Growth and Development

Development is a qualitative term, whereas growth is a quantitative one. While growth is a mathematical figure that represents a rise in an economy's production, the development includes output distribution, or the capacity of the increased output and wealth to reach the lowest strata of society. Development also entails equitable economic distribution.

Previously, it was commonly assumed that higher growth was necessary first, and then development would follow, as this is known as the "trickle-down theory." This indicates that increasing growth will trickle down to the lowest classes of society and produce an equal distribution. This is the meaning of the term "growth and development."

Previously, the issue was our failure to push up growth rates, and the emphasis was on boosting growth in order for the trickle-down theory to function, which would have

allowed for development and equal distribution. However, India's situation has changed after the 1991 economic reforms and since 2005. India has not only broken out of the low-growth cycle but has also emerged as one of the world's fastest-growing economies after China.(Verma, 2020)

There is a distinction to be made between growth and development. While growth is a univariate notion that is assessed only on the basis of per capita income growth (i.e., GDP), development is a multivariate term that refers to the accomplishment of a high quality of life for the typical citizen of an area. The United Nations Development Program (UNDP) uses a human progress index (HDI) to examine a country's or region's development. The HDI is computed as the simple average of a country's life expectancy (a proxy for health), education (a proxy for literacy), and per capita GDP (a proxy for money). As a result, development is a far larger term than growth. We believe an economy is developed when its citizens have a decent quality of life in terms of greater access to health, education, and government, as well as the possibility to make a living.

Countries in North America (Canada and the United States, for example) are considered developed because their citizens are more educated and healthy, have access to an efficient court and police system, and have more opportunities to earn income in comparison to countries such as Somalia and Chad in Sub-Saharan Africa, which are considered less developed. It is not unusual to hear accounts of violence and massacres in Sub-Saharan African nations where people struggle financially. (Banik, 2015)

1.7. The Indian Economy: A Historical Overview

When India became independent in 1947, it was still primarily a rural country. The working population employed in its industrial sector comprised barely 10% of the workforce, while subsistence agriculture remained the primary source of employment.(Kapila, 2015).The new administration in New Delhi diagnosed Indian underdevelopment as a result of a low-efficiency agricultural sector, poor industrialization, and the legacy of economic exploitation during the colonial period.In the decades thereafter, the Indian government has attempted to implement an economic growth strategy based on central planning and economic nationalism, with the goal of recreating, to some part, the Soviet industrialization experience. Although the private property was not banned in India, and the country maintained the market economy on an institutional level, there

were still legal and institutional limitations to the rise of private industry, and the economy was tightly controlled by the state. (Tomlinson, 2013)

1.7.1.The Economic Reforms before 1991:

After achieving independence from British colonial authorities in 1947, India sought to establish a socialistic structure in society. The policy measures used were the establishment of highly centralized planning machinery for economic planning and public investment decision-making, the increase of public investment in fundamental and important sectors, and market intervention through a variety of regulatory measures and restrictions. The strategy is intended to accomplish quick economic development through market intervention, governmental investment, and planning. The Indian economy has been described as a "mixed economy."(Prakash, 2011)

To protect local industry from global competition, high import tariffs were imposed. Foreign-owned businesses were subject to the Foreign Exchange Regulations Act (FERA) of 1973. However, Agriculture was prioritized above capital-intensive industries and extractive industries such as mining. During the 1960s and 1970s, the maximum marginal rate of income tax was set at 97 percent. In India; the only choice was to charge an extremely high-interest rate. 14 of the main commercial banks were nationalized in July 1969, and 58,000 additional bank branches were built between 1969 and 2005. The government also used deficit financing, in which it asked the reserve bank of India to lend money in return for government securities (Treasury Bills). This act of deficit financing inflates the economy and renders monetary policy ineffectual in controlling inflation. Not only were high-interest rates imposed, but the government also controlled a large portion of the banking and insurance sectors. (Banik, 2015)

1.7.2.The Economic Reforms of 1991:

Following the exceptional 1991 economic crisis, the government of India announced a package of substantial economic policy measures aimed specifically at macroeconomic stability and the restoration of the economy's growth pace. The Indian economy has been stabilized, restructured, and globalized using a three-pronged approach.

To begin with, economic stabilization entails balancing aggregate demand and supply by lowering the central government's increasing budget deficits. Second, it entails

revamping the Indian economy in order to make Indian industry more competitive on a global scale through industrial and foreign trade policies. Third, it involves globalization of the Indian economy by lowering customs tariffs, enabling the free flow of international money, opening up the service sector to foreign capital, weakening the Indian rupee, and permitting partial and complete convertibility of the rupee. Since 1991, major policy changes in financial, monetary, trade, industry, agriculture, foreign exchange, foreign investment, and public-sector undertakings have been declared. These measures, such as devaluation, dissubsidization, delicensing, and deregulation, represent a significant departure from the economic policies implemented before 1991. The economic motivation for policy changes is to boost market forces and allow the market to run more freely, which is preferable to meddling with the market process too much through rules and restrictions. (Prakash, 2011)

1.7.3. Economic Progress:

The 15th of August 1947, a day remembered by the entire country as Independence Day, not only signalled the conclusion of a conflict, but also the start of a massive job of reconstructing an entire country and its economy. During the cold war, Nehru's plan of keeping India non-aligned with either side helped provide a much-needed boost to India's economic development. During the Cold War, India received substantial aid from both sides; the Soviet Union and Eastern Europe provided nearly as much in goods and technical support as the United States, Great Britain, and West Germany.

The five-year plans were national economic and social growth programs modelled after the Soviet Union's. India's first five-year plan, introduced in 1951, was largely concerned with agriculture, price stability, electricity, and transportation. It was based on the Harrod-Domar model, which aimed to boost India's economic growth by increasing savings and investments.

The strategy worked, as the economy grew at a 3.6 percent annual rate, exceeding the 2.1 percent target. The second five-year plan, dubbed the Mahalanobis Plan after Professor PC Mahalanobis, emphasized fast industrialization. In some ways, the Mahalanobis Plan laid the groundwork for the ethos of self-reliance or Aatmanirbhar Bharat.

Lal Bahadur Shastri succeeded Nehru as Prime Minister on June 9, 1964, and was pivotal in igniting the Green and White Revolutions. The conflict with China had resulted in acute food shortages and rising prices, persuading him that India needed to refocus on agriculture while still allowing room for private firms and international investment. In 1978/79, the Green Revolution resulted in a record grain output of 131 million tonnes. Until 1991, India's poor social and economic progress rendered it insignificant in the global context, save as a receiver of foreign aid. However, today's world leaders see India as a future powerhouse. Once a country that had to rebuild itself from the bottom up, India now possesses the world's third-largest GDP in purchasing power parity terms, as well as an environment that encourages the growth of aspiring entrepreneurs and industries alike. (Tiwari, 2020).

1.8. Conclusion

The government of India took a big step by making political reforms in order to revive its economy, and because the country was depending on the agriculture sector, those reforms aimed to support it to be more effective economically, in addition, to opening the space for all the powerful sectors in India to encourage its economy. India applied economic reforms as its main strong points. Moreover, it took advantage of all its resources to take itself to the next level of growth. By the 21st century, India became an economic giant taking its place with the major economic powers in the world.

Chapter two
The Indian economy in the 21st century

2.1. Introduction

As a result of the economic reforms and fixations, the Indian economy started to increase right after 1991. The government has examined all sectors that can achieve economic profits for the longest possible time. It has built a strong and sustainable economic composition. This combination represents the most important sectors on which India is based, as it has productive strengths that can be developed and invested. This chapter tries to explain the economic environment of India, and its transformations and shed the light on the major policies, and factors that led India to be one of the biggest economic powers in the world during the 21st century. In addition to that, the strength and weakness points of each factor and its profits were examined.

2.2. Planning of Growth

From 1991 to 2011, the economy grew at an annual average rate of 6.8 percent. Despite being much higher than in the previous period, the aggregate statistic hides certain critical characteristics. Inflation was a little more than 6% in the 1990s, but then accelerated to slightly more than 7% in the first half of the 2000s, and then to slightly more than 8% in 2006–2012. The post-reform churn swiftly corrected itself, and the economy looked to be on a high-growth path by the middle of the 1990s, but growth accelerated in the second half of the 1990s.

A variety of factors contributed to this, including the Asian crisis, post-nuclear test sanctions, the stalling of reforms after 1995, and mounting budget deficits beginning in 1996. Despite some of the worst agricultural years and a tightening of the fiscal fisc, growth improved throughout the NDA (National Democratic Alliance) years. In the early 2000s, the primary industries guiding India's march toward a high-growth economy were: agriculture, construction, transportation, storage, and communications, and financial and commercial services, which included information technology. Each of these was preceded by significant institutional growth. The communications sector benefited from the government's more open policies and the activities of an independent regulator in the shape of the Telecom Regulatory Authority of India (TRAI). They were successful in building an atmosphere that allowed for open and fair competition, drawing out the shifting growth trajectory and pointing to key institutional developments that preceded high growth times. (Goyal et al., 2019)

2.3. Agriculture Sector

Crop and livestock output growth rates fell in the initial post-reform period but have since increased. Cotton, maize, pulses, and oilseeds saw much better growth throughout the recent period of 2004/5 to 2010/11. The rise corresponds to the introduction of *Bacillus thuringiensis* (BT) cotton at the conclusion of our second period, as well as its widespread use throughout the same period. These growth rates indicate an overall increase in agricultural performance in terms of agricultural GSDP in recent years (2004/5 to 2010/11) when compared to the post-reform period (1993/4 to 2004/5). It is consequently critical to evaluate, from an equality standpoint, whether agricultural insecurity has risen or reduced, and if states are converging or diverging from the national average. At the all-India level, volatility in net domestic production from agriculture has decreased from 6.28 percent during the post-reform period to 3.03 percent in recent years. (Goyal et al., 2019)

2.2.1. The Modern Agriculture Strategy (2000):

After recognizing the importance of the agricultural sector, the government developed the New Agricultural Policy in 2000, which attempted to give the agriculture industry a new direction and which includes several key concepts like:

Agriculture has to get an annual growth of at least 4% in the next decades, with more focus on horticulture, animal husbandry, poultry, dairy, and aquaculture. Providing food security, including technology and biotechnology, allow more investments and land reforms. The federal government's new agricultural strategy is only suggestive in nature, as agriculture, being on the state list, falls under the authority of separate state governments, who would be responsible for implementing the program. Many experts, including Prime Minister Manmohan Singh, believe that India's agriculture industry deserves a second "Green Revolution."

To boost agricultural exports, the government has issued a comprehensive "Agriculture Export Policy 2018" with the goal of doubling agricultural exports and integrating Indian farmers and products into global value chains. The Agriculture Export Policy aims to boost Indian agriculture's export potential in order to convert India into a worldwide agricultural power and increase farmer income. (Verma, 2020)

2.2.2. The 2nd Green Revolution:

The current state of agriculture in India is the outcome of the late 1960s green revolution. The first green revolution provided India with food security, which was important at the time. Because of the widespread use of fertilizers and other chemicals, this progress and security came at a cost in terms of the environment and economic viability. Since the current state of agriculture is not sustainable, the new agriculture policy of India aims at sustainable agriculture, which is popularly called the "second green revolution" or "Evergreen Revolution". Now, a more comprehensive revolution, known as the Rainbow Revolution, is needed to include the whole agricultural industry. It means that agriculture will move from a subsistence and livelihood activity to a commercial endeavor with a concentration on production and profitability, and will use technology, modern science, biotechnology, organic farming, and other methods to support farmers. (Verma, 2020)

2.2.3. Agriculture Outcomes:

Nowadays, India is considered the world's second-largest fruit producer, and the number one producer of lemons, mangoes, bananas, papayas, and limes. While forestry accounts for a small portion of the country's GDP, it is a growing industry that produces fuel, wood-based panels, and pulp for paper, paperboard, and paper. Fishing and aquaculture contribute only a small portion of India's economy, with shrimp, sardines, mackerel, and carp being farmed and fished. (Page, 2022)

FIGURE 2.1

Flow of Institutional Credit for Agriculture and Allied Activities 1991–92 to 2008–09 (Rupees in Crore)		
Year	Amount	Growth rate
1950–51	24	—
1960–61	214	791.66
1970–71	678	216.82
1980–81	2126	213.56
1990–91	3972	86.82
1991–92	11202	182.02
1993–94	15169	35.41
1995–96	22032	45.24
1997–98	31956	45.04
1999–2000	46268	44.78
2001–02	62045	34.09
2003–04	86981	40.19
2005–06	180486	107.50
2007–08	254657	41.09
2008–09	292437	14.83

Source: Compiled and Computed from Economic Survey, Government of India. Screenshoted from: Prakash. The Indian economy since 1991 p.390.

2.2.4. The Industry Sector:

India has a long history of industrial development activities. A host of policies, directed credit flows, different sorts of incentives and concessions, industrial development agencies and financial institutions at the national and state levels, and a slew of support measures and incentives are all targeted at improving India's industrial performance. The industry would have a broader scope and relevance in the strategy to put India at the forefront of growth and development.(Goyal & Prasad, 2019)

Despite some limits, it is possible to say that the Indian industry has achieved substantial achievements in terms of production values, distribution networks, and research and development, which have greatly contributed to the evaluation of international organizations and agencies. Global organizations such as UNCTAD rank India highly in terms of industrial performance. (Goyal & Prasad, 2019)

2.2.5. Major industries of India:

Among all of the industries of India, some major industries stand in the front of the list as the best of what can India produce, and some of the main industries are:

- ✓ **Iron and Steel:** In terms of overall investment, the iron and steel sector is one of the most significant. These are mostly public-sector facilities. Furthermore, the industry directly employs around 2.5 million people. The World Steel Association classified India as one of the world's top ten steel suppliers. Despite the importance of this business, India imports a huge amount of steel each year.
- ✓ **Petrochemical:** In the late 1970s, the government established the Indian Petrochemicals Corporation Limited (IPCL) in Baroda, providing a significant boost to the petrochemical industry. Furthermore, the discovery of crude oil and natural gas in the offshore region off India's western coast added a new dimension to the possibilities of petrochemical growth.
- ✓ **Textile (Synthetic and Cotton):** This is a complicated industry with two extremes: highly mechanical mills on one hand and manual weaving and spinning on the other. The decentralized power loom section is located between the two ends.

Considering all three sectors, the textile industry is India's largest industry; it accounts for around 20% of total industrial production and employs over 20 million people. Furthermore, it accounts for around 33% of overall export revenues.

- ✓ **Sugar:** India is one of the world's biggest producers of sugar. Furthermore, sugar is India's second-largest agro-based sector. It employs over 325,000 people and indirectly employs around 45 million sugarcane farmers, distribution agencies, and related companies. In addition, India has 400-500 sugar factories.
- ✓ **Jute:** The jute sector has the potential to earn foreign cash. India produces over 30% of the world's jute. Furthermore, it employs nearly 250, 000 people directly. Jute cultivation also provides a living for almost 4 million families. To create carpet backing, the industry has lately begun to use high-speed machines. Exports have also increased in recent years.
- ✓ **Cement:** In India in 2009-10, there were 148 big cement facilities and 365 small cement units. Their overall capacity was around 230 million tonnes, with an annual output of around 200.7 million tonnes. Over 200,000 people work in the cement sector. India is also one of the world's major cement-producing countries.
- ✓ **Paper:** During the time of planned growth, India's paper industry expanded rapidly, with forests supplying an abundance of raw materials for its production. India produced around 49.6 lakh tonnes of paper in 2009-10. However, the sector is still in need of modernization, furthermore, the prices set by the government for various types of paper are unreasonable and do not generate appropriate returns on capital.
- ✓ **Automobile Industry:** The automobile sector expanded significantly as the economy opened up. New manufacturers using cutting-edge technologies were supplanting traditional producers. The intense rivalry in this industry, along with emission regulations, has resulted in an improvement in standards.
- ✓ **Industry of Information Technology (IT):** The IT industry, one of the most recent members of the list, is rapidly growing throughout India. Furthermore, with many, US and EU corporations collaborating with contract agencies in India and China for IT software and services, outsourcing has taken on a global dimension. This is a win-win situation since outsourcing work to India/China saves US corporations around 58% of their costs, while the local economy benefits from global exposure.(The Institute of Cost Accountants of India, 2014)

✓

2.3. Investments and Partnerships

In recent years, Indian firms have benefited significantly from global financial flows in the form of foreign direct investment (FDI) and foreign institutional investment (FII). In 2000–1, the level of FDI and FII received into the sector was just USD 4 billion and USD 1.8 billion, respectively. It increased substantially over the next 15 years, reaching USD 45.0 billion and USD 40.9 billion, respectively, by 2014–15. (See also Table 12.9). On August 28, 2017, the Department of Industrial Policy and Promotion (DIPP) issued the updated and revised Foreign Direct Investment Policy 2017–18 (FDI Policy 2017), which called for the removal of multiple layers of bureaucracy and the processing of FDI proposals through the government-approval route to be more streamlined, positive, and expeditious. (Goyal & Prasad, 2019)

Figure 2.2 Annual FDI and FII changes in India

Year	FDI Flows into India (in million USD)	Investment by FII (net) (in million USD)
2000–1	4,029	1,847
2001–2	6,130	1,505
2002–3	5,035	377
2003–4	4,322	10,918
2004–5	6,051	8,686
2005–6	8,961	9,926
2006–7	22,826	3,225
2007–8	34,843	20,328
2008–9	41,873	(-)15,017
2009–10	37,745	29,048
2010–11	34,847	29,422
2011–12	46,556	16,812
2012–13	34,298	27,582
2013–14	36,046	5,009
2014–15	45,148	40,923
2015–16	55,559	(-)4,016
2016–17	60,082	7,735
2017–18 (upto Sep 2017)	33,749	14,359
From April 2000 to Sep 2017	518,100	208,669

Source: RBI's Bulletin, May 2017. (Table no. 34: Foreign investment inflows). Screenshotted from Ashima Goyal. A Concise Handbook of the Indian Economy in the 21st Century. (p. 388.)

2.3.1. Major Investments and Partnerships in India:

- a. **Japan:** Japanese businesses were among the first to enter India, holding the baton in the car and electronics sectors. In India, 1,305 Japanese corporations have been registered. Japan and India have close connections, with India seeking Japanese expertise in areas such as infrastructure, energy, and industry. The Act East Forum

for India-Japan Cooperation, launched in 2017, has been a driving force in advancing India-Japan cooperation. Japanese firms have a big opportunity in India, and Japan has dominated the Indian market for many years with names such as Suzuki, Honda, Sony, and Panasonic, among others. Japan intends to quadruple infrastructure orders to almost \$300 billion by 2020. 2. Hitachi, Mitsubishi, Toshiba, Canon, Toyota, Yamaha, Panasonic, Honda, Sony, and Suzuki are just a handful of the major Japanese corporations.

- b. United States of America:** Over the years, India and the United States have developed strong commercial ties, with various American firms meeting the critical demands of the Indian market. From browsing for information on Google to drinking Coca-Cola or using the latest iPhones from Apple, the Indian consumer is, for the most part, a devoted supporter of American firms. American corporations are planning to provide an alternative to China by investing in India. Amazon, Citibank, Coca-Cola, Ford India, Google, American Express, PepsiCo, Hewlett Packard, IBM, JP Morgan Chase, Adobe Systems Incorporated, Apple Inc., Microsoft Corporation, Cognizant, and Oracle are some well-known American firms that have some branches in India.
- c. United Arab Emirates:** India maintains extensive bilateral connections in the Middle East, particularly with the UAE. In 2018-2019, cumulative FDI equity flows from the UAE into India totalled US\$898 million. 1 In a recent move, the Abu Dhabi Investment Authority (ADIA) announced its plan to invest US\$ 1 billion in India's attempt to generate equity money for the infrastructure sector, the National Investment & Infrastructure Fund. The United Arab Emirates (UAE) seeks to invest in India's agriculture industry and utilize it as a food security foundation. The UAE intends to boost its imports of Indian food grains and agricultural goods in particular. The UAE has already begun discussions with other state administrations for this purpose. Emaar, DP World, Abu Dhabi's National Petroleum Construction Company, Abu Dhabi National Energy Company, Drake, and Scull International are among the prominent corporations operating in India.
- d. France:** The strategic partnership between India and France celebrated its 20th anniversary in 2018. The major deliverables are:
 - Increase goods trade to US\$ 16.7 billion by 2022. To encourage SMEs and mid-cap firms to play a larger role in economic and commercial contact between the two nations.

- Encourage Indian and French defence firms to enter into agreements for the co-development and co-production of defence equipment in India under the Make-in-India program. Some of the prospects being aggressively investigated include the Scorpene submarine, negotiations between the Defence Research and Development Organization (DRDO) and SAFRAN, and the Rafale.

In the Smart Cities of Chandigarh, Nagpur, and Puducherry, the countries have experienced exceptional collaboration programs. Another accomplishment is the signature of a financing agreement between the Agence Française de Development (AFD) and the Government of India for the US \$112 million in support of the Smart Cities Mission. France has invested \$785 million in the International Solar Alliance (ISA), a treaty-based organization founded by Indian Prime Minister Narendra Modi in 2015 with the goal of promoting solar energy in 121 nations.

e. Germany: The Indo-German commerce story begins in the 16th century when German businesses began producing in India. Some significant names are Krupp AG and Demag, which established the Rourkela Steel Plant, while Bosch established its first facility to produce spark plugs in 1953, followed by Siemens, Bayer, Daimler-Benz, and others. More than 1,600 German companies and over 600 Indo-German joint ventures are active in India, including brand names such as BMW, Volkswagen, SAP, Siemens AG, and Merck. FDI from Germany climbed by more than 41% from 2013-14, reaching a total of US \$4.50 billion in 2017-18. The Indian government is pursuing investments from German corporations in sectors such as smart cities and airport building in order to increase economic cooperation between the two countries. (Make in India, n.d)

2.4. Trade Sector

During the 1990s, India's exports and imports grew at a rate of more than 10% per year, but this increased to 22% from 2001/02 to 2008/09, but as a result of the global financial crisis, which began with the collapse of Lehman Brothers bank in 2007, has caused a fundamental break in global commerce, slowing its growth pace. Trade values really fell in the four years following the financial crisis. As a result, current trade magnitudes are lower than the high levels of USD 314 billion for exports (2013/14) and USD 490.7 billion for imports (2012/13) in 2012/13. This necessitates a shift in trade geography away from

conventional trading partners and toward more dynamic economies in East Asia. (Goyal & Kumar, 2019)

2.4.1. Exports Layout:

It is completely obvious that India's export structure has kept going to shift away from primary and traditional products like textiles and clothing, leather products, and gems and jewellery, and toward products with higher value-added like transportation equipment, generic pharmaceuticals, and refined petroleum products. However, primary commodities and traditional goods contribute for as much as 42% of overall merchandise exports. Second, India's proportion of high-technology exports in its export was just 7.5%, compared to 25.2% for East Asian nations (World Bank 2017). India has also failed to build a name for itself in fast-growing, high-value-added manufacturing sectors such as electronic and telecommunications equipment.

India's rise to prominence as a major exporter of generic medicines, accounting for one-third of global pharmaceutical exports by volume. A significant provider of low-cost generics to developing nations and international organizations such as the World Health Organization (WHO). Transport equipment exports increased rapidly, from less than a billion dollars in 1995 to about 21 billion USD by 2011–12. In addition to exporting autos and two-wheelers. Exports of refined petroleum products increased from 4% of India's exports at the end of the century to 16% by 2009/10, and accounted for 11% of India's merchandise exports in 2016/17. (Goyal & Kumar, 2019)

2.4.2. Imports Layout:

India's import system has similarly evolved over time. First, bulk imports of crude oil, raw materials, and some foods accounted for up to 45.7 percent of total merchandise imports in 2012/13, but fell to 36.4% in 2016/17 due to lower oil prices. As oil prices have begun to increase again in 2018, their share is expected to grow further. Imports of coal, coke, and briquettes, among other commodities, have risen sharply in recent years, from USD 3.9 billion to USD 15.7 billion, as certain Indian business houses invested in coal mines in countries such as Indonesia and Australia to guarantee reliable and stable reserves of coal for their thermal power plants. Given that the demand for bulk imports, mostly raw materials and foods, is largely price-inelastic, the growing imports of capital and other

manufactured products in the context of the expanding trade imbalance should be monitored. In 2016/17, important capital goods categories were machinery at USD 32 billion, electronic products worth USD 42 billion, and transportation equipment worth USD 21 billion. Imports of electronic items, in particular, are quickly increasing and are predicted to reach USD 400 billion in a few years, according to certain predictions. (Goyal & Kumar, 2019)

2.4.3. Banking:

A bank is a financial middleman between people (which collects money from them and pays interest on deposits held within the bank) and the economy (which lends for useful purposes at a profit). This is referred to as "commercial banking." Banking in India really reflects a diversified economy; including public, private, and international institutions. There are now twenty-one public-sector banks in India, including the State Bank of India. Banks play an essential part in an economy's overall growth through lending to various sectors of the economy for expansion, diversification of current enterprises, and the backing of new businesses. (Verma et al., 2020)

2.4.4. The Composition of Banks in India:

Indian Reserve Bank (RBI): The RBI is the country's top monetary and financial authority, and it regulates the Indian banking sector. It is known as the "Reserve Bank" because it holds the reserves of all commercial banks.

Organized & Non-Organized Banks: A scheduled bank is one that is listed on the second schedule of the Reserve Bank of India Act of 1934. Banks must fulfill specified requirements, such as having paid-up capital and reserves of at least 0.5 million, as well as ensure the Reserve Bank that their operations are not being handled in a way that is detrimental to the interests of their depositors. Scheduled banks are classified into two types: commercial banks and cooperative banks.

Business Banks: Commercial banks are the types of banks that handle business deposits and lending. They take money on term deposits and issue bank checks and drafts. Through installment loans and overdrafts, commercial banks also serve as moneylenders. These institutions are administered for-profit and are owned by a group of people.

Organized Trade Banks (SCBs): The activity of India's public and private sector banks are dominated by scheduled commercial banks (SCBs). SCBs in India are classified into five groups based on who owns them and/or the nature of their operations, which are:

Public Sector Banks: These are banks in which the Government of India owns a majority interest. SBI, Bank of India, Canara Bank, and other public sector banks are examples.

Private Sector Banks: Most of a bank's share capital is held by private individuals. These banks are set up as limited-liability corporations. Private sector banks include ICICI Bank, Axis Bank, HDFC, and others.

Foreign Banks: These banks are registered and have their headquarters in other nations, yet they have facilities in India. Foreign banks in India include HSBC, Citibank, Standard Chartered Bank, and others.

Regional Rural Banks: RRBs were founded in accordance with the requirements of an ordinance enacted on September 26, 1975, and the RRB Act, 1976, with the goal of ensuring enough financing for agriculture and other rural sectors. The RRBs' operational area is confined to the area notified, which covers one or more districts in the state.

Cooperative Banks A co-operative bank is a financial company owned by its participants, who are both owners and clients of the bank. Co-operative banks are frequently formed by people who belong to the same regional or professional group or who have a shared interest. They offer a comprehensive range of banking and financial services to their members (loans, deposits, banking accounts, etc.), such as Anyonya Co-operative Bank Limited (ACBL). (Verma et al., 2020)

2.5. Population Usage

The population resources can be used to properly exploit the country's natural resources. Manpower resources can help economic development by promoting proper human capital formation, increasing mobility, and dividing labor. Furthermore, population pressure may positively improve individual motivation, leading to advancements in production practices. So, whether a country's expanding population effectively retards or

adds to economic progress is totally dependent on the current situation and the balance of numerous other variables influencing economic growth. (Sethy, 2015)

2.5.1. Modern India: Technological Advancements

Technological progress is seen as a key influence on the economic environment. Through technological development, we imply better technical knowledge and its wide-ranging applications. Capital products become more productive as technology advances. As a result, it was correctly noticed that "High Invention Nation" typically achieves faster growth than "High Investment Nation." (Sethy, 2015)

2.5.2. Business Services and Information Technology:

During last six decades, India's industry and service sector have grown from a low percentage of GDP to nearly 55% in 2019 and 2020. India is an excellent place to do business because of its large population of skilled, English-speaking, and educated people. Telecommunications, information technology, and software are among the top service industries in the country, with people employed by companies such as Intel (INTC), Texas Instruments (TXN), Yahoo (YHOO), Meta (Facebook), Microsoft (MSFT), and Google (GOOG).

Business process outsourcing (BPO) is a very well-known mini-industry in India, with companies like American Express (AXP), IBM (IBM), Hewlett-Packard (HPQ), and Dell leading the way. BPO is a successful part of India's ITES (Information Technology Enabled Services) market due to economies of scale, cost benefits, risk minimization, and expertise. BPO in India has grown rapidly since its inception in the mid-1990s. (Page, 2022)

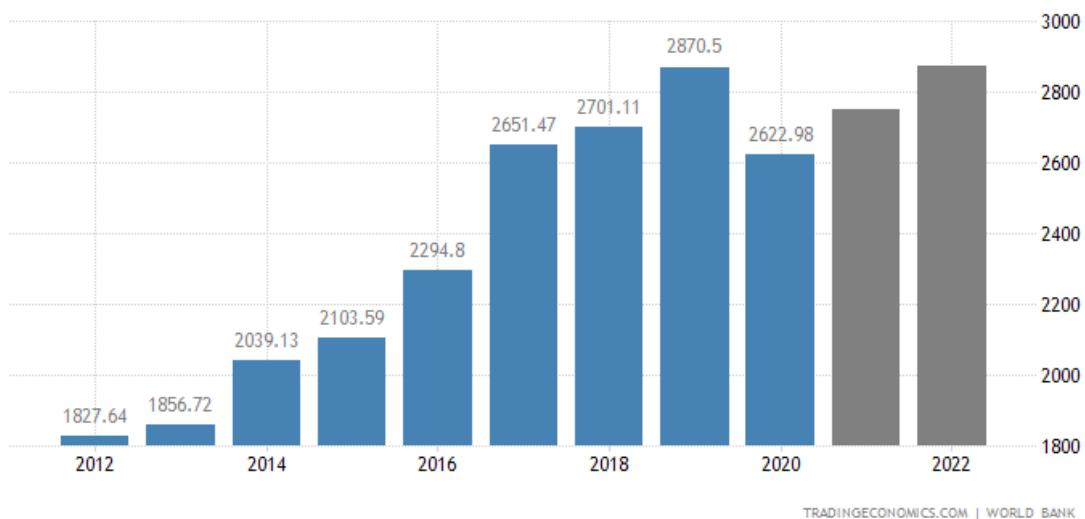
2.6. Additional strength points for The Indian Economy

In 2018, over 10 million international visitors came to India. Tourism in India is expected to generate \$28.585 billion in foreign currency profits in 2018. The tourism sector has made about 10.3 percent of India's GDP in 2019, according to the World Travel and Tourism Council. Medical tourism to India is also on the rise to see the light. According to a survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) and Ernst & Young, the Indian health tourism industry will be worth \$9

billion by 2020. Medical tourism is popular in India due to the low cost of healthcare and compliance with international standards. Customers travel from all over the world for heart, hip, and plastic surgery procedures, and only a small number of them use India's commercial surrogate services. (Page, 2022)

2.6.1. GPD development

FIGURE2.3.GDP changes In India (2012-2022)



Source: Trading Economics. (2022). India GDP.

The second decade of the 21st century was a new starting point for the GDP in India, and that was after 2008's crisis. The country managed to come back to the competition under a stable circumstances, and even could record a high growth rate in its economy between 2014-2019. By 2020, the GPD started to fluctuate as it recorded a remarkable decrease which refers to the change of the situations, but India adapted with the situation as soon as it could and started changing its way of working to be able to face the challenges, however it finally managed to rise its GDP again by 2021-2022.

2.7. Conclusion

In the twenty-first century, India succeeded to achieve the expected economic growth. Although there were some crises and pitfalls, it was able to achieve a strong and growing economy. It also succeeded in harnessing the entire productive capabilities of the country and pushing it to provide all the supplies to strengthen the Indian economy, so that India would eventually become one of the economic pillars of the world. After all, achieving economic growth is not always the same as being developed. India had been able to be a great economic power, but many questions about whether that growth led India to be a developed country, and how can India keep the growth rates on its advantages?

Chapter Three

Effects of the New Economic Growth

3.1. Introduction

The Indian economy has achieved an excellent result in the twenty-first century; the growth rates are unprecedentedly high. Major sectors have begun to flourish, and production and income rates have risen significantly. However, despite all of that, India is still classified as a third-world country, and it still has many problems like poverty, hunger, lack of healthcare infrastructure, income imbalance, and unemployment. Though India is growing economically, Challenges and problems grow simultaneously with it. The attainment of economic progress there came up with a social distinction, and split India into two classes rich and poor. However, the government managed to fix its economy, but it did not make it in line with the structure of the nation, which will probably be going to make more challenges for the Indian economy in the future.

The third chapter aims to discuss the effect of the Indian economic growth from India's perspective, the international perspective, and its impact on the world. It also tries to explain the main reasons why India is the expected benefits from its economic growth, and why it is still considered undeveloped, or a third world country. Moreover, this part gives some of the challenges that are facing the Indian economy, and states some future expectations for it.

3.2. Strengths and advantages of the Indian Economic Growth

India has the fourth-largest economy on the planet. In 2017, it produced \$9.4 trillion in goods and services. However, it has a significant way to go to catch up to the top three: China, with \$23.2 trillion in output, the European Union, with \$20.9 trillion, and the United States, with \$19.4 trillion. Despite the economic crisis of 2008, India saw remarkable development. It increased by 6.8 percent in 2018, 7.2 percent in 2017, and 8.2 percent in 2016. It grew at a rate ranging from 3% to 8.5 percent between 2008 and 2014. In the 2010s, that amazing growth rate decreased poverty by roughly 10%.

Prime Minister Narendra Modi was re-elected on May 23, 2019. On May 16, 2014, he was first elected, ending 30 years of administration by a coalition government that included the party previously led by Mahatma Gandhi. Mr. Modi, a wealthy businessman, ran on promises to eliminate bureaucracy and regulation, accelerate infrastructure projects, and simplify the tax code. Critics contend he has not kept his campaign promises. Despite

growth rates of more than 6% between 2014 and 2017, unemployment has risen to more than 7%. The government-owned banks were saddled with bad debt, limiting their capacity to lend. In 2016, the currency fell, allowing for 3.6 percent inflation. A tax on goods and services proved controversial.(Amadeo, 2020)

3.2.1. Strengths and Opportunities:

India is a desirable outsourcing destination as well as a low-cost importer. Its economy possesses the following competitive benefits:

- Living expenses are cheaper than in the United States. Its GDP per capita is \$7,200, which is half that of China or Brazil. This is advantageous since Indian employees do not require as much money since everything is less expensive.
- India contains a large number of well-educated technology employees.
- English is an official subsidiary language of India. It is widely spoken among Indians. This, together with the high level of education and salary disparity, draws US technology and contact centers to India. It's difficult to estimate how many jobs have been lost due to outsourcing, with estimates ranging from 104,000 to 700,000.
- The 1.3 billion individuals that make up India come from a diverse spectrum of economic and cultural backgrounds. This variety may be a source of strength or a source of difficulty. Geographic geography has a significant impact on socioeconomic status. Each of India's three major regions has different social and educational distinctions. Many individuals migrate to cities from rural regions. The majority of them are young and educated. They want to live a better life. In 2018, the rate of urbanization reached 34%.
- "Bollywood" refers to the lucrative Indian film business. It's a combination of Bombay, now known as Mumbai, and Hollywood. Bollywood produces more than twice as many films as Hollywood. India's Shah Rukh Khan is the world's most popular actor. Bollywood contributed \$4.5 billion to India's GDP in 2016. It only makes less money than Hollywood (\$51 billion) because its ticket prices are substantially cheaper. On the good side, Bollywood films are less expensive to produce: \$1.5 million on average, compared to \$47.7 million in Hollywood.

These characteristics translate into numerous opportunities for American businesses. Foreign direct investment in Indian firms has the potential to be extremely successful. The

Indian middle class is almost 250 million strong, which is more than the middle class in the United States. It will continue to fuel consumer spending and economic growth in India. Aside from FDI, India has experienced over 100 initial public offerings (IPOs) in the previous 18 months. In 2012 and 2013, private equity financing increased, a trend that is projected to continue. The top four sectors have been energy, health care, industry, and materials. While inward mergers and acquisitions agreements have decreased in recent years, outward deals in emerging areas such as the Middle East, Asia, Africa, and South America have surged significantly. Low values are being pushed by low values as a result of the current recession. (Amadeo, 2020)

3.2.2. Benefits of Economic Growth:

The primary goal of the government is to ensure that the benefits of increased economic growth are distributed fairly to all segments of society. The government has implemented a number of programs and schemes aimed at improving social infrastructure, creating more job opportunities, and providing basic services to all segments of the population, such as water, power, roads, sanitation, and housing. One of the numerous initiatives launched by the government is the Mahatma Gandhi National Rural Employment Guarantee Act for wage employment. Deendayal Antyodaya Yojana-National Rural Livelihoods Mission for providing free business; Pradhan Mantri Awas Yojana for supporting rural areas; Pradhan Mantri Gram Sadak Yojana for rural roads; Pradhan Mantri Jan Aarogya Yojana to develop dual and triple-quality health services; Pradhan Mantri Shram Yogi Maandhan scheme to ensure fixed monthly retirement to 10 crore unorganized sector workers; Pradhan Mantri Jan Dhan Yojana for financial banking management; Swacch Bharat Mission; National Urban Mission to stimulate rural areas. (Radhakrishnan, 2019)

3.2.3. Indian Science and Technology advancement:

India now ranks third in the world in terms of the most appealing investment destinations for technology deals, indicating that scientific areas in India have advanced significantly. This is the twenty-first century. It took place among the world's premier nations in scientific research. For example, India has ascended to the top five nations in the world for space science because of its moon missions and Polar Satellite Launch Vehicle (PSLV). According to the Global Competitiveness Index (2020), India takes the 48th

place in overall inventiveness and is one of the top 15 nations in information and communication technology and R&D-intensive global enterprises.

According to market size, R & D spending was meant to reach US \$96.50 billion in 2020, accounting for over 2% of the country's GDP. India has implemented a number of financial programs that enable the country to strengthen its major strategic industries, such as space, energy, and life sciences. Energy is one of India's developing areas that is gaining popularity. Indian and American experts have worked together on the Solar Energy Research Institute for India, a joint Indo-US initiative (supported by the US-India Partnership to Advance Clean Energy). The majority of Indian students prefer technology to fundamental courses because of the enticing industrial job prospects. India must focus on this component in order to encourage and motivate young individuals to study basic sciences, thus accelerating the country's primary research trajectory. One endeavor to promote fundamental sciences at the undergraduate and graduate levels is the formation of Indian Institutes of Science Education and Research. Several universities, like the University of Calcutta, provide post-BSc-B. Tech degrees designed to give students both scientific and technical knowledge.

India is progressively developing toward being a global leader in manufacturing and technical development, with a heavy focus on research. The adoption of nanotechnology in India will lead to the growth of not just the health sector but also the nuclear sector. The new Science, Technology, and Innovation Policy 2020 aspires to promote science in a more effective and expert-driven way. As both hurdles and possibilities await India, it is hoped that events will soon move the emphasis from "difficulties" to "optimism." (Basak, 2021)

3.2.4. Technological advancement:

India's technology growth is accelerating, that is why it ranks third among the world's most profitable investment alternatives in technology transactions. Science and technology are becoming increasingly important in modern India. According to the Economic Report 2021, India's GERD (Gross Expenditure on Research and Development) as a proportion of GDP (Gross Domestic Product) was 0.65%. India's MedTech (Medical Technology) sector was expected to reach US \$7.8 billion in 2020 and US \$9.6 billion by 2022, representing a 12 percent growth rate. India has been putting a lot of money into its

technical infrastructure. And, as a result of its tenacity and growth attitude, India is currently ranked 46th in the Global Innovation Index 2021.

India's biological sector has also expanded as a result of adequate research and resource supplies. One illustration of India's biotechnological progress may be witnessed during the current corona virus epidemic. The Indian Department of Biotechnology has created essential contemporary vaccines, medicinal bioactive compounds, hybrid high-yielding seeds, tissue-cultured agricultural propagules, artificial seeds, bio fertilizers, and other specialized components.

India has focused on developing its talent from time to time by launching several skill-development initiatives. Many monetary and other incentives are provided by the government to encourage the younger generation and employ indigenous technical help.

Institutions such as ICAR's Krishi Vigyan Kendras, NRDC's extension centers, polytechnic institutions, and the Ministry of Human Resources have all been active in providing vital information to India's creative young minds.

The Rajya Sabha passed the Indian Institutes of Information Technology Laws Bill on September 22, 2020, according to PRS India. The goal of adopting the law is to provide needed expertise in the field of information technology in order to deliver practical answers to the country's challenges.

ISRO said in July 2021 that its geo-imaging satellite designated 'EOS-03,' which will enable near-real-time monitoring of natural disasters such as cyclones and floods, is slated for launch in the third quarter of 2021, while Chandrayaan-3 is anticipated to be launched in the third quarter of 2022. (Kumar, 2021)

Growth and equality are the two most important aims of any type of economic growth. While growth refers to an increase in total national revenue, equity refers to the equitable distribution of that money so that the benefits of higher economic growth can be enjoyed by all sectors of the population in order to create social equality. Growth is assessed by the market value of goods and services produced in the economy (GDP), but this does not ensure an equal distribution of the money generated. . As a result, growth with equity is a logical objective of economic growth since it assures that all persons share the benefits of high growth equitably.(Verma, 2020)

The benefits of the economic growth took India a step further and it solved some of its problems but it could not end them all such as poverty, unemployment, and corruption. As a result, it is still suffering from many issues and still a third world country.

3.3. Poverty in India

Poverty is defined as the degree of basic consumption required for survival. The Planning Commission of India defined it in terms of calorie consumption. Poverty is defined as having a daily calorie intake of fewer than 2400 kcal in rural regions and 2100 kcal in urban areas. The term "relative poverty" refers to the disparity in levels of income between the rich and the poor. Even using the Planning Commission's inadequate definition of absolute poverty, it is estimated that over 230 million people live below the poverty line (BPL). According to the World Bank's criteria, the figures would skyrocket. According to reports, India has the greatest number of people living below the poverty line. The number of individuals living below the poverty line is even more than the total population of the United States. Poverty is predominantly concentrated in states such as Uttar Pradesh, Bihar, Orissa, Madhya Pradesh, and West Bengal, which account for more than half of overall poverty in India. (Verma, 2020)

The international poverty line is the US \$1.25 per day, and according to a World Bank report, 32.7 percent of India's population lives below the poverty line, with 68.7 percent living on less than the US \$2 per day. In India, 45 percent of youngsters suffer from Malnutrition. India has the highest child mortality, surpassing Bangladesh and Sri Lanka. Although the Gross Domestic Product (GDP) has grown impressively over time, geographical, economic, and social disparities have multiplied due to poverty. These are just a handful of the frightening and often discussed statistics concerning poverty in India. (Kaur, 2013)

3.4. Why India is not developed yet?

Corruption: India is practically associated with the term "corruption," if not entirely. Countless frauds in recent years have helped to explain the corruption scandal. It has an impact on almost all government ministries. Corruption is often recognized as one of the primary causes of poverty in India. According to Bloomberg statistics, corrupt politicians in the state of Uttar Pradesh stole around \$14.5 billion in food. As a result of the looting,

the poor were unable to subsist without the necessary amount of food, and kids suffered from malnutrition. There are several incidents of illegal practices that worsen the situation, and make the poor poorer. Despite the country is working to achieve "inclusive growth," corruption is playing a role. As a result, all such efforts for the poor and needy have failed to convince and assist them.

Outcomes of the Economic reforms: Economic changes implemented in the early 1990s are to blame for India's rural economy's decline. It also contributed to the agricultural crisis. Poor farmers have no choice but to commit suicide as a result of their massive debt. The government should devise programs to make communities self-sufficient. In addition, youth must be provided with skill-based education.

Misusing of development model: Administrative costs eat up a large portion of the funds generated or given to anti-poverty programs. As a result, the entire chain of aid to the impoverished prevents this from happening.

The massive number of population: The ever-increasing population is not a direct reason for poverty, but it is one of its consequences. Excess of anything is, as the saying goes, bad. This is also true in this scenario. Additional population necessitates the use of more resources, such as food. However, if this surplus is properly managed, it may contribute to the country's economic progress, and India's infrastructure cannot cover the fast population growth rate. (Kaur, 2013)

According to the 2001 census, India's population is 1,025 billion, up from 439 million in 1961. Recently, India's population growth rate has been increasing at a pace of roughly 2.14 percent each year. India is currently in the second stage of demographic transition, which is being supported by a reduction in the birth rate and a decrease in the mortality rate. As a result, India's population explodes. As a result, there is a high dependence ratio. (Seth, 2015)

Extend Inequality in the Economic Sector: India's economic system has certainly benefited businesspeople, but it has failed when we consider that over 213 million Indians go hungry daily. Workers' rights, both organized and unorganized, are being infringed. They are underpaid and are not compensated in accordance with industrial expansion and growing prices. As a result of this evident disparity, millions of girls are sexually exploited

and trafficked every year for the money. Simultaneously, child labor has soared. The wealthy are accumulating more riches. In such an unequal context, the wealthiest 5% of families own 38% of India's total assets, while the lowest 60% own only 13% of the assets.

The Absence of mini sectors: The majority of economic policies and changes are unfriendly to small-scale industries. As a result, these policies produce and create bureaucrats while repressing entrepreneurs.

The poor Ideology: An impediment is not just external problems, but also impoverished people's personal desire to remain poor. You must have seen healthy beggars at red lights. If kids are asked to do a chore instead of begging, the easy answer is no. Even their children do not attend school and instead rely on beggars. They will never be able to break free from this ferocious cycle of begging and poverty.

India requires outstanding political figures to drive the country forward. Productivity and the utilization of human resources for production must be prioritized. Every youngster in India must be educated so that a resource may be added. India needs a clear economic goal and a great mechanism to carry it out. Ideologies that are unclear must be distinguished from those that are explicit and result-oriented. To become wealthy, India must be free of corruption. (Kaur, 2013)

3.5. Effects of COVID 19 on India

India is likewise in the grip of a serious crisis. "This is the largest emergency for the Indian economy since independence," remarked Raghuram Rajan, former Governor of the Reserve Bank of India. This is worse than the 2008 financial crisis, which reduced demand but allowed workers/people to continue working; the government of India's economic standing was sound, but it appears like everything is working against the economy this year. 4 Almost all nations are experiencing comparable demand-supply shocks and interruptions as a result of COVID19, but India has already experienced an economic slowdown. (Aneja& Ahuja, 2020)

Impact on Agriculture: Agriculture and associated activities are not a homogeneous collection of activities, but rather an umbrella of various activities, each with its own dynamics. As a result, the influence of COVID-19 on this sector varies according to the range of processes, i.e., crops, livestock, fisheries, and so on. Horticulture and food grain

production are crops that are influenced differently. Horticulture is anticipated to bear the brunt of the impact due to the nature of perishability, whereas food grains are non-perishable and, aside from harvesting issues and labor shortages, are mostly unaffected. Spring harvesting has gone smoothly, and an MSP increase for autumn crops has been declared, ensuring farmers a 50–83 percent return on their production costs. Horticulture is suffering as a result of reduced demand and decreased exports of fruits and vegetables. Similarly, floriculture has suffered as a result of lower demand caused by the closure of religious institutions, the delay of nuptials, and so on. Milk is the largest contributor to livestock (milk, meat, eggs) that has been harmed and, luckily, has been stable during the lockdown.

Industrialisation Sector: According to SIAM's most recent estimate of the impact of COVID-19, the cars sector is likely to drop between 22%, and 35 percent in various industrial categories in FY21, assuming GDP growth of 0–1 percent. Mini, small, and medium-sized firms (MSMEs) account for a sizable proportion of manufacturing in India, and they play an important role in both job creation and the country's exports. According to the latest reports, MSMEs contribute 30% of India's GDP and 50% of industrial worker jobs. However, this sector faces challenges such as a lack of appropriate, timely, and inexpensive institutional lending. Although the pandemic affects all companies and industries, this industry is particularly hard impacted because of diminished cash flows, supply chain interruptions, a scarcity of migrant labor due to reverse movement, lower demand, and so on. India, like China, is projected to experience large destructions in this industry, with small enterprises facing greater hurdles than upstream corporations. (Aneja& Ahuja, 2020)

Service and Financial sectors: The Indian financial system, which has played the most crucial part in the crisis, has also been plagued by major issues in India such as Twin Balance Sheets (TBS), and high levels of nonperforming assets (NPAs), and an insufficiently funded banking system. Firms are also financially unstable and highly leveraged in the private corporate sector. Among the other issues are the IL&FS crisis, a 90% drop in commercial lending in the first half of FY2020, and the near-death of a well-known and reputable private bank—Yes Bank. There is no such impact on the banking sector, but because banks are at the forefront of public attention, the indirect impact of several other sectors that are hit by the pandemic is likely to be on the banks and other

financial institutions. Banks are the major source of help in times of crisis, therefore when all other sectors are hit badly, banks will also face the brunt.

Other vital aspects of the service industry, such as aviation, transportation, travel, and tourists, have taken the brunt of the damage not only in India but internationally. The impact on this industry will be determined by the intensity and duration of the crisis. According to KPMG research, around 38 million job losses are projected in India's travel, tourism, and hospitality industries. (Aneja & Ahuja, 2020)

Problems of Health and Poverty: COVID19 is a huge concern to India due to a lack of testing services, physicians, health equipment, and beds, even in developed areas. With the ensuing increase in the number of confirmed cases, several experts questioned India's ability to contain and manage the spread. According to the National Health Profile of India 2019, India's healthcare spending as a percentage of GDP was just 1.28 percent, which really is less than that of impoverished nations throughout the world. The coronavirus pandemic has had a disproportionate impact on rural and urban regions. Because of the high population density, urban regions bear the brunt of the burden. However, the danger is substantially greater in rural regions, which are home to around 70% of India's population. The healthcare industry in India is still expanding, and there are significant variations between rural and urban healthcare systems. The rural health care system is divided into three levels, Sub centres with 23%, Primary Health Centres with 27%, and Community Health Centres with 28%.

More than 122 million individuals in India lost their jobs in April 2020, and the majority of them were small-time traders and wage laborers. According to a phone poll of 4,000 employees performed by the Centre for Sustainable Employment, over 80% of urban workers in the sample lost their jobs, with a dramatic fall in the wages of farmers and self-employed people in industries other than agriculture. (Aneja& Ahuja, 2020)

3.6. Challenges of the Indian economy

Initially, in line with the global outlook, India is obviously one of the world's fastest expanding developing economies, second only to China, with the potential to overtake China in the medium term. Though India's growth has recently slowed significantly, this is due to internal factors rather than global compulsions. The advantages that India has over

china can be the fact that India is the world's biggest democracy, with an elected administration, participatory and collective knowledge inside the nation, and a steady but consensus-driven progress up the economic ladder with long-term stability, with its young population, India would contribute to the global labor force. In addition to that, India has a large number of English speakers, which can support producing over 600,000 engineers every year. Although India is a worldwide opportunity with many prospects, the fastest expanding economy, and a stronger global influence, it also faces some significant obstacles. The first hurdle, as previously said, is the capacity to turn advantages into opportunities and then encash or translate those possibilities into higher investment, production, and income.

There are still many insecurities concerning the Indian economy such as:

- Post-crisis recovery of big economies.
- The concerns of a double-dip recession, the Euro and the Eurozone face an uncertain future.
- Smaller economic power could undermine the global economy.
- Implications of big economies' expanding sovereign debt, Implications of a different other than the US dollar as an international reserve currency.
- Increase imports over the exports.
- Social classes and weak infrastructure. (Verma, 2020)

3.6.1. India's Challenges:

Prime Minister Narendra Modi is a Hindu nationalist. Many blame him for the violence against Muslims that occurred while he was governor of Gujarat, India's westernmost state. Modi is confronted with India's enormous bureaucracy. As a result, implementing any fiscal or monetary policy is difficult. In August 2015, he prevented passing a measure to purchase property for infrastructure development.

The United States' monetary policies have harmed India's economy. For example, when the Federal Reserve launched its monetary stimulus program, the Indian rupee plummeted in value. As a result of the resultant inflation, India's central bank was compelled to hike interest rates. This measure hampered India's economic development, resulting in what some referred to as "mild stagflation" in 2013. For the year, it

experienced 10.9 percent inflation and 6.4 percent growth. This value was used to combat inflation, resulting in slow growth. By 2017, prices had dropped by 3.6 percent.

When the Federal Reserve of the United States began to reduce its quantitative easing program, investors began to withdraw from India and other emerging countries. When the dollar grew in value in 2014, it pushed the rupee and other developing market currencies lower.

Global warming impairs India's efforts to raise the standard of living for its population. More than 600 million Indians are suffering from severe water scarcity. Bangalore and New Delhi are two of the 21 cities that may run out of groundwater by 2020. The city of Chennai ran out of groundwater in July 2019. Over 200,000 individuals are killed each year as a result of polluted water. By 2030, 40% of the population will lack access to safe drinking water.

The monsoon season, which lasts four months, is when the majority of India's rain falls. It is not adequately captured. Flooding from these monsoons will become more common as a result of climate change.

The Indus River is fed by the Hindu Kush-Himalaya glaciers. If nothing is done to limit greenhouse gas emissions, studies suggest that between 35 and 94 percent of the world's ice would melt by 2100.

Sea level rise poses a threat to India's 4,660-mile coastline. It poses a danger to megalopolises such as Mumbai, Chennai, and Kolkata, which each have a population of over 48 million people. Many of these cities are constructed atop landfills. At high tide, seawater pours onto Mumbai's famous oceanfront promenade. (Amadeo, 2020)

3.7. Outlooks of India due to the World's Current Situation

The Russia-Ukraine crisis erupted just as the world economy appeared to be on the verge of recovering from the worst of the COVID-19 pandemic (despite uncertainties linked with following waves of illness and growing global inflationary pressures). As a result, the prices of crude oil and gas, food grains such as wheat and corn, and a variety of other commodities have skyrocketed. The conflict has also resulted in harsh financial sanctions and political pressure on Russia from the rest of the globe, particularly Western nations. It

is apparent that they will have unanticipated and unfavorable consequences for the global financial system and economy. International investors, for example, are putting their money into safe-haven assets like gold and US Treasuries, while emerging-market equity markets, which have been suffering from capital outflows since the US Federal Reserve's move to cut asset purchases in November, are in flux.

The situation has cast a pall over India's growth prospects. Crude oil prices are still above \$100 per barrel, wheat prices have risen by 50%, and edible oil prices have risen by 20%—all of which are vital imports from the two warring states. India also gets some of its fertilizer from the region. For India, which has been dealing with inflation for some time, this circumstance is exacerbating the crisis. Higher gasoline and fertilizer prices diminish government income while increasing subsidy expenses. Furthermore, capital withdrawals and growing import bills will have a negative impact on the current account balance and currency valuation.

Not only India, but practically all developing economies are struggling with external shocks. We believe that India's core market indicators remain robust, and that the impact on the long-term outlook will be minor, notwithstanding the short-term turmoil. Growth-enhancing policies and schemes (such as production-linked incentives and the government's push toward self-sufficiency) and increased infrastructure spending will begin to take effect in 2023, resulting in a stronger multiplier effect on jobs and income, higher productivity, and greater efficiency—all of which will lead to faster economic growth. Furthermore, the emphasis on manufacturing in India, different government incentives such as lower taxes, and increased service exports as a result of the world's greater digitization and technology transformation drive would all boost growth. Based on these variables, we predict India to expand at 8.3–8.8 percent in FY2021–22, followed by similarly robust growth of more than 7.5 percent and 6.5 percent in the next two fiscal years. This means that the baton for the fastest-growing rising country will most likely be handed from China to India in the next years.

In the base case, it anticipates India's GDP to increase between 7.5 and 8.0 percent in FY2022–23 and between 6.7 and 7.1 percent in FY2023–24. Furthermore, we anticipate that pent-up demand will rise with a minor lag as the partial pass-through of increased food and energy costs (with a lag) weighs on consumers' moods and finances. Before investing, businesses would wait for demand indications and examine cost escalation. We anticipate

that growth will pick up steam in the second quarter of FY2022–23 as uncertainties subside. The initial panic may result in capital outflows (as we have seen recently) and currency depreciation, but both will most certainly regain some of the lost territories by the end of 2022. The country boosts fuel prices slowly because lower excise levies help absorb growing global charges. The budget deficit worsens somewhat as a result of greater subsidies (for fertilizers) and lower excise duty income from oil, but there are no long-term ramifications for the government's consolidation plans. All these scenarios and a lot of other future predictions depend on How long the Russia-Ukraine crisis will remain. (Majumdar, 2022)

3.8. Conclusion

The Indian economy has made a fast growth with significant results in the 21st century. It achieved Growth, but not development since it could raise its economy and become a rich land, but on the other hand, it could not stop poverty or fix the education system and infrastructure...etc. India could have some advantages from the economic growth like science, technological advancements, and market power, yet there are many challenges that affect the economy's advancement such as lack of the good management, Covid-19, and the weak infrastructure. Currently, India faces many challenges due to crises that are happening in the world like the current situation of Russ-Ukraine.

General Conclusion

General conclusion

This research aimed to trace the course of the Indian economy and analyze the causes and factors of the tremendous economic growth that India recorded in the twenty-first century. In addition, it endeavours to highlight the consequences of India's economic growth and the problems and challenges that cause growth rates to fluctuate.

The study started by highlighting different aspects of India such as geographical position, and features, with a historical overview of it. The Indian economy went through several stages and developments before becoming what it is today and after 1947, India began its journey as an independent country in a primitive way, it relied primarily on agriculture, unlike other sectors such as industry, which accounted for only 10% of employment and income. In 1960, India started the first green revolution, which aims to give advantages, support the agriculture sector, and evolve the industry sectors. The 1990 reforms were the beginning of the transitional phase for India's economy, as they included a wide range of policies and economic sectors, such as the financial sector, employment, trade, industry, and even investments and foreign exchanges. Thus, India paved the way for its economy to grow and increased its chances of success.

In the 21st century, India has marked significant economic growth, this is due to the *Second Green Revolution*, which introduced updates to the agricultural sector and increased investments in it, which increased India's agricultural production. The industry also witnessed remarkable progress and India's industries increased in various fields, in addition to the improvement and regulation of the financial and banking sector. India has also established cooperative partnerships with various developed countries, such as the United States and Japan, to invest in India and use its resources properly. After India emerged as an economic power, the fields of work in it increased in secondary sectors such as tourism and alternative medicine.

The massive economic growth that India experienced in the 21st century brought several benefits for India, like technological advancement and increased its place within scientific countries, but was not enough to make India a developed country. India is still one of the third world countries where the rate of poverty is still high due to the huge population. In addition to the phenomenon of corruption and lack of education spreading throughout India, the economy faced several obstacles, such as the Corona pandemic,

General Conclusion

which froze all economies in the world and harmed developing economies, such as the economy of India, followed by the crisis in Russia and Ukraine, which raised living prices. As a result, the Indian economy still has future challenges and reforms to bring India out of the ranks of backward countries.

In order for India to reach the stage of development, there are several recommendations to improve it. The first step for India toward development is applying equal distribution for the economic incomes, creating more jobs for the population rather than depending on foreign investments, and that will improve living standards for Indians. Moreover, growth must refine health and education in the country, in addition, to build a strong infrastructure. Planning to achieve economic growth must be accompanied by a good economic management system in order to make the country economically strong from within and without. However, in his book 'Landmarks of Tomorrow: A Report on the New', Peter Ducker says "The ultimate resource in economic development is people. It is people, not capital or raw materials that develop an economy." The upcoming studies should attempt to link internal development with economic growth in order to make economic growth support the chances of achieving development and lead the country to be able to stand using its own capabilities rather than depending on investments which will lead it to be a developed country. All in all, anyone may inquire why one should care about economic growth. Economics provides answers to a range of health, social and political issues that impact households and wider communities. Thus, conducting research in this field can open up a variety of career options across all sectors of the economy, from agriculture to manufacturing, to banking and consultancy as it can raise students' awareness and sense of citizenry too.

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